China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 362)

ANNUAL REPORT 2015

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Chan Yuk Foebe
Mr. Law Tze Ping Eric
Mr. Yu Defa

Independent Non-executive Directors

Mr. Ma Wing Yun Bryan
Mr. Tam Ching Ho
Mr. Hau Chi Kit

COMPANY SECRETARY

Ms. Yip Tsz Ying Loretta

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4007, 40/F.
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

AUTHORISED REPRESENTATIVES

Ms. Chan Yuk Foebe
Mr. Law Tze Ping Eric

AUDITOR

RSM Nelson Wheeler
Certified Public Accountants
29/F., Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

LEGAL ADVISER TO THE COMPANY

(as to Hong Kong law)
Maurice W M Lee Solicitors
Suite 603, Chuang's Tower
30–32 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Central
Hong Kong

Agricultural Bank of China
No. 462 Zhong Yang Road
Heihe City
Heilongjiang Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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183 Queen's Road East
Wanchai
Hong Kong

FINANCIAL YEAR END DATE

30 June

COMPANY WEBSITE:

www.chinazenith.com.hk

TELEPHONE NUMBER:

2845 3131

FACSIMILE NUMBER:

2845 3535

STOCK CODE

00362

CHAIRMAN'S STATEMENT

On behalf of China Zenith Chemical Group Limited (the "Company"), I present to all of our shareholders the business results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2015.

Business Review

For the year ended 30 June 2015, revenue of the Group amounted to approximately HK$62,911,000, representing a decrease of 62% compared with that of the financial year ended 30 June 2014. Loss attributable to owners of the Company amounted to approximately HK$248,517,000, representing a decrease of approximately 56% compared with that of last financial year.

During the financial year under review ("Year"), the decrease in the Group's revenue was primarily attributed by the decrease in the sales volume of our coal-related chemical products. In particular, no production activities for the Group's coal-related chemical products both in Mudanjiang and Heihe, the PRC were recorded in the Year.

The overall gross profit margin of the Group was increased as compared with that of the last financial year, the loss attributable to owners of the Company of HK$248,517,000 was attained.

The loss attributable to shareholders was mainly derived from the idle operating cost incurred which mainly comprised of depreciation and amortisation during the suspension of coal-related operation.

The segment loss of approximately HK$247,061,000 of the Group was attained during the Year representing a decrease of 56.1% compared with that of the last financial year.

The segment loss was primarily the result of approximately HK$205,981,000, approximately HK$19,870,000 and approximately HK$21,210,000 in segment losses incurred by the coal-related chemical products division, the heat and power division and the bio-chemical products division, respectively.

The Group's selling and distribution costs for the Year was approximately HK$9,011,000, representing a slightly decrease of approximately 1% when compared with that of the last financial year. The decrease in selling and distribution costs was resulted from the decrease in revenue during the year.

The Group's administrative expenses for the Year was approximately HK$109,076,000, representing a decrease of approximately 9% when compared with that of the last financial year.

During the Year, the provision of approximately HK$14,096,000 for taxes on the use of land and buildings of the Group located in the PRC and the share option benefit expenses of approximately HK$21,952,000 were recorded as administrative expenses.

Excluding the effect of the provision of approximately HK$27,410,000 for taxes on the use of land and buildings of the Group located in the PRC were recorded as administrative expenses, the Group's normal administrative expenses for the financial year ended 30 June 2014 was approximately HK$92,795,000.

Taking into account of the above, the Group's normal administrative expense was approximately HK$73,028,000 for the Year, representing a decrease of 21.3% when compared with that of the financial year ended 30 June 2014. The decrease was resulted from the effective cost control of the Group.

Business Review (continued)

During the Year, the Group's other operating expenses was approximately HK$187,585,000. Such expenses mainly represented (i) the factory overhead, namely depreciation and repairs and maintenance of production plant and machinery and direct labour cost, in the sum of approximately HK$106,378,000 incurred as a result of the temporary suspension of the production of the coal-related division and bio-chemical division during the Year, and (ii) the allowances for receivables in the sum of approximately HK$70,315,000.

The Group's other operating expenses for the financial year ended 30 June 2014 of approximately HK$157,244,000, mainly represented (i) the factory overhead, namely depreciation and repairs and maintenance of production plant and machinery and direct labour cost, in the sum of approximately HK$85,338,000 incurred as a result of the temporary suspension of the production of the coal-related division and the bio-chemical division during the Year ; and (ii) the allowances for receivables in the sum of approximately HK$58,374,000.

For the year ended 30 June 2015, the Group's other income amounted to approximately HK$24,772,000, mainly representing government grants and subsidies. The increase was mainly caused by the increase in government grants and subsidies during the Year.

Prospect

Heat and power division

The decrease in coal price for approximately of 30% will substantial enhance the earning power. Moreover, Mudanjiang Better Day Power Limited, a wholly-owned subsidiary of the Company, will complete the construction of 25 kilometers pipelines in early October 2015 which has a capacity to supply heat for approximately 12 million square meters. In addition, Mudanjiang Better Day Power Limited has successfully obtained the supplying heat for approximately 1 million square meters in 2016 to the new residential areas and a further 4 million square meters may be obtained for the supplying heat to the new residential areas in 2017 and economic of scale production will be positively achieved. Hence, it is strongly believed that the heat and power division will enlarge the profit in coming future.

Coal-related chemical production division

Heihe

Heihe Longjiang Chemical Co., Ltd. ("HLCC"), a subsidiary of the Company, has filed a writ against both the Heihe City Local Government and the State Grid Heilongjiang Electric Power Company Limited (the "Defendants"). HLCC has received a settlement offer from the Defendants. As a result, the management foresees that resumption of production is going to be commenced in the first quarter of 2016 because of the following reasons:

- The electricity tariff decreased to RMB0.365/kWh for year 2016 (2012: RMB0.42/kWh)

- Installation of gas fired kiln system for production of calcium carbide was completed during third quarter of 2015, cost of production is going to be lowered by approximately 20%

Therefore, it is no doubt that Heihe Longjiang Chemical Co., Ltd will become our main source of profit and growth driver of the Group.

Mudanjiang

New government policy on the preferential tariff is implemented during the Year. Resumption of production of calcium carbide in Mudanjiang could be achieved in the second quarter of 2016 because of the following reasons:

- Mudanjiang Better Day Power Limited (production of heat and electricity), a fellow subsidiary of Mudanjiang Daytech Chemical Limited ("MDJDC") (manufacturing of calcium carbide), is able to directly supply electricity to MDJDC for the production of calcium carbide under the preferential tariff policy, thus cost of production is significantly decreased

- With competitive cost of production of calcium carbide, the production of PVC and VA could also be resumed accordingly (major raw materials for PVC and VA is calcium carbide)

Prospect (continued)

Coal-related chemical production division (continued)

Mudanjiang (continued)

As a result, the management targeted the production of Mudanjiang coal-related chemical products could be resumed in the coming second quarter of 2016. Fully utilisation of production capacity could be achieved with competitive cost of production and reactivation the vertical integration of coal-related chemical production (from production of calcium carbide to PVC and VA) could realize and embody the value of the coal-related chemical production factories. The management is going to deliberately consider every possible factor to ensure the resumption could be successfully implemented in the coming year.

Proposed formation of a joint venture company

On 15 June 2015, the Company entered into a preliminary agreement ("Preliminary Agreement") with Mudanjiang Shen Yuen Construction Materials Company Limited ("MDJSY") in relation to the proposed establishment of a joint venture company ("JV Company") in the PRC. It is intended that the JV Company would be held as to 65% by the Company and 35% by MDJSY. In accordance with the Preliminary Agreement, the Company is responsible for the management of financing of the JV Company and MDJSY is responsible for application of licenses from respective governmental departments for construction of bioenergy power plant, operation and management of bioenergy power plant. The proposed total investment of the JV Company will be RMB300 million in proportion to the respective equity interests in the JV Company.

The JV Company will provide the Group with the opportunity to participate into the bioenergy power business to diversify the businesses of the Group and to have stable cash flows due to income from utilities business. It is strongly believed that the JV Company will have a brighten and revivifying future because:

(i) it is an highly encourage industry by National Development and Reform Commission;

(ii) with supportive government policies and subsidies;

(iii) recycling and clean energy and dramatic growing trend for bioenergy business in the PRC; and

(iv) the proposed construction of bioenergy power plant will be sited at Mudanjiang or cities nearby, Heilongjiang Province, the PRC. There is currently no bioenergy power plant owned by non-PRC company in those areas.

The JV Company is expected to expand the Group's business scope with an objective to broaden income source and enhance its financial position.

Appointment as window company of Mudanjiang City Government

On 25 August 2015, the Mudanjiang City Government appointed the Company as its Hong Kong-based agent and foreign window company representing it in the negotiation of matters concerning the city government's listing of domestic enterprises and projects, fund raising exercise and transfer of equity interest.

Share acquisition framework agreement

On 26 August 2015, the Company entered into a share acquisition framework agreement ("Framework Agreement") with Mudanjiang Transportation Group Investment Limited ("Mudanjiang Transportation Group"), a PRC state-owned enterprise which is controlled by the Transport Department of the People's Government of Mudanjiang City, Heilongjiang Province of the PRC in relation to the construction and operation of the international and domestic logistics centres ("Logistics Centres") in Mudanjiang City. The Framework Agreement has a term of 45 days from the date of execution and takes effect immediately upon signing. Pursuant to the Framework Agreement, the Company is going to acquire 70% equity interest of Mudanjiang Transportation Group which is undergoing the following projects:

(a) the Mudanjiang International Transportation and Logistics Centre (Phase 1) ("Phase 1") which is still under construction and expected to commence operation in October 2015;

(b) the Mudanjiang International Transportation and Logistics Centre (Phase 2) ("Phase 2");

Prospect (continued)

Share acquisition framework agreement (continued

(c) the drop and pull transportation project; and

(d) the state-owned interest in the general commercial complex developed by the Mudanjiang Transport Group.

Phase 1 and Phase 2 of the Logistics Centres together will form the largest domestic and international logistics centre in the eastern Heilongjiang Province and becomes the leader in the freight industry in the region. Construction of the Logistics Centres has won the support of the local government. In particular it accords with the plan of the Transport Bureau of Heilongjiang Province to build Mudanjiang City as the hub of land and sea transport in the northeast Asia. Benefited from the "one belt one road" development strategy of the PRC government and being located in the China-Russia-Mongolia economic corridor promoted by the Heilongjiang provincial government, the Logistic Centres are well positioned to tap on the rapidly growing trade with Russia and Mongolia and domestic trade in Heilongjiang Province. The cooperation contemplated under the Framework Agreement will provide an unprecedented opportunity to the Company to expand into the logistics industry.

With the Company being appointed as the window company of Mudanjiang City Government under the Appointment and Mudanjiang Transportation Group (controlled and owned by the Transport department of the Mudanjiang City Government) becoming a shareholder of the Company following completion of the transactions contemplated under Framework Agreement, it is believed that the Company will serve as a direct and effective platform for inbound and outbound investments into and out of the Mudanjiang city.

The management does not rule out the option to carry out possibility of new economy projects for bring value and benefit to the shareholders of the Company.

Gratitude

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, banks and to our management and employees for their unreserved support and continuing trust to our Group.

By order of the Board

Chan Yuk, Foebe
Chairman and Chief Executive Officer

Hong Kong, 30 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The loss attributable to shareholders was mainly derived from the idle operating cost incurred which mainly comprised of depreciation and amortisation during the suspension of coal-related operation.

For the year ended 30 June 2015, revenue of the Group amounted to approximately HK$62,911,000, representing a decrease of 62% compared with that of the financial year ended 30 June 2014. Loss attributable to owners of the Company amounted to approximately HK$248,517,000, representing a decrease of approximately 56% compared with that of the last financial year.

During the financial year under review (the "Year"), the decrease in the Group's revenue was primarily attributed by the decrease in the sales volume of our coal-related chemical products. In particular, no production activities for the Group's coal-related chemical products both in Mudanjiang and Heihe, the PRC were recorded in the Year.

The Group's selling and distribution costs for the Year was approximately HK$9.0 million, representing a slightly decrease of approximately 1% when compared with that of the last financial year. The decrease in selling and distribution costs was resulted from the decrease in turnover during the Year.

The Group's administrative expenses for the Year was approximately HK$109 million, representing a decrease of approximately 9% when compared with that of the last financial year. The decrease was resulted from effective administrative cost control of the Group.

Excluding the effect of factory overhead during the suspension of the production of coal-related chemical and bio-chemical products which amounted to approximately 107 million, the Group's other operating expenses for the year ended 30 June 2015 was approximately HK$81 million, representing an increase of HK$9 million when compared with that of the last financial year. (Excluding the effect of factory overhead during the suspension of the production of coal-related chemical and bio-chemical products which amounted to approximately HK$85 million, the Group's other operating expenses for the year ended 30 June 2014 was approximately HK$72 million.)

Coal related chemical production division

Calcium carbide

During the Year, no revenue was recorded for the calcium carbide segment from external customers. Segment loss of approximately HK$163 million was attained, representing an increase of approximately 76% compared with that of the last financial year.

Heat and power division

During the Year, the heat and power segment recorded a revenue of HK$63 million from external customers. The residential income for the Year was approximately HK$44 million, representing an increase of approximately 41% when compared with that of the last financial year. The increase was resulted from the increase of the supplying heat residential areas from 980,000 square meters to 1,300,000 square meters. Segment loss of approximately HK$20 million was attained representing a decrease of approximately 54% compared with that of the last financial year.

The local management had closely monitored the operation to reduce coal or energy consumption and avoid wastage so as to minimize the loss from operating our heat and power generating facilities. Approximately ten months of operation and sales of electricity and heat was recorded during the Year.

Prospect

The management believes that worst situation of the Group had been passed and foreseeing a brilliant prospect in coming years.

Heat and power division

The decrease in coal price for approximately of 30% will substantial enhance the earning power. Moreover, Mudanjiang Better Day Power Limited, a wholly-owned subsidiary of the Company, will complete the construction of 25 kilometers pipelines in early October 2015 which has a capacity to supply heat for approximately 12 million square meters. In addition, Mudanjiang Better Day Power Limited has successfully obtained the supplying heat for approximately 1 million square meters in 2016 to the new residential areas and a further 4 million square meters may be obtained for the supplying heat to the new residential areas in 2017 and economic of scale production will be positively achieved. Hence, it is strongly believed that the heat and power division will enlarge the profit in coming future.

Prospect (continued)

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Therefore, it is no doubt that Heihe Longjiang Chemical Co., Ltd will become our main source of profit and growth driver of the Group.

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As a result, the management targeted the production of Mudanjiang coal-related chemical products could be resumed in the coming second quarter of 2016. Fully utilisation of production capacity could be achieved with competitive cost of production and reactivation the vertical integration of coal-related chemical production (from production of calcium carbide to PVC and VA) could realize and embody the value of the coal-related chemical production factories. The management is going to deliberately consider every possible factor to ensure the resumption could be successfully implemented in the coming year.

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Prospect (continued)

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(b) the Mudanjiang International Transportation and Logistics Centre (Phase 2) ("Phase 2");

(c) the drop and pull transportation project; and

(d) the state-owned interest in the general commercial complex developed by the Mudanjiang Transport Group.

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The management does not rule out the option to carry out possibility of new economy projects for bring value and benefit to the shareholders of the Company.

Capital structure, liquidity and financial resources

Capital structure

The Group financed its operations and business development with internally generated resources and non-equity funding.

Prospect (continued)

Capital structure, liquidity and financial resources (continued)

Liquidity and financial ratios

As at 30 June 2015, the Group had total assets of approximately HK$3,514.6 million (2014: HK$3,667.5 million) which were financed by current liabilities of approximately HK$883.0 million (2014: HK$861.5 million), non-current liabilities of approximately HK$340.7 million (2014: HK$299.3 million), non-controlling interests of approximately HK$164.0 million (2014: HK$208.9 million) and shareholders' equity of approximately HK$2,126.9 million (2014: HK$2,297.8 million).

As at 30 June 2015, the current assets of the Group amounted to approximately HK$161.4 million (2014: HK$303.0 million) comprising inventories of approximately HK$33.6 million (2014: HK$40.5 million), trade receivables of approximately HK$5.9 million (2014: HK$76.1 million), prepayments, deposits and other receivables of approximately HK$79.4 million (2014: HK$97.4 million), other loan receivables of approximately HK$0.7 million (2014: HK$0.7 million), financial assets at fair value through profit or loss of approximately HK$0.4 million (2014: HK$2.7 million), cash and cash equivalents of approximately HK$41.4 million (2014: HK$85.6 million). As at 30 June 2015, the Group's current ratio (current assets/current liabilities), quick ratio ((current assets – inventory)/current liabilities), gearing ratio (total debts/total assets) and debts to equity ratio (total debts/shareholders' equity) of the Group were approximately 0.2 (2014: 0.4), 0.1 (2014: 0.3), 34.8% (2014: 31.6%) and 57.5% (2014: 50.5%), respectively.

The Group maintained a fairly stable financial position throughout the Year. Although the Group was in net current liabilities position, the management has closed monitored the Group's liquidity position and has taken appropriate measures to ensure it had sufficient resources to meet its financial obligations.

Non-equity funding

Bank loans

As at 30 June 2015, the bank loans of the Group amounted to approximately HK$149.1 million (2014: HK$226.2 million). Considering the bank loans subject to repayment on demand clauses which can be exercised at the banks' sole discretion, bank loans of approximately HK$117.3 million (2014: HK$192.0 million) were repayable within 12 months, of which HK$2.4 million was denominated in Hong Kong Dollar and HK$114.9 million was denominated in Renminbi (2014: HK$2.3 million was denominated in Hong Kong dollar and HK$189.7 million was denominated in Renminbi). Without considering the repayment on demand clauses and based on agreed scheduled repayments set out in the loan agreements, out of the loan amount of HK$117.3 million, approximately HK$39.2 million will fall due within one year and approximately HK$78.1 million, among other things, will fall due after one year.

Bonds

On 11 December 2014, the Company and Pico Zeman Securities (HK) Limited ("Pico Zeman") entered into the placing agreements pursuant to which Pico Zeman has agreed to procure, on a best endeavor basis, independent placees (which may include Pico Zeman and its associates) to subscribe in cash for one or multiple tranches of 6%, 4-year term bonds and the 6%, 8-year term bonds, respectively, each in an aggregated principal amount of up to HK$100,000,000 within 90 days starting from the date of the placing agreements or such later date to be mutually agreed between the Company and Pico Zeman.

On 20 January 2015, the Company and Pico Zeman entered into the placing agreement pursuant to which Pico Zeman has conditionally agreed to procure, on a best endeavour basis, independent placees (which may include Pico Zeman and its associates) to subscribe in cash for one or multiple tranches of the 5%, 10-year term bonds in an aggregated principal amount of up to HK$100,000,000 within 120 days starting from the date of the placing agreement or such later date to be mutually agreed between the Company and Pico Zeman.

Prospect (continued)

Capital structure, liquidity and financial resources (continued)

Non-equity funding (continued)

Bonds (continued)

On 13 April 2015, the Company and Great Roc Capital Securities Limited ("Great Roc") entered into the placing agreement pursuant to which Great Roc has conditionally agreed to procure, on a best endeavour basis, independent placees (which may include Great Roc and its associates) to subscribe in cash for one or multiple tranches of the 6.8%, 4-year term bonds in an aggregated principal amount of up to HK$200,000,000 within 180 days starting from the date of the placing agreement or such later date to be mutually agreed between the Company and Great Roc.

On 19 May 2015, the Company and Pico Zeman entered into the placing agreement pursuant to which Pico Zeman has conditionally agreed to procure, on a best endeavour basis, independent placees (which may include Pico Zeman and its associates) to subscribe in cash for one or multiple tranches of the 5% to 9%, 6 to 10 years term bonds in an aggregated principal amount of up to HK$100,000,000 within 120 days from the date of the placing agreement or such later day to be mutually agreed between the Company and Pico Zeman.

On 3 June 2015, the Company and AMTD Asset Management Limited ("AMTD") entered into the placing agreement pursuant to which AMTD has conditionally agreed to procure, on a best endeavour basis, independent placees (which may include AMTD and its associates) to subscribe in cash for one or multiple tranches of the 6.8%, 4-year term bonds in an aggregated principal amount of up to HK$200,000,000 within six months from the date of the placing agreement, and subject to and at the sole and absolute discretion of the Company, a further 6-month period immediately thereafter.

As at 30 June 2015, the aggregate bonds payable was HK$291,437,000 aiming at improving the working capital of the Group during the Year.

Significant investment held by the Company

As at 30 June 2015, the Company did not have any significant investments except for the financial assets at fair value through profit or loss of approximately HK$0.4 million. The Company had recorded a fair value gain on financial assets at fair value through profit or loss of approximately HK$256,000 during the Year.

Charges on the Group's assets

As at 30 June 2015, bank loans and other loan of approximately HK$149.1 million and HK$49.8 million respectively are secured by charges over the Group's certain fixed assets, land held under finance leases and prepaid land lease payments.

Contingent liabilities

As at 30 June 2015, except for disclosed in Note 41, the Group did not have any significant contingent liabilities.

Foreign exchange exposure

Although most of the Group's operations were carried out in the PRC in which transactions were denominated in RMB, the directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of RMB in recent years. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2015.

Number and remuneration of employees

As at 30 June 2015, the Group had 391 full time employees in the PRC and Hong Kong. The Group recognises the importance of human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance-related commissions.

During the Year, 138 million share options were granted to senior management of Hong Kong and PRC subsidiaries of the Company. As at 30 June 2015, there were approximately 102 million share options outstanding. These comprise approximately 22 million share options with exercisable period up to 17 April 2016 at the exercise price of HK$0.204 per share, 34 million share options with exercisable period up to 9 March 2018 at the exercise price of HK$0.425 per share and 46 million share options with exercisable period up to 10 May 2018 at the exercise price of HK$1.05 per share.

CORPORATE GOVERNANCE REPORT

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has, throughout the year ended 30 June 2015, complied with the Corporate Governance Code and Corporate Governance Report (the "Code"), except for a certain deviation which is summarised below:

Distinctive Roles of Chairman and Chief Executive Officer

Code provision A.2.1

Paragraph A.2.1 of the Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Throughout the financial year under review, the roles of Chairman and Chief Executive Officer are performed by the same individual, Ms. Chan Yuk Foebe, and are not separated. The Board meets regularly to consider issues related to corporate matters affecting operations of the Group and considers that this deviation will not impair the balance of power and authority of the Board and the Company's management and thus, the Board believes the current structure will enable effective planning and implementation of corporate strategies and decisions of the Group. Notwithstanding the above, the Board will review the current structure from time to time and shall make necessary amendments at the appropriate time.

This report describes the Group's corporate governance practices applied throughout the year under review.

The Board of Directors

Composition and practices

The Board is responsible for overseeing the Group's strategic planning and development, and for determining the objectives, strategic and policies of the Group while delegating day-to-day operations of the Group to the management. Besides, each member of the Board is expected to make a full and active contribution to the Board's affairs and ensure that the Board acts in the best interests of the Company and its shareholders as a whole. The Board regularly reviews the contribution required from a director to perform his or her responsibilities to the Company, and whether he or she is spending sufficient time performing them.

As at 30 June 2015, the Board comprises six members, namely, Ms. Chan Yuk Foebe as the Chairman of the Board and the Chief Executive Officer, Mr. Law Tze Ping Eric and Mr. Yu Defa as executive directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit as independent non-executive directors. Details of their respective experience and qualification are included in the "Biographical Details of Directors and Senior Management" section of this annual report. An updated list of directors of the Company and their respective roles and functions have been maintained on the website of the Hong Kong Stock Exchange and that of the Company.

With effect from 19 December 2014, Ms. Wong Pak Ka Mary has resigned from her position as an executive director due to her other business commitment. With effect from 3 March 2015, Mr. Chiau Che Kong has resigned from his position as an executive director due to family commitment and Mr. Law Tze Ping Eric was appointed as an executive director. Ms. Wong Pak Ka Mary and Mr. Chiau Che Kong had confirmed that there is no disagreement with the Board and there is no matter relating to their resignation that needs to be brought to the attention of the shareholders of the Company.

The Board of Directors (continued)

Composition and practices (continued)

The Board has maintained a balance of skills and experience appropriate for the requirements of the businesses of the Group. Its composition represents a mixture of management, accounting and finance, marketing, manufacturing and procurement with comprehensive experience in and exposure to diversified businesses. It is the opinion of the directors that the Board has the necessary skills and experience appropriate for discharging their duties as directors in the best interests of the Company.

Besides, to the best knowledge of the Company, there is no material/relevant relationship, whether financial, operational, business, family, etc, among members of the Board.

All independent non-executive directors comply with the guidelines on independence set out under Rule 3.13 of the Listing Rules and have not violated any provision thereunder throughout the year. Amongst them, Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit have the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2) of the Listing Rules.

Appropriate liability insurance for directors has been arranged for indemnifying their liabilities arising out of corporate activities. This insurance coverage is reviewed on an annual basis.

Training and support for directors

Directors must keep abreast of their collective responsibilities. Each newly-appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. To comply with code provision A.6.5 of the Code, All directors, namely Ms. Chan Yuk Foebe, Mr. Chiau Che Kong, Mr. Law Tze Ping Eric, Mr. Yu Defa, Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit have participated in the Group briefings and other training provided by the Group to develop and refresh their knowledge and skills during the year. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes were issued to Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

During the year, the Directors also read various literature on directors' obligations and responsibilities. A record of the training received from each of the Directors are kept and updated by the company secretary of the Company.

The Board meeting – full directors' board meeting

The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate.

During the year ended 30 June 2015, seventeen Board meetings were held for discussion of the Company's matters. The attendance of each director, on a named basis and by category, at the Board meetings during the year is set out below:

Directors	Number of meetings attended/Number of Board meetings held
Executive directors	
Ms. Chan Yuk Foebe	15/17
Mr. Chiau Che Kong[1]	9/9
Mr. Law Tze Ping Eric[2]	7/7
Mr. Yu Defa	0/17
Ms. Wong Pak Ka Mary	0/3
Independent non-executive directors	
Mr. Ma Wing Yun Bryan	16/17
Mr. Tam Ching Ho	15/17
Mr. Hau Chi Kit	17/17

1 resigned from the position as an executive director of the Company with effect from 3 March 2015

2 appointed as an executive director of the Company with effect from 3 March 2015

The Board of Directors (continued)

The Board meeting – executive directors' board meeting

In addition, during the year ended 30 June 2015, one Executive Directors' Board meeting was held to deal with the compliance of legal and administrative procedures, including:

– Internal corporate re-structuring and company secretarial matters.

To handle the above-mentioned matters, at least two executive directors of the Company are required to form a quorum.

The attendance of each director, on a named basis and by category, at the Executive Directors' Board meeting during the year is set out below:

Directors	Number of meetings attended/Number of Executive Directors Board meetings held
Executive directors	
Ms. Chan Yuk Foebe	1/1
Mr. Chiau Che Kong	1/1
Mr. Law Tze Ping Eric	N/A
Mr. Yu Defa	0/1
Ms. Wong Pak Ka Mary	0/1
Independent non-executive directors	
Mr. Ma Wing Yun Bryan	N/A
Mr. Tam Ching Ho	N/A
Mr. Hau Chi Kit	N/A

The Board meeting – committee meeting

During the year ended 30 June 2015, eight Board committee meetings were held. The attendance of each director, on a named basis and by category, at Board committee meetings during the year is set out below:

	Number of meetings attended/ Number of meetings held		
Directors	Remuneration Committee	Audit Committee	Nomination Committee
Executive directors			
Ms. Chan Yuk Foebe	N/A	N/A	2/2
Mr. Chiau Che Kong	N/A	N/A	1/1
Mr. Law Tze Ping Eric	N/A	N/A	N/A
Mr. Yu Defa	N/A	N/A	N/A
Ms. Wong Pak Ka Mary	N/A	N/A	N/A
Independent non-executive directors			
Mr. Ma Wing Yun Bryan	4/4	1/2	2/2
Mr. Tam Ching Ho	3/4	2/2	1/2
Mr. Hau Chi Kit	4/4	2/2	2/2

Pursuant to the Articles, meetings or extraordinary meetings of the Board may be convened by means of telephone or similar telecommunication facilities. Regular meetings of the Board were held during the year. Extra meetings were also held to cater for important matters arising from time to time. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors/committee members at least three days before each meeting to keep the directors appraised of the latest developments and financial position of the Company to enable them to make informed decisions.

The Board of Directors (continued)

The Board meeting – committee meeting (continued)

Minutes of Board/committee meetings would be kept by the company secretary of the Company and shall be open for inspection by directors. Where directors have a material or conflict of interests in any transaction discussed in the Board/committee meetings, such a transaction will not be dealt with by way of written resolutions unless clear declaration of interest is made by the relevant directors. The directors concerned could express their views on the matter but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

In addition, to facilitate the decision-making process, the directors have free access to the management for enquiries and to obtain further information, when required. The directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company. All directors have unrestricted access to the company secretary who is responsible for ensuring that the Board/committee procedures are complied with and for advising the Board/committee on compliance matters.

Non-executive directors, including INEDs, should attend Board, committee and general meetings and contribute to the Company's strategy and policies.

Appointment and re-election of directors

The Company has established formal, considered and transparent procedures for the appointment and succession plan of directors.

All independent non-executive directors of the Company are appointed for a specific term. The term of office for Mr. Ma Wing Yun Bryan is two years with effect from 1 April 2015. The term of office for Mr. Tam Ching Ho is two years with effect from 7 December 2013. The term of office for Mr. Hau Chi Kit is two years with effect from 18 December 2013.

In accordance with the Articles, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

The Board as a whole, with the nomination committee, is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession plan of directors and assessing the independence of independent non-executive directors.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Board confirmed that all the directors have complied with the required standard of dealings set out in the Model Code throughout the year ended 30 June 2015.

Board Committees

The Board has established three Board committees, namely the remuneration committee ("Remuneration Committee"), the audit committee ("Audit Committee") and the nomination committee ("Nomination Committee") for overseeing particular aspects of affairs of the Company. These committees have been established with defined written terms of reference, as approved by the Board, which set out the committee's major duties.

The Board committees are provided with sufficient resources to discharge their duties and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the expense of the Company.

Board Committees (continued)

Audit committee

The Company set up the Audit Committee on 8 April 2001, with written terms of reference, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control systems. In accordance with the requirements of the Code on Corporate Governance Practice, the terms of reference of the Audit Committee were revised on 21 October 2006 and were further reviewed on 21 March 2012 in terms substantially the same as the provisions set out in the Code.

As at 30 June 2015, the Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Ma Wing Yun Bryan (Chairman of the Committee), Mr. Tam Ching Ho and Mr. Hau Chi Kit, all of whom are not involved in the day-to-day management of the Company.

The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process. The Audit Committee is also responsible for reviewing the auditor's appointment, the auditor's remuneration and any matters relating to the termination of, the appointment of and the resignation of the auditor. In addition, the Audit Committee also examines the effectiveness of the Company's internal controls, which involve regular reviews of the internal controls of various corporate structure and business processes on a continuous basis, and take into account their respective potential risk and urgency, to ensure the effectiveness of the Company's business operations and the realisation of its corporate objectives and strategies. The scope of such examinations and reviews include finance, operations, regulatory compliance and risk management. Each member of the Audit Committee has unrestricted access to the external auditor and all senior management of the Group in order to discharge its responsibilities. Save as disclosed above, during the year, the Audit Committee reviewed the audited financial statements of the Company for the year ended 30 June 2015 and the unaudited financial statements of the Company for the six months ended 31 December 2014. It also reviewed the system of internal control of the Company.

During the year, the Audit Committee met twice with the external auditor. Please refer to the table set out in the section "The Board Meeting – Committee Meeting" of this report for the attendance record of individual Audit Committee members.

The Audit Committee has recommended to the Board that RSM Nelson Wheeler, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

Remuneration committee

The Remuneration Committee was established on 1 July 2005 and revised on 21 March 2012 with specific written terms of reference in compliance with the code provisions in the Code. As at 30 June 2015, the Remuneration Committee comprises three independent non-executive directors, namely Mr. Ma Wing Yun Bryan (Chairman of the Committee), Mr. Tam Ching Ho and Mr. Hau Chi Kit.

The Remuneration Committee is responsible for, inter alia, advising the Board on the remuneration policy and structure for all remuneration of the Company's directors and senior management, as well as reviewing and either determining with delegated responsibility the remuneration packages of individual executive directors and senior management or making recommendations to the Board on the remuneration packages of individual executive directors and senior management in accordance with code provision B.1.2(c)(ii) of the Code; making recommendations to the Board on the remuneration of non-executive directors, and approving the compensation to executive directors and senior management for any loss or termination of their office or appointment, and reviewing and approving compensation relating to dismissal or removal of directors for misconduct. No director was involved in deciding his/her own remuneration.

Board Committees (continued)

Remuneration of directors and senior management

Pursuant to paragraph B1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 30 June 2015 is set out below:

Remuneration band (HK$)	Number of individuals
Nil to 1,000,000	6
5,000,001 to 5,500,000	3
	9

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 15 to the financial statements as set out on pages 71 to 72 of this annual report.

The Remuneration Committee meets at least once a year. During the year, the Remuneration Committee met fourth times, during which it assessed the performance of the executive directors. The attendance of each member of the Remuneration Committee, on a named basis and by category, at the committee meetings during the year is set out in the section "The Board Meeting – Committee Meeting" of this report above.

Nomination committee

The Nomination Committee was established on 2 November 2007 and revised on 21 March 2012 with specific written terms of reference in compliance with the Code. As at 30 June 2015, the Nomination Committee comprises one executive director, namely Ms. Chan Yuk Foebe, and three independent non-executive directors, namely Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit.

The nomination committee is responsible for, inter alia, the following:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors;

(d) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer;

(e) to do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board;

(f) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by the Listing Rules or applicable laws; and

(g) to ensure the chairman of the Committee, or in the absence of the chairman, another member of the Committee or failing this his duly appointed delegate, be available to answer questions at the annual general meeting of the Company.

The Nomination Committee would review the composition of the Board from time to time where Board diversity would be considered from a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of services.

During the year, the Nomination Committee met fourth times during which discussed and reviewed the structure, size and composition of the Board. Please refer to the table set out in the section "The Board Meeting – Committee Meeting" of this report for the attendance record of individual Nomination Committee members.

Board Committees (continued)

Corporate governance functions

During the year under review, the Board determined the policy for the corporate governance of the Company, and performed, inter alia, the following duties: (a) developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board; (b) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (c) developed, reviewed and monitored the code of conduct applicable to employees and directors; (d) reviewed the Company's compliance with the code and disclosure in the Corporate Governance Report; and (e) reviewed and monitored the training and continuous professional development of directors and senior management.

Company secretary

Mr. Li Chi Chung has been the company secretary of the Company since May 2014 and resigned from his position with effect from 16 January 2015. Ms. Yip Tsz Ying Loretta has been appointed as the company secretary of the Company with effect from 11 May 2015. Both Mr. Li and Ms. Yip have confirmed that they have taken no less than 15 hours of relevant professional training during the year ended 30 June 2015. The Company is of the view that both Mr. Li and Ms. Yip have complied with Rules 3.29 of the Listing Rules.

Directors' Responsibilities for the Financial Statements

The directors acknowledge their responsibility for (i) overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements are in accordance with statutory requirements and applicable accounting standards and (ii) selecting suitable accounting policies and applying them consistently with the support of reasonable and prudent judgments and estimates.

The independent auditor's report of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out on pages 32 to 33 of this annual report.

Accountability and Auditor's Remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2015.

The statement of the external auditor of the Company about their responsibilities on the financial statements is set out in the "Independent Auditor's Report" section of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board has not taken any different view from that of the Audit Committee in respect of the selection, appointment, resignation or dismissal of external auditor.

The remuneration paid to RSM Nelson Wheeler, the external auditor of the Company, and the nature of services are set out as follows:

Type of services provided by the external auditor	Fee paid/payable HK$'000
Audit services:	
Audit of annual financial statements	1,400
Non-audit services:	
Agreed upon procedures	60

Internal Control and Risk Management

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up to safeguard assets against unauthorised use or disposition, control capital expenditure, maintain proper accounting records and ensure the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control systems on an ongoing basis.

Internal Control and Risk Management

(continued)

The internal audit department was set up on 15 May 2006, under the supervision of the Board. During the year, the Board reviewed the effectiveness of the internal control systems of the Group on the adequacy and effectiveness of the Company's internal controls. The review covers aspects relating to financial and compliance controls of the major subsidiaries of the Company. Moreover, operation professionals had been appointed to perform reviews on the new information systems and operations. These reviews included operational workflow and risk management controls over new manufacturing functions of the Company. It was also the Board's review to consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Shareholders' Rights and Investor Relations

The Company encourages two-way communications with both institutional and private investors. Extensive information about the Company's activities is provided in its annual reports and interim reports, which are sent to shareholders of the Company.

Designated executive directors and senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner. Investor may write directly to the Company at its principal place of business in Hong Kong for any inquiries.

At general meetings, the Chairman of the meetings raises separate resolutions for each effectively independent matter. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board and the chairman of the Board committees, or in their absence, other members of the respective committees, must attend the annual general meeting to address shareholders' queries. External auditor is also invited to attend the Company's annual general meetings and is available to assist the directors in addressing queries from shareholders relating to the conduct of the audit and the preparation and content of its auditor's report.

Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings can make a requisition to convene an extraordinary general meeting pursuant to article 64 of the Company's articles of association. The procedures for shareholders to put forward proposals at general meetings are stated as follows:

(a) The written requisition must state the purposes of the meeting, and must be signed by all the shareholders concerned and may consist of several documents in like form each signed by one or more shareholders concerned.

(b) The written requisition must be deposited at Room 4007, 40/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong, the head office of the Company, for the attention of the Directors or the Company Secretary.

(c) The written requisition will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the relevant resolution in the agenda for such general meeting. Such general meeting shall be held within two months after the deposit of such requisition.

(d) If within 21 days of such deposit, the Directors fail to proceed to convene such a general meeting, the requisitionist(s) himself (themselves) may themselves convene a meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors to do so shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' Rights and Investor Relations (continued)

During the year under review, one general meeting was held. The 2014 annual general meeting was held on 11 December 2014. The attendance record of each director, on a named basis and by category, at the general meeting held during the year under review is set out below:

Directors	Number of general meetings attended/ Number of general meetings held
Executive directors	
Ms. Chan Yuk Foebe	1/1
Mr. Chiau Che Kong	1/1
Mr. Law Tze Ping Eric	N/A
Mr. Yu Defa	0/1
Ms. Wong Pak Ka Mary	0/1
Independent non-executive directors	
Mr. Ma Wing Yun Bryan	0/1
Mr. Tam Ching Ho	0/1
Mr. Hau Chi Kit	0/1

No amendments were made to the Memorandum and Articles of Association of the Company during the year under review. The Memorandum and Articles of Association of the Company is available on both the website of the Company and that of HKEx.

Shareholder services

Any matter in relation to the transfer of shares, change of name or address, or loss of share certificates should be addressed to the Company's Hong Kong branch share registrar and transfer office as follows:

Tricor Tengis Limited
22/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: 2980 1888
Fax: 2861 0285

Shareholders' enquiries to the Board

Shareholders of the Company may send their enquiries to the Board in writing with contact details (including registered name, address, telephone number and email address) to the Company Secretary of the Company as follows:

Address: Room 4007, 40/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong
Telephone: 2845 3131
Fax: 2845 3535
Email: info@chinazenith.com.hk

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Ms. Chan Yuk Foebe (陳昱), aged 46, is the chairman and chief executive officer of the Group and joined the Group in January 2004. Ms. Chan is responsible for the overall management and business development of the Group. Ms. Chan holds a bachelor's degree in Accountancy from the Queensland University of Technology in Australia. Ms. Chan has more than 10 years' experience in the areas of corporate finance and management. Ms. Chan is a non-executive director of Heng Tai Consumables Group Limited ("Heng Tai") (Stock Code: 197), whose shares are listed on the main board of the Stock Exchange. Save as disclosed herein, Ms. Chan did not hold any other directorships in listed public companies in the last three years. Ms. Chan Yuk Foebe was appointed as the Chairman and a member of nomination committee with effect from 2 February 2012.

Mr. Chiau Che Kong (周志剛), aged 47, is an executive director and a member of the Nomination Committee of the Company. Mr. Chiau is specialised, and has more than 10 years' experience, in the trading industry of consumer products in Hong Kong and the PRC prior to joining the Group in February 2004 as a marketing manager. Mr. Chiau did not hold any other directorships in listed public companies in the last three years. Mr. Chiau was appointed as an executive director on 14 December 2005 and was responsible for the Group's administration and business development and resigned from his office with effect from 3 March 2015.

Mr. Law Tze Ping Eric (羅子平), aged 35, is an executive director of the Company. Prior to the joining of the Group, Mr. Law worked as a business consultant and provided consultancy services for listed and non-listed companies in Hong Kong. Mr. Law did not hold any other directorships in listed public companies in the last three years. Mr. Law was appointed as the executive director with effect from 3 March 2015.

Mr. Yu Defa (于德發), aged 48, is an executive director of the Company. He is currently acted as the chief operation director of Heihe LongJiang Chemical Co. Ltd., a subsidiary of the Company. Mr. Yu had been the sales and operating general manager of medium-sized enterprises with more than ten years of extensive experiences in sales operation and management. He joined the Group in October 2011 and promoted to be the deputy general manager of Heihe LongJiang Chemical Co. Ltd. in October 2013. Mr. Yu majored in civil work engineering in Harbin University of Science and Technology in 1988 to 1990. Mr. Yu did not hold any other directorships in listed public companies in the last three years. Mr. Yu Defa was appointed as the executive director with effect from 5 May 2014.

Ms. Wong Pak Ka Mary, aged 25, is an executive director of the Company. Ms. Wong holds a Bachelor's Degree in Business and Commerce and a Master of International Business from Monash University. Prior to the joining of the Group, Ms. Wong works as a manager in GR Capital (Holding) Limited. Ms. Wong is the representative of Mr. Chen Feng, who entered into the framework agreement with the Company on 13 May 2014 and also entered into a non-legally binding agreement with a substantial shareholder, Mr. Chan Yuen Tung, of the Company in relation to a possible transfer of shares of the Company on 13 May 2014 and Ms. Wong was responsible for the possible restructuring of business of the Group until the lapse of both framework agreement and possible transfer of share of the Company . Ms. Wong was appointed as an executive director on 8 July 2014 and resigned from her office with effect from 19 December 2014.

Independent Non-executive Directors

Mr. Ma Wing Yun Bryan (馬榮欣), aged 49, is an independent non-executive director and is also the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Ma is the finance director of Union Sun International Group Limited, a non-listed company with affiliates dealing in property development in the PRC. He was an independent director of Celestial Nutrifoods Limited (the shares of which are listed on the main board of Singapore Exchange Securities Trade Limited (the "Singapore Exchange")) until 18 July 2011. Moreover, Mr. Ma was an independent director of China Oilfield Technology Services Group Limited (the shares of which are listed on the main board of the Singapore Exchange) until 30 May 2010. He has approximately 20 years of experience in the areas of audit, financial management and operational management. Mr. Ma is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ma was appointed as an independent non-executive director in February 2001.

Directors (continued)

Independent Non-executive Directors (continued)

Mr. Tam Ching Ho (譚政豪), aged 44, appointed on 30 June 2007, is an independent non-executive director and is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Tam is a certified public accountant (practising) registered with the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Tam has worked in a reputable international accounting firm, where he specialised in providing assurance services for pre-listing, listed and multinational companies, for about eight years. He has also held senior positions in several companies, including mainly the financial controller of a company listed on the main board of the Stock Exchange and another company listed on the Main Board of the Singapore Exchange Limited for a total of about seven years. Mr. Tam has accumulated extensive experience in corporate finance and administration, listing compliance, investor relations, accounting and auditing. Mr. Tam holds a bachelor's degree in accountancy. He is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants. Mr. Tam is also an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited (Stock Code: 682), the shares of which are listed on the main board of the Stock Exchange. Mr. Tam was a Supervisory Board member of CBF China Bio-Fertilizer AG, the shares of which were listed in the Entry Standard of Frankfurt Stock Exchange, from 8 December 2010 to 31 January 2013. Save as disclosed herein, Mr. Tam did not hold any other directorships in listed companies in the last three years.

Mr. Hau Chi Kit (侯志傑), aged 43, is an independent non-executive director of the Company. He was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr. Hau is currently a solicitor not in private practice and was an independent non-executive director of CNC Holdings Limited (Stock Code: 8356), a company listed on the Growth Enterprises Market of the Stock Exchange from 16 May 2011 to 18 May 2015. Mr. Hau is also an independent non-executive director of both eForce Holdings Limited (Stock Code: 943), a company listed on the main board of the Stock Exchange and Celebrate International Holdings Limited (Stock Code: 8212), a company listed on the Growth Enterprises Market of the Stock Exchange with effect from 1 May 2015. Save as disclosed herein, Mr. Hau did not hold any other directorships in listed companies in the last three years. Mr. Hau was appointed as the independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee with effect from 18 December 2013.

Senior Management

Mr. Mak Wing Chun (麥永津), aged 34, was appointed as the chief financial officer of the Group with effect from 21 May 2014. Mr. Mak is responsible for the financial reporting of the Group. Mr. Mak graduated from City University of Hong Kong with a bachelor's degree in Accountancy. Mr. Mak joined the Group in April 2010 as an accounting manager. Prior to the joining of the Group, he worked in various reputable international accounting firms and has over 9 years of experience in auditing and accounting.

Senior Management (continued)

Mr. Wu Huamin (吳化民), aged 52, is the Vice General Manager of the Mudanjiang Gaoke Bio-Chem Company Limited and is mainly responsible for the daily production of the Vitamin C division. Mr. Wu has over 15 years' experience in production management of the medicine manufacturing enterprises. He joined the Group on May 2009. He studied mechanical development in Jiamusi Technical College (佳木斯工學院) from 1981 to 1985.

Mr. Tian Yu (田雨), aged 58, is the Vice General Manager of the Mudanjiang Better Day Power Limited of the Group, and is mainly responsible for the production technology of power and steam. He joined the Group in December 2006. Mr. Tian has over 20 years' extensive experience in the production, management and project construction aspects of enterprises which generate and supply power and steam. He further studied and graduated from Heilongjiang Province Economic Cadre Institute (黑龍江省經濟幹部學院) in 2000, majoring in economic management.

Mr. Sun Jianfei (孫劍飛), aged 43, is the Vice General Manager of the Heihe Longjiang Chemical Company Limited. Mr. Sun has over 10 years' experience in the production management of chemical enterprises. He joined the Group in September 2005 and was promoted to Vice General Manager of the Mudanjiang Daytech Chemical Ltd. Mr. Sun completed a program of chemical technology from Mudanjiang Vocational University (牡丹江職工大學) in July 1995.

Senior Management Remuneration System

The remuneration system of the senior management of the Group is a combination of the economic benefit of the senior management (including executive directors) and the operational results and share performance of the Group. Most of the members of the senior management have signed result examination contracts' with the Company. In this system, the remuneration of the senior management comprises three parts, namely, basic salary, bonus and share options. The floating remuneration of the senior management represents approximately 70% to 75% of their total potential remuneration, which includes result bonuses and share options representing approximately 15% to 25% and 50% to 60% respectively of their total potential remuneration. Floating remuneration is linked with the specific business performance indicators, for example, the net profit, capital return and cost reduction indicator.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group for the year ended 30 June 2015.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 25 to the financial statements.

An analysis of the Group's performance for the year by business segments is set out in note 11 to the financial statements.

Results and Dividends

The Group's profit for the year ended 30 June 2015 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 34 to 96 of this annual report.

The directors do not recommend the payment of dividend for the year ended 30 June 2015.

Summary Financial Information

The following is a summary of the published consolidated results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate:

Results

	Year ended 30 June				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**62,911**	163,477	297,446	213,791	1,415,414
(LOSS)/PROFIT FROM OPERATIONS	**(278,660)**	(637,667)	(323,324)	(440,933)	153,314
Finance costs	**(48,019)**	(32,667)	(14,309)	(7,841)	(4,274)
(LOSS)/PROFIT BEFORE TAX	**(326,679)**	(670,334)	(337,633)	(448,774)	149,040
Income tax credit/(expense)	**28,418**	79,697	12,736	42,610	(33,675)
(LOSS)/PROFIT FOR THE YEAR	**(298,261)**	(590,637)	(324,897)	(406,164)	115,365
Attributable to:					
Owners of the Company	**(248,517)**	(559,532)	(310,652)	(390,112)	95,517
Non-controlling interests	**(49,744)**	(31,105)	(14,245)	(16,052)	19,848
	(298,261)	(590,637)	(324,897)	(406,164)	115,365

Summary Financial Information (continued)

Assets, liabilities and equity

	At 30 June				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Non-current assets	**3,353,154**	3,364,546	3,808,089	3,686,862	3,624,693
Current assets	**161,446**	302,961	268,754	294,671	826,515
TOTAL ASSETS	**3,514,600**	3,667,507	4,076,843	3,981,533	4,451,208
Non-current liabilities	**340,737**	299,289	153,286	164,149	203,789
Current liabilities	**883,000**	861,474	811,191	719,532	710,126
TOTAL LIABILITIES	**1,223,737**	1,160,763	964,477	883,681	913,915
TOTAL EQUITY	**2,290,863**	2,506,744	3,112,366	3,097,852	3,537,293
Attributable to:					
Owners of the Company	**2,126,830**	2,297,894	2,871,933	2,858,572	3,274,747
Non-controlling interests	**164,033**	208,850	240,433	239,280	262,546
	2,290,863	2,506,744	3,112,366	3,097,852	3,537,293

Note: The results of the Group for the year ended 30 June 2015 and the assets, liabilities and equity of the Group as at 30 June 2015 are those set out in the audited financial statements on pages 34 to 35 and pages 36 to 37 of this annual report, respectively.

The results of the Group for the years ended 30 June 2011, 2012, 2013 and 2014 have been extracted from the audited financial statements of the Company for the respective years.

The assets, liabilities and equity of the Group as at 30 June 2011, 2012, 2013 and 2014 have been extracted from the audited financial statements of the Company for the respective years and have been restated as appropriate.

Fixed Assets

Details of movements in the Group's fixed assets and land held under finance leases are set out in notes 20 and 21 to the financial statements respectively.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 31 and 32 to the financial statements, respectively.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Islands Companies Law"), being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Confirmation of Independence of Independent Non-executive Directors

The Company has received from each of Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit an annual confirmation of their independence pursuant to the Rule 3.13 of the Listing Rules and the Company are of the view that all independent non-executive directors of the Company have met the independent guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

Reserves

Details of movements in the reserves of the Group and of the Company during the year under review are set out in the consolidated statement of changes in equity on page 38 of this annual report and note 33(b) to the financial statements as set out on page 90 of this annual report, respectively.

Major Customers and Suppliers

During the year, the sales to the Group's five largest customers accounted for approximately 24.7% of the Group's total sales for the year and the sales to the largest customer included therein amounted to approximately 16.8%.

Purchases from the Group's five largest suppliers accounted for approximately 100.0% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 55.1%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Directors

The directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Ms. Chan Yuk Foebe
Mr. Peng Zhanrong (resigned on 8 July 2014)
Mr. Chiau Che Kong (resigned on 3 March 2015)
Mr. Law Tze Ping Eric (appointed on 3 March 2015)
Mr. Yu Defa
Ms. Wong Pak Ka Mary (appointed on 8 July 2014 and resigned on 19 December 2014)

Independent Non-executive Directors:

Mr. Ma Wing Yun Bryan
Mr. Tam Ching Ho
Mr. Hau Chi Kit

In accordance with articles 108 and 112 of the Articles, Mr. Law Tze Ping Eric and Mr. Ma Wing Yun Bryan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Biographical Details of the Directors and Senior Management

Biographical details of the directors of the Company and senior management of the Group are set out on pages 21 to 23 of this annual report.

Directors' Service Contracts

Ms. Chan Yuk Foebe has entered into a service contract with the Company commencing from 22 November 2004, which shall, subject to the re-appointment as a director of the Company in accordance with the Company's Articles, continue until terminated by either party giving not less than three months' notice in writing to the other. Mr. Chiau Che Kong has entered into a service contract with the Company commencing from 14 December 2005, which shall, subject to his re-appointment as a director of the Company in accordance with the Company's Articles, continue until terminated by either party giving not less than three months' notice in writing to the other. The service contract of Mr. Chiau Che Kong was terminated with effect from 3 March 2015. Moreover, Mr. Yu Defa, Ms. Wong Pak Ka Mary and Mr. Law Tze Ping Eric have entered into a letter of appointment with the Company for an initial term of two years commencing from 5 May 2014, 8 July 2014 and 3 March 2015 respectively, which shall, subject to the re-appointment as a director of the Company in accordance with the Company's Articles, continue until terminated by either party giving not less than three months' notice in writing to the other. The service contract of Ms. Wong Pak Ka Mary was terminated with effect from 19 December 2014.

Mr. Ma Wing Yun Bryan was appointed for a term of two years as an independent non-executive director of the Company commencing from 28 February 2001. The term of his appointment was renewed for a further two-year term commencing from 28 February 2003. Upon expiry of his appointment on 27 February 2005, the Company did not renew the service contract with Mr. Ma Wing Yun Bryan until 24 March 2006. The Company renewed the service contract with Mr. Ma Wing Yun, Bryan for a further term of three years, commencing from 1 April 2006. The term of his appointment was since renewed for a further term of two years commencing from 1 April 2009, 1 April 2011, 1 April 2013 and 1 April 2015, respectively.

Directors' Service Contracts (continued)

The Company entered into a service contract with Mr. Tam Ching Ho commencing from 30 June 2007 to the then following annual general meeting (i.e. 6 December 2007) of the Company. On 7 December 2007, the Company renewed the service contract with Mr. Tam Ching Ho for a term of two years as an independent non-executive director of the Company commencing from 7 December 2007. Moreover, the term of his appointment was renewed for a further term of two years commencing from 7 December 2009, 7 December 2011 and 7 December 2013, respectively.

The Company entered into a service contract with Mr. Hau Chi Kit for a term of two years commencing from 18 December 2013 as an independent non-executive director.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

Directors' and Chief Executive's Interests or Short Positions in Shares and Underlying Shares

As at 30 June 2015, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules were as follows:

Directors' and Chief Executive's Interests or Short Positions in Shares and Underlying Shares (continued)

Interests in the Shares and Underlying Shares

Name of director	Name of company	Type of interest	Number of Shares held (long position)	(% of issued capital of the Company)	Share options held
Ms. Chan Yuk Foebe	The Company	Beneficial Interest	59,890,000	2.51%	33,000,000
Mr. Law Tze Ping Eric	The Company	Beneficial Interest	400,000	0.02%	23,000,000
Mr. Yu Defa	The Company	Beneficial Interest	23,000,000	0.97%	Nil

Save as disclosed herein, as at 30 June 2015, none of the Directors and chief executives of the Company and their respective associates had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Interests of Shareholders Discloseable under the SFO

As far as the directors of the Company are aware, as at 30 June 2015, the following persons, other than a director or chief executive of the Company had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

Name	Number of Ordinary shares	Capacity (subject to the notes below)	Approximate percentage interest
Mr. Chan Yuen Tung	Long position 696,872,629	Beneficial owner	29.24%
Heng Tai Consumables Group Limited	Long position 225,339,991 (Note 1)	Interest of controlled corporation	9.46% (Note 1)
Master Oriental Limited	Long position 225,339,991 (Note 1)	Beneficial owner	9.46% (Note 1)

Note:

1. Heng Tai Consumables Group Limited is deemed to be interested in the shares of the Company through its controlled corporation, Master Oriental Limited. In accordance with the SFO, the interests of Master Oriental Limited are deemed to be, and have therefore been included in the interests of Heng Tai Consumables Group Limited.

Save as disclosed above, as far as the directors of the Company are aware, as at 30 June 2015, no other person had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

Emolument Policy and Long-term Incentive Scheme of the Group

Compensation for the Group is made reference to the prevailing market conditions, individual performance, contributions as well as duties and responsibilities.

A share option scheme is in place to provide appropriate long-term incentive to key staff of the Group including Executive Directors. Details of the share option scheme of the Company are set out in note 32 to the financial statements in this annual report.

Basis of Determining Emolument to Directors

The same remuneration philosophy is applicable to the Directors of the Company. Apart from benchmarking against the prevailing market condition, the Company will assess individual performance, contributions, duties and responsibilities in determining the remuneration for each Director.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, there is sufficient public float of more than 25% of the Company's shares in the market as required under the Listing Rules.

Directors' Interests in a Competing Business

During the year under review and up to the date of this report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company and/or the Group.

Audit Committee

The Audit Committee has reviewed the audited financial statements and results of the Group for the year ended 30 June 2015 and is of the view such financial statements are in compliance with applicable accounting standards and requirements.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries to all the Directors, all the Directors confirmed that they have complied with the code provisions in the Model Code during the year ended 30 June 2015.

Auditor

A resolution to re-appoint the retiring auditor, RSM Nelson Wheeler, will be put to a vote at the forthcoming annual general meeting of the Company.

ON BEHALF OF THE BOARD

Chan Yuk Foebe
Chairman and Executive Director

Hong Kong
30 September 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
CHINA ZENITH CHEMICAL GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

Report on the Financial Statements

We were engaged to audit the consolidated financial statements of China Zenith Chemical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 96, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Group operates a number of factories in the Heilongjiang Province of the People's Republic of China. Four of these factories were set up for the production of calcium carbide, vinyl acetate and polyvinyl-chloride but have temporarily suspended operations in previous years. The assets employed in each of the above factories are identified as separate cash-generating units ("CGUs"). At 30 June 2015, the carrying amounts of the CGUs mainly comprised property, plant and equipment of approximately HK$2,292,819,000, goodwill of approximately HK$37,904,000, prepaid land lease payments of approximately HK$319,706,000 and other intangible assets of approximately HK$1,555,000.

As set out in Note 6 (c) to the consolidated financial statements, at 30 June 2015, the carrying amounts of the CGUs were assessed for impairment by management. The recoverable amounts of the CGUs are determined from value in use calculation. The Group prepared cash flow forecasts based on the assumption that all the four factories would re-commence production in the coming year. The forecasted turnover was derived from the assumption that production capacity of these factories could be fully utilised from the second quarter of 2016 and the current market selling price of the relevant products. Management considered that the above sales targets were achievable based on their past experience in factory operation and that all these factory products would be fully absorbed by the market due to competitive cost of production.

However, as the factories have suspended their production up to the date of this report, there were insufficient recent data and orders on hand to justify the turnover stated in the aforesaid forecasts. In addition, we were also unable to obtain sufficient evidence to justify whether the production of the factories could reach their maximum capacity within a short period of time after recommencement of production. As a result, we were unable to determine whether the recoverable amounts of the CGUs have been materially overstated or any impairment on the carrying amounts of the CGUs is required. Any adjustments to the above figures might have a significant consequential effect on the results for the year and net assets as at 30 June 2015.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter – Material Uncertainty Relating to the Going Concern Basis

As further set out in Note 2 to the consolidated financial statements, the Group incurred a loss of approximately HK$298,261,000 for the year ended 30 June 2015 and as at 30 June 2015 the Group had net current liabilities of approximately HK$721,554,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on whether the factories would re-commence production in 2016 and generate positive cash flows to finance the operations of the Group.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

30 September 2015

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	9	**62,911**	163,477
Cost of sales		**(60,671)**	(191,024)
Gross profit/(loss)		**2,240**	(27,547)
Other income	10	**24,772**	21,436
Selling and distribution costs		**(9,011)**	(9,099)
Administrative expenses		**(109,076)**	(120,205)
Other operating expenses		**(187,585)**	(157,244)
Impairment of fixed assets		**–**	(345,008)
Loss from operations		**(278,660)**	(637,667)
Finance costs	12	**(48,019)**	(32,667)
Loss before tax		**(326,679)**	(670,334)
Income tax credit	13	**28,418**	79,697
Loss for the year	14	**(298,261)**	(590,637)
Attributable to:			
Owners of the Company	16	**(248,517)**	(559,532)
Non-controlling interests		**(49,744)**	(31,105)
		(298,261)	(590,637)
Loss per share			
– Basic	18	**(HK10.64 cents)**	(HK24.07 cents)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Loss for the year		**(298,261)**	(590,637)
Other comprehensive income after tax:			
Item that will not be reclassified to profit or loss:			
Gains on property revaluation		**16,121**	7,489
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**5,282**	(22,474)
Other comprehensive income for the year, net of tax	19	**21,403**	(14,985)
Total comprehensive income for the year		**(276,858)**	(605,622)
Attributable to:			
Owners of the Company		**(232,041)**	(574,039)
Non-controlling interests		**(44,817)**	(31,583)
		(276,858)	(605,622)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Fixed assets	20	**2,845,586**	2,845,458
Land held under finance leases	21	**66,451**	67,132
Prepaid land lease payments	22	**401,658**	410,589
Goodwill	23	**37,904**	37,904
Other intangible assets	24	**1,555**	3,463
		3,353,154	3,364,546
Current assets			
Inventories	26	**33,608**	40,490
Trade receivables	27	**5,965**	76,114
Other loan receivables	28	**700**	700
Prepayments, deposits and other receivables		**79,394**	97,357
Financial assets at fair value through profit or loss	29	**403**	2,721
Bank and cash balances	30	**41,376**	85,579
		161,446	302,961
TOTAL ASSETS		**3,514,600**	3,667,507
Capital and reserves			
Share capital	31	**238,290**	232,490
Reserves	34	**1,888,540**	2,065,404
Equity attributable to owners of the Company		**2,126,830**	2,297,894
Non-controlling interests		**164,033**	208,850
Total equity		**2,290,863**	2,506,744

Consolidated Statement of Financial Position

at 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Bank loans	39	**31,761**	34,157
Bonds payable	40	**291,437**	224,000
Deferred tax liabilities	35	**17,539**	41,132
		340,737	299,289
Current liabilities			
Trade payables	36	**79,543**	85,531
Bond interest payable		**6,749**	2,612
Other payables and accruals		**586,089**	512,998
Other loans	37	**49,843**	24,837
Due to a non-controlling shareholder of a subsidiary	38	**43,453**	43,453
Bank loans	39	**117,323**	192,043
		883,000	861,474
Total liabilities		**1,223,737**	1,160,763
TOTAL EQUITY AND LIABILITIES		**3,514,600**	3,667,507
Net current liabilities		**(721,554)**	(558,513)
Total assets less current liabilities		**2,631,600**	2,806,033

Chan Yuk Foebe
Chairman

Law Tze Ping Eric
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2015

	Attributable to owners of the Company									
	Issued share capital HK$'000	Share premium account HK$'000	Fixed asset revaluation reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Warrant reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 July 2013	232,490	1,709,247	40,946	952	328,150	448	559,700	2,871,933	240,433	3,112,366
Total comprehensive income for the year	–	–	5,995	–	(20,502)	–	(559,532)	(574,039)	(31,583)	(605,622)
Expiry of warrants	–	–	–	–	–	(448)	448	–	–	–
Disposal of fixed assets	–	–	(834)	–	–	–	834	–	–	–
Changes in equity for the year	–	–	5,161	–	(20,502)	(448)	(558,250)	(574,039)	(31,583)	(605,622)
At 30 June 2014 and 1 July 2014	232,490	1,709,247	46,107	952	307,648	–	1,450	2,297,894	208,850	2,506,744
Total comprehensive income for the year	–	–	11,600	–	4,876	–	(248,517)	(232,041)	(44,817)	(276,858)
Share option benefits										
– Grant of share options (Note 32)	–	–	–	21,952	–	–	–	21,952	–	21,952
– Exercise of share options (Note 31)	5,800	33,225	–	–	–	–	–	39,025	–	39,025
– Transfer to share premium	–	8,338	–	(8,338)	–	–	–	–	–	–
Changes in equity for the year	5,800	41,563	11,600	13,614	4,876	–	(248,517)	(171,064)	(44,817)	(215,881)
At 30 June 2015	238,290	1,750,810	57,707	14,566	312,524	–	(247,067)	2,126,830	164,033	2,290,863

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(326,679)**	(670,334)
Adjustments for:		
Finance costs	**48,019**	32,667
Interest income	**(466)**	(106)
Dividend income	**–**	(62)
Depreciation	**117,171**	140,056
Amortisation of prepaid land lease payments	**9,172**	11,272
Amortisation of other intangible assets	**1,916**	1,936
Allowance for receivables	**70,315**	58,374
Write off/loss on disposal of fixed assets	**601**	582
Gain on disposal of prepaid land lease payments	**–**	(10,604)
Fair value gain on financial assets at fair value through profit or loss	**(256)**	(89)
Gain on disposal of financial assets at fair value through profit or loss	**(1,273)**	(9)
Revaluation deficits on buildings	**2,058**	4,300
Impairment of fixed assets	**–**	345,008
Share option benefits	**21,952**	–
Operating loss before working capital changes	**(57,470)**	(87,009)
Decrease/(increase) in inventories	**6,882**	(6,444)
Decrease/(increase) in trade receivables	**1,937**	(36,164)
Decrease in other loan receivables	**–**	31,485
Decrease/(increase) in prepayments, deposits and other receivables	**15,860**	(14,492)
(Decrease)/increase in trade payables	**(5,988)**	22,455
Increase in other payables and accruals	**73,091**	76,953
Decrease in financial assets at fair value through profit or loss	**3,847**	2,084
Cash generated from/(used in) operations	**38,159**	(11,132)
Interest received	**466**	106
Dividend received	**–**	62
Interest paid	**(24,265)**	(24,701)
Income taxes refunded	**–**	1,617
Net cash generated from/(used in) operating activities	**14,360**	(34,048)

Consolidated Statement of Cash Flows

for the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	**(95,748)**	(110,109)
Proceeds from disposal of fixed assets	**–**	946
Proceeds from disposal of prepaid land lease payments	**–**	51,929
Net cash used in investing activities	**(95,748)**	(57,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of share options	**39,025**	–
Issue of bonds	**47,820**	218,647
Repayment of bank loans	**(52,435)**	(52,903)
Net cash generated from financing activities	**34,410**	165,744
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(46,978)**	74,462
Effect of foreign exchange rate changes	**2,775**	(5,922)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**85,579**	17,039
CASH AND CASH EQUIVALENTS AT END OF YEAR	**41,376**	85,579
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**41,376**	85,579

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Room 4007, 40th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 25 to the consolidated financial statements.

2. Going Concern Basis

The Group incurred a loss of approximately HK$298,261,000 for the year ended 30 June 2015 and as at 30 June 2015 the Group had net current liabilities of approximately HK$721,554,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group has bank loans of approximately HK$114,926,000 which are subject to a repayment on demand clause and therefore are classified as current liabilities as at 30 June 2015. According to the scheduled repayments, an amount of approximately HK$78,075,000 is repayable after one year. The directors do not consider that the banks will exercise their discretion to demand immediate repayment.

The management expects that the operation of certain subsidiaries will be resumed in the near future and will have positive impact to the Group. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance.

4. Adoption of New and Revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2014:

Amendments to HKAS 16 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendments to HKAS 16 remove perceived inconsistencies in the accounting for accumulated depreciation when an item of property, plant and equipment is revalued. The amended standard clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendment to HKAS 32, Offsetting financial assets and financial liabilities

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units ("CGUs") is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or CGUs have been determined on the basis of their value in use.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these consolidated financial statements as the Group is not currently subjected to significant levies.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment clarifies the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment is applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

This amendment to the standard's basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

Other amendments and interpretations which are effective for the accounting year beginning on 1 July 2014 are not relevant to the Group.

4. Adoption of New and Revised Hong Kong Financial Reporting Standards (continued)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are relevant for the Group's operation but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

5. Significant Accounting Policies

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. buildings and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

5. Significant Accounting Policies (continued)

(a) Consolidation (continued)

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combinations and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

5. Significant Accounting Policies (continued)

(b) Business combinations and goodwill (continued)

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

5. Significant Accounting Policies (continued)

(c) Foreign currency translation (continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in statement of comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Fixed assets

Buildings held for use in the production or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. All other fixed assets are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income and accumulated in fixed asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

5. Significant Accounting Policies (continued)

(d) Fixed assets (continued)

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the fixed asset revaluation reserve is transferred directly to retained profits.

Depreciation of other fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land held under finance leases	Over the lease terms
Buildings	The shorter of the lease terms and 30 to 50 years
Leasehold improvements	10 years
Pipelines and trench	30 years
Plant and machinery	10 to 30 years
Furniture, office equipment and motor vehicles	5 to 10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating leases

(i) The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

5. Significant Accounting Policies (continued)

(f) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs are capitalised only if all of the following conditions are met:

– An asset is created that can be identified (such as new products);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Deferred development costs are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of 5 years.

(g) Other intangible assets

(i) Technical know-how

Technical know-how is measured initially at purchase cost and is amortised on a straight-line basis over its estimated useful life of 10 years.

(ii) Trade name and exclusive right

Trade name and exclusive right are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of 25 years.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

5. Significant Accounting Policies (continued)

(j) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables and bank and cash balances are classified in this category.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

5. Significant Accounting Policies (continued)

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income is recognised on a straight-line basis over the lease term.

5. Significant Accounting Policies (continued)

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "Ordinance") for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount specified in the Ordinance per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the People's Republic of China (the "PRC") are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

5. Significant Accounting Policies (continued)

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

5. Significant Accounting Policies (continued)

(s) Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

5. Significant Accounting Policies (continued)

(t) Related parties (continued)

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated income statement to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

5. Significant Accounting Policies (continued)

(v) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

6. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon whether the banks will exercise their discretion to demand immediate repayment of bank loans which are subject to a repayment on demand clause. Details are explained in Note 2 to the consolidated financial statements.

(b) Legal titles of certain buildings

As stated in Note 20 to the consolidated financial statements, the legal titles of certain buildings were not yet obtained as at 30 June 2015. Despite the fact that the Group has not obtained the relevant legal titles, the directors determine to recognise those buildings as fixed assets on the grounds that they expect the legal titles should be obtained in future with no major difficulties and the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fixed assets and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of fixed assets as at 30 June 2015 was approximately HK$2,845,586,000 (2014: HK$2,845,458,000).

(b) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax credit of approximately HK$28,418,000 (2014: HK$79,697,000) was recognised in profit or loss based on the estimated deferred tax liabilities.

6. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(c) Impairment test of fixed assets, goodwill, prepaid land lease payments and other intangible assets

Determining whether fixed assets, goodwill, prepaid land lease payments and other intangible assets are impaired requires an estimation of the value in use of each CGU, to which these assets have been allocated. The value in use calculations require the use of estimates and assumptions made by management on the future operation of the businesses and the cash flows expected to arise from each CGU; and the suitable discount rates in order to calculate the present values. Where the future cash flows are less than expected, or there are changes in facts and circumstances which result in revision of the estimated cash flows, further impairment on the fixed assets, goodwill, prepaid land lease payments and other intangible assets may raise.

As at 30 June 2015, the carrying amounts of the Group's fixed assets of approximately HK$2,292,819,000, goodwill of approximately HK$37,904,000, prepaid land lease payments of approximately HK$319,706,000 and other intangible assets of approximately HK$1,555,000 had been allocated to the calcium carbide CGU, vinyl acetate CGU and polyvinyl-chloride CGUs.

The above-mentioned assets were held by four factories set up in the Heilongjiang Province of the PRC. The Group prepared cash flow forecasts for the CGUs based on the assumption that all these four factories would be re-commence production in coming year. The forecasted turnover was derived from the assumption that production capacity of these factories could be fully utilised from the second quarter of 2016 and the current market selling price of the relevant products. Management of the Group considered that the above sales targets were achievable based on their past experience in factory operation and that all these factory products would be fully absorbed by the market due to competitive cost of production.

Details of estimation applied in calculation of the value in use for the calcium carbide CGU, to which the goodwill had been allocated, are provided in Note 23 to the consolidated financial statements.

(d) Useful lives of other intangible assets

The Group determines the estimated useful lives and related amortisation charges for the Group's other intangible assets. This estimate is based on the expected pattern of consumption of the future economic benefits embodied in the asset or, where appropriate, the contractual or other legal rights associated with the assets. The Group will revise the amortisation period and the amortisation method for an intangible asset where the useful life is different to that previously estimated.

(e) Fair value of buildings

The Group appointed an independent professional valuer to assess the fair value of the buildings. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of buildings as at 30 June 2015 was approximately HK$674,202,000 (2014: HK$681,593,000).

6. Critical Judgements and Key Estimates (continued)

Key sources of estimation uncertainty (continued)

(f) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. As at 30 June 2015, the accumulated impairment loss for bad and doubtful debts was approximately HK$232,581,000 (2014: HK$164,375,000).

(g) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 30 June 2015 (2014: Nil).

7. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi ("RMB") which are the functional currencies of the principal operating entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

At 30 June 2015, if the prices of the Group's investments increase/decrease by 10%, loss after tax for the year would have been approximately HK$40,000 (2014: HK$272,000) lower/higher.

(c) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables, other loans receivable and investments included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparty is a well-established securities broker firm in Hong Kong.

7. Financial Risk Management (continued)

(c) Credit risk (continued)

The Group's credit risk is primarily attributable to its trade and other receivables and other loans receivable. It has policies in place to ensure that sales are made to customers with an appropriate credit history. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

For term loans which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank loans is prepared based on the scheduled repayment dates.

The maturity analysis of the Group's financial liabilities is as follows:

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 30 June 2015					
Term loans subject to a repayment on demand clause	114,926	–	–	–	–
Other bank loans	–	3,092	3,092	9,274	23,441
Trade payables	–	79,543	–	–	–
Bonds payable	–	7,755	7,755	32,170	550,150
Bond interest payable	–	6,749	–	–	–
Other payables and accruals	–	460,682	–	–	–
Other loans	49,843	–	–	–	–
Due to a non-controlling shareholder of a subsidiary	–	43,453	–	–	–
At 30 June 2014					
Term loans subject to a repayment on demand clause	189,696	–	–	–	–
Other bank loans	–	3,092	3,092	9,274	26,533
Trade payables	–	85,531	–	–	–
Bonds payable	–	4,500	4,500	13,500	479,750
Bond interest payable	–	2,612	–	–	–
Other payables and accruals	–	398,296	–	–	–
Other loans	24,837	–	–	–	–
Due to a non-controlling shareholder of a subsidiary	–	43,453	–	–	–

7. Financial Risk Management (continued)

(d) Liquidity risk (continued)

Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

	Contractual undiscounted cash flows		
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At 30 June 2015	44,653	79,494	–
At 30 June 2014	36,829	72,836	104,506

(e) Interest rate risk

Bonds payable and other loans were arranged at fixed interest rates and therefore were subject to fair value interest rate risk.

Bank loans were arranged at floating rates varied with the then prevailing market condition.

At 30 June 2015, if interest rates at that date had been 1% lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately HK$1,491,000 (2014: HK$2,262,000) lower/higher, arising mainly as a result of lower/higher interest expense on bank loans.

(f) Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets:		
Financial assets at fair value through profit or loss:		
Held for trading	**403**	2,721
Loans and receivables (including cash and cash equivalents)	**58,774**	173,657
Financial liabilities:		
Financial liabilities at amortised cost	**1,080,791**	1,004,928

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

8. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June:

Description	Fair value measurements using: Level 1 HK$	Level 3 HK$	Total 2015 HK$
Recurring fair value measurements:			
Financial assets at fair value through profit or loss			
Listed securities in Hong Kong	403	–	**403**
Fixed assets			
Properties in Hong Kong	–	7,398	**7,398**
Properties in the PRC	–	666,804	**666,804**
	–	674,202	**674,202**
Total recurring fair value measurements	403	674,202	**674,605**

8. Fair Value Measurements (continued)

(a) Disclosures of level in fair value hierarchy at 30 June: (continued)

Description	Fair value measurements using: Level 1 HK$	Level 3 HK$	Total 2014 HK$
Recurring fair value measurements:			
Financial assets at fair value through profit or loss			
Listed securities in Hong Kong	2,721	–	2,721
Fixed assets			
Properties in Hong Kong	–	5,638	5,638
Properties in the PRC	–	675,955	675,955
	–	681,593	681,593
Total recurring fair value measurements	2,721	681,593	684,314

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: Nil).

(b) Reconciliation of assets measured at fair value based on level 3:

The movements of the properties under Level 3 fair value measurements during the year are presented in Note 20 to the consolidated financial statements under the heading of "Buildings". Fair value adjustments on properties are recognised in the line item "gains on property revaluation" in the consolidated statement of comprehensive income of approximately HK$20,871,000 (2014: HK$9,621,000) (Note 19) and in the line item "other operating expenses" as revaluation deficits on buildings in the consolidated income statement of approximately HK$2,058,000 (2014: HK$4,300,000).

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at annual basis.

8. Fair Value Measurements (continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June: (continued)

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value
					HK$'000
At 30 June 2015					
Fixed assets					
Properties in Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	HK$28,500/ square feet	Increase	7,398
Properties in the PRC	Depreciated replacement cost	Replacement cost (RMB/square feet)	RMB654 – RMB59,950/ square feet	Increase	666,804
		Depreciated replacement cost (RMB/square feet)	RMB4 – RMB30,629/ square feet	Decrease	
		Building/ Structure life	15–40 years	Increase	
At 30 June 2014					
Fixed assets					
Properties in Hong Kong	Direct comparison	Adjusted market price (HK$/square feet)	HK$25,800/ square feet	Increase	5,638
Properties in the PRC	Depreciated replacement cost	Replacement cost (RMB/square feet)	RMB643 – RMB58,905/ square feet	Increase	675,955
		Depreciated replacement cost (RMB/square feet)	RMB4 – RMB31,564/ square feet	Decrease	
		Building/ Structure life	15–40 years	Increase	

During the two years, there were no changes in the valuation techniques used.

9. Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of all significant intra-group transactions during the year.

10. Other Income

	Group	
	2015	2014
	HK$'000	HK$'000
Dividend income from listed investments	**–**	62
Gain on disposal of prepaid land lease payments	**–**	10,604
Sales of scrap materials	**–**	507
Fair value gain on financial assets at fair value through profit or loss	**256**	89
Gain on disposal of financial assets at fair value through profit or loss	**1,273**	9
Government grants (Note)	**21,914**	9,602
Bank interest income	**24**	12
Other interest income	**442**	94
Rental income	**230**	457
Sundry income	**633**	–
	24,772	21,436

Note: Government grants for the years ended 30 June 2015 and 2014 were received as incentive for capital expenditure and subsidy for operating costs. There are no unfulfilled conditions or contingencies attached to the grants.

11. Segment Information

The Group has five reportable segments as follows:

Polyvinyl-chloride	–	manufacture and sale of polyvinyl-chloride;
Vinyl acetate	–	manufacture and sale of vinyl acetate;
Heat and power	–	generation and supply of heat and power;
Vitamin C, glucose and starch	–	manufacture and sale of Vitamin C, glucose and starch; and
Calcium carbide	–	manufacture and sale of calcium carbide.

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in Note 5 to the financial statements. Segment profits or losses do not include fair value gain on financial assets at fair value through profit or loss, gain on disposal of financial assets at fair value through profit or loss, dividend income from listed investments and corporate administrative expense. Segment assets do not include goodwill, bank and cash balances, other loan receivables, financial assets at fair value through profit or loss and corporate assets. Segment liabilities do not include bank loans, bonds payable, bond interest payable, other loans, amount due to a non-controlling shareholder of a subsidiary and other payables and accruals for general administrative use.

11. Segment Information (continued)

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities:

	Polyvinyl-chloride HK$'000	Vinyl acetate HK$'000	Heat and power HK$'000	Vitamin C, glucose and starch HK$'000	Calcium carbide HK$'000	Total HK$'000
Year ended 30 June 2015						
Revenue from external customers	–	–	62,911	–	–	62,911
Segment loss	(22,658)	(20,205)	(19,870)	(21,210)	(163,118)	(247,061)
Interest revenue	–	–	–	–	9	9
Interest expense	–	2,705	4,464	–	13,353	20,522
Depreciation and amortisation	15,597	13,885	9,777	11,858	75,485	126,602
Other material items of income and expense:						
Government grants	–	–	20,411	1,252	251	21,914
Income tax (credit)/expense	(57)	–	35	–	(28,396)	(28,418)
Other material non-cash items:						
(Reversal of)/allowance for receivables						
– trade receivables	(286)	–	(1,868)	–	70,366	68,212
– other receivables	1,414	(63)	1,154	–	(402)	2,103
Additions to segment non-current assets	–	–	73,807	–	21,941	95,748
As at 30 June 2015						
Segment assets	291,599	270,732	464,263	206,706	2,124,214	3,357,514
Segment liabilities	20,042	39,797	154,611	122,637	335,662	672,749

11. Segment Information (continued)

Information about reportable segment profit or loss, assets and liabilities: (continued)

	Polyvinyl-chloride HK$'000	Vinyl acetate HK$'000	Heat and power HK$'000	Vitamin C, glucose and starch HK$'000	Calcium carbide HK$'000	Total HK$'000
Year ended 30 June 2014						
Revenue from external customers	–	–	72,685	–	90,792	163,477
Segment loss	(73,378)	(24,620)	(43,122)	(329,037)	(92,728)	(562,885)
Interest revenue	1	–	–	–	4	5
Interest expense	–	2,263	6,956	–	14,688	23,907
Depreciation and amortisation	17,036	14,178	9,825	33,837	76,895	151,771
Other material items of income and expense:						
Government grants	–	–	8,084	1,265	253	9,602
Gain on disposal of prepaid land lease payments	737	–	–	–	9,867	10,604
Income tax credit	(44)	(1,617)	(836)	(59,152)	(18,048)	(79,697)
Other material non-cash items:						
Allowance for receivables						
– trade receivables	49,545	–	6,890	–	–	56,435
– other receivables	–	399	1,540	–	–	1,939
Impairment of fixed assets	–	–	–	345,008	–	345,008
Additions to segment non-current assets	–	–	99,759	14	9,013	108,786
As at 30 June 2014						
Segment assets	310,288	285,858	394,829	219,411	2,238,773	3,449,159
Segment liabilities	17,873	36,035	130,078	118,523	318,912	621,421

11. Segment Information (continued)

Reconciliation of reportable segment profit or loss, assets and liabilities:

	2015 HK$'000	2014 HK$'000
Profit or loss		
Total profit or loss of reportable segments	(247,061)	(562,885)
Fair value gain on financial assets at fair value through profit or loss	256	89
Gain on disposal of financial assets at fair value through profit or loss	1,273	9
Dividend income from listed investments	–	62
Corporate administrative expenses	(52,729)	(27,912)
Consolidated loss for the year	(298,261)	(590,637)
Assets		
Total assets of reportable segments	3,357,514	3,449,159
Goodwill	37,904	37,904
Bank and cash balances	41,376	85,579
Financial assets at fair value through profit or loss	403	2,721
Other loan receivables	700	700
Corporate assets	76,703	91,444
Consolidated total assets	3,514,600	3,667,507
Liabilities		
Total liabilities of reportable segments	672,749	621,421
Bonds payable	291,437	224,000
Bond interest payable	6,749	2,612
Bank loans	149,084	226,200
Other loans	49,843	24,837
Due to a non-controlling shareholder of a subsidiary	43,453	43,453
Other payables and accruals for general administrative use	10,422	18,240
Consolidated total liabilities	1,223,737	1,160,763

The Group's revenue is derived from customers based in the PRC and accordingly, no geographical information is presented.

Revenue from a major customer of the Group's calcium carbide segment represents approximately HK$Nil (2014: HK$84,940,000) of the Group's total revenue.

12. Finance Costs

	Group 2015 HK$'000	Group 2014 HK$'000
Interest on bank loans	**16,802**	17,745
Interest on other loans – wholly repayable within five years	**3,534**	3,200
Interest on bonds payable – not wholly repayable in five years	**26,753**	7,966
Interest on trade payables	**930**	3,756
Total borrowing costs	**48,019**	32,667

13. Income Tax Credit

	Group 2015 HK$'000	Group 2014 HK$'000
Current tax – Overseas		
Overprovision in prior years	**–**	(1,617)
Deferred tax (Note 35)	**(28,418)**	(78,080)
	(28,418)	(79,697)

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC enterprise income tax rate at a rate of 25% during the year (2014: 25%).

13. Income Tax Credit (continued)

Pursuant to the Corporate Income Tax Law of the PRC approved by the National People's Congress on 16 March 2007, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividend derived from sources within the PRC.

According to the notice Cai Shui {2008} No.1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from withholding tax. Accordingly, the retained profits at 31 December 2007 in the Group's foreign-invested enterprises' books and accounts will not be subject to withholding tax on dividend on future distribution.

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

Group

For the year ended 30 June 2015

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(72,592)		(254,087)		(326,679)	
Tax at the statutory tax rate	(11,978)	(16.5)	(63,522)	(25.0)	(75,500)	(23.1)
Income tax exempted	(1)	–	–	–	(1)	–
Expenses not deductible for tax	784	1.1	87	0.1	871	0.3
Unrecognised temporary differences	191	0.2	4,395	1.7	4,586	1.4
Tax losses not recognised	11,004	15.2	33,084	13.0	44,088	13.5
Utilisation of unrecognised tax losses	–	–	(2,462)	(1.0)	(2,462)	(0.8)
Tax credit at the Group's effective tax rate	–	–	(28,418)	(11.2)	(28,418)	(8.7)

13. Income Tax Credit (continued)

Group (continued)

For the year ended 30 June 2014

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(42,309)		(628,025)		(670,334)	
Tax at the statutory tax rate	(6,981)	(16.5)	(157,006)	(25.0)	(163,987)	(24.5)
Income tax exempted	(14)	–	–	–	(14)	–
Expenses not deductible for tax	5,016	11.9	133	–	5,149	0.8
Unrecognised temporary differences	99	0.2	44,909	7.2	45,008	6.7
Tax losses not recognised	1,880	4.4	33,884	5.4	35,764	5.3
Overprovision in prior years	–	–	(1,617)	(0.3)	(1,617)	(0.2)
Tax credit at the Group's effective tax rate	–	–	(79,697)	(12.7)	(79,697)	(11.9)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is approximately HK$47,982,000 (2014: HK$50,735,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

14. Loss for the Year

The Group's loss for the year is stated after charging the following:

	2015 HK$'000	2014 HK$'000
Auditor's remuneration	**1,400**	1,330
Allowance for receivables		
– trade receivables	**68,212**	56,435
– other receivables	**2,103**	1,939
Amortisation of other intangible assets (included in administrative expenses)	**1,916**	1,936
Cost of inventories sold	**60,671**	191,024
Depreciation	**117,171**	140,056
Write off/loss on disposal of fixed assets	**601**	582
Minimum lease payments under operating leases for land and buildings	**11,007**	14,222
Factory overhead incurred during suspension of production (Note)	**106,378**	85,338
Revaluation deficits on buildings	**2,058**	4,300
Staff costs (excluding directors' emoluments – Note 15):		
Wages, salaries and benefits in kind	**31,495**	34,465
Employee share option benefits	**16,083**	–
Retirement benefits scheme contributions	**3,048**	4,154

Cost of inventories sold includes staff costs and depreciation of approximately HK$8,745,000 (2014: HK$13,980,000) and HK$5,110,000 (2014: HK$27,666,000), respectively, which are included in the amounts disclosed separately above.

Note: During the years ended 30 June 2014 and 2015, factory overhead was incurred during the temporary suspension of the production line of Polyvinyl-chloride segment, Vinyl acetate segment, Calcium carbide segment and Vitamin C, glucose and starch segment due to a substantial decrease in profit margin.

15. Directors' and Employees' Emoluments

The emoluments of each director were as follows:

	Basic salaries, housing benefits, other allowances and benefits in kind		Employee share option benefits		Retirement benefits scheme contributions		Total	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Executive directors								
Ms. Chan Yuk Foebe	**120**	120	**1,957**	–	**–**	–	**2,077**	120
Mr. Yu Defa (Note (a))	**115**	131	**1,956**	–	**–**	–	**2,071**	131
Mr. Law Tze Ping Eric (Note (b))	**98**	–	**1,956**		**5**	–	**2,059**	–
Mr. Chiau Che Kong (Note (c))	**242**	363	**–**	–	**12**	15	**254**	378
Mr. Wu Jianwei (Note (d))	**–**	389	**–**	–	**–**	–	**–**	389
Mr. Peng Zhanrong (Note (e))	**–**	240	**–**	–	**–**	–	**–**	240
Independent non-executive directors								
Mr. Ma Wing Yun Bryan	**120**	120	**–**	–	**–**	–	**120**	120
Mr. Tam Ching Ho	**120**	120	**–**	–	**–**	–	**120**	120
Mr. Hau Chi Kit (Note (f))	**120**	65	**–**	–	**–**	–	**120**	65
Mr. Wong Sin Lai (Note (g))	**–**	33	**–**	–	**–**	–	**–**	33
Dato' Dr. Wong Sin Just (Note (h))	**–**	56	**–**	–	**–**	–	**–**	56
	935	1,637	**5,869**	–	**17**	15	**6,821**	1,652

Notes:

(a) Appointed on 5 May 2014
(b) Appointed on 3 March 2015
(c) Resigned on 3 March 2015
(d) Resigned on 5 May 2014
(e) Resigned on 8 July 2014
(f) Appointed on 18 December 2013
(g) Resigned on 10 October 2013
(h) Resigned on 18 December 2013

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2014: Nil).

15. Directors' and Employees' Emoluments (continued)

The five highest paid individuals in the Group during the year included 2 (2014: 3) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2014: 2) individuals are set out below:

	Group	
	2015	2014
	HK$'000	HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**342**	778
Employee share option benefits	**16,083**	–
	16,425	778

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000	**–**	2
HK$5,000,001 to HK$5,500,000	**3**	–
	3	2

During the year, share options were granted to certain employees in respect of their services to the Group. The fair value of such options, which was recognised to profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements was included in the above five highest paid individuals' emoluments disclosures (2014: Nil).

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

16. Loss for the Year Attributable to Owners of the Company

The loss for the year attributable to owners of the Company included a loss of approximately HK$65,114,000 (2014: HK$316,346,000) which has been dealt with in the financial statements of the Company.

17. Dividend

The directors do not recommend the payment of dividend for the year ended 30 June 2015 (2014: Nil).

18. Loss Per Share

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$248,517,000 (2014: HK$559,532,000) and the weighted average number of ordinary shares of 2,335,631,026 (2014: 2,324,899,519) in issue during the year.

Diluted loss per share

The exercise of the Group's outstanding share options for the years ended 30 June 2014 and 2015 would be anti-dilutive, therefore no diluted loss per share information is presented for the years ended 30 June 2014 and 2015.

19. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income for the year:

	2015			2014		
	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000	Amount before tax HK$'000	Tax HK$'000	Amount after tax HK$'000
Exchange differences on translating foreign operations	**5,282**	**–**	**5,282**	(22,474)	–	(22,474)
Gains on property revaluation	**20,871**	**(4,750)**	**16,121**	9,621	(2,132)	7,489
Other comprehensive income	**26,153**	**(4,750)**	**21,403**	(12,853)	(2,132)	(14,985)

20. Fixed Assets

Group

	Buildings	Construction in progress	Plant and machinery	Leasehold improvements	Furniture, office equipment and motor vehicles	Pipelines and trench	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation							
At 1 July 2013	707,612	506,653	2,344,206	3,038	29,463	62,993	3,653,965
Additions	–	98,712	7,536	637	2,812	412	110,109
Disposal/write off	(1,138)	(30)	(5)	–	(1,927)	–	(3,100)
Revaluation	(20,913)	–	–	–	–	–	(20,913)
Exchange differences	(3,968)	(3,297)	(12,947)	–	(166)	(257)	(20,635)
At 30 June 2014 and 1 July 2014	681,593	602,038	2,338,790	3,675	30,182	63,148	3,719,426
Additions	–	95,300	184	–	264	–	95,748
Transfers	–	(11,515)	–	–	–	11,515	–
Disposal/write off	(68)	–	(1,526)	–	(204)	–	(1,798)
Revaluation	(7,902)	–	–	–	–	–	(7,902)
Exchange differences	579	457	1,782	–	23	37	2,878
At 30 June 2015	674,202	686,280	2,339,230	3,675	30,265	74,700	3,808,352
Accumulated depreciation							
At 1 July 2013	–	–	381,354	1,693	21,393	17,320	421,760
Charge for the year	26,439	–	107,444	325	1,866	3,300	139,374
Disposal/write off	–	–	(4)	–	(1,568)	–	(1,572)
Impairment loss	–	–	345,008	–	–	–	345,008
Write back on revaluation	(26,234)	–	–	–	–	–	(26,234)
Exchange differences	(205)	–	(3,812)	–	(139)	(212)	(4,368)
At 30 June 2014 and 1 July 2014	–	–	829,990	2,018	21,552	20,408	873,968
Charge for the year	26,699	–	84,056	367	2,095	3,273	116,490
Disposal/write off	–	–	(1,012)	–	(185)	–	(1,197)
Write back on revaluation	(26,715)	–	–	–	–	–	(26,715)
Exchange differences	16	–	172	–	16	16	220
At 30 June 2015	–	–	913,206	2,385	23,478	23,697	962,766

20. Fixed Assets (continued)

Group (continued)

	Buildings	Construction in progress	Plant and machinery	Leasehold improvements	Furniture, office equipment and motor vehicles	Pipelines and trench	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount							
At 30 June 2015	674,202	686,280	1,426,024	1,290	6,787	51,003	2,845,586
At 30 June 2014	681,593	602,038	1,508,800	1,657	8,630	42,740	2,845,458
Analysis of cost or valuation at 30 June 2015							
At cost	–	686,280	2,339,230	3,675	30,265	74,700	3,134,150
At valuation 2015	674,202	–	–	–	–	–	674,202
	674,202	686,280	2,339,230	3,675	30,265	74,700	3,808,352
Analysis of cost or valuation at 30 June 2014							
At cost	–	602,038	2,338,790	3,675	30,182	63,148	3,037,833
At valuation 2014	681,593	–	–	–	–	–	681,593
	681,593	602,038	2,338,790	3,675	30,182	63,148	3,719,426

At 30 June 2015, the carrying amount of certain buildings amounted to approximately HK$270,718,000 (2014: HK$262,762,000) for which relevant legal titles have not yet been obtained. At the date of approval of these consolidated financial statements, the application for obtaining the aforesaid legal titles is still in progress.

At 30 June 2015, the carrying amount of fixed assets pledged as security for the Group's bank loans and other loans amounted to approximately HK$1,388,396,000 (2014: HK$1,389,794,000).

At 30 June 2015, the Group's buildings were revalued on the depreciated replacement cost basis/direct comparison approach by International Valuation Limited, independent firm of chartered surveyors, at approximately HK$674,202,000 (2014: HK$681,593,000). For the year ended 30 June 2015, the resulting revaluation surpluses of approximately HK$20,871,000 (2014: HK$9,621,000) was credited to fixed asset revaluation reserve and revaluation deficits of approximately HK$2,058,000 (2014: HK$4,300,000) was charged to profit or loss.

The carrying amount of the Group's buildings would have been approximately HK$597,759,000 (2014: HK$622,801,000) had they been stated at cost less accumulated depreciation and impairment losses.

20. Fixed Assets (continued)

Group (continued)

For the year ended 30 June 2014, the Group carried out reviews of the recoverable amount of plant and machinery used in the Vitamin C, glucose and starch segment, having regard to the condition of product lines and the market conditions of the products. The reviews led to the recognition of an impairment loss of approximately HK$345,008,000 that has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 11.99%.

21. Land Held Under Finance Leases

	Group	
	2015	2014
	HK$'000	HK$'000
Cost		
At beginning and end of year	**71,562**	71,562
Accumulated depreciation		
At beginning of year	**4,430**	3,748
Charge for the year	**681**	682
At end of year	**5,111**	4,430
Carrying amount		
At end of year	**66,451**	67,132
At beginning of year	**67,132**	67,814

The Group's land held under finance leases are located in Hong Kong and held under long leases.

The Group's land held under finance leases were pledged as security for the Group's bank loans at 30 June 2015 and 2014.

22. Prepaid Land Lease Payments

The Group's prepaid land lease payments represent payments for land use rights outside Hong Kong under medium-term leases.

At 30 June 2015, the carrying amount of prepaid land lease payments pledged as security for the Group's bank loans and other loans amounted to approximately HK$287,190,000 (2014: HK$293,873,000).

23. Goodwill

	Group	
	2015	2014
	HK$'000	HK$'000
Cost		
At beginning and end of year	**123,589**	123,589
Accumulated impairment losses		
At beginning and end of year	**85,685**	85,685
Carrying amount		
At end of year	**37,904**	37,904
At beginning of year	**37,904**	37,904

Goodwill acquired in business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Calcium carbide		
Mudanjiang Daytech Chemical Limited ("Mudanjiang Daytech Chemical")	**26,050**	26,050
Heihe LongJiang Chemical Company Limited ("Heihe LongJiang Chemical")	**11,854**	11,854
	37,904	37,904

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

23. Goodwill (continued)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five (2014: five) years for Calcium carbide CGU, with the residual period using the growth rate of 3.50% (2014: 3.50%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rates used to discount the forecast cash flows from the Group's manufacture and sale of calcium carbide activities are ranging from 12.55% to 15.57% (2014: 11.92% to 12.20%).

24. Other Intangible Assets

	Group			
	Exclusive right HK$'000	Trade name HK$'000	Technical know-how HK$'000	Total HK$'000
Cost				
At 1 July 2013	72,347	33,459	19,226	125,032
Exchange differences	–	–	(132)	(132)
At 30 June 2014 and 1 July 2014	72,347	33,459	19,094	124,900
Exchange differences	–	–	19	19
At 30 June 2015	72,347	33,459	19,113	124,919
Accumulated amortisation and impairment losses				
At 1 July 2013	72,347	33,459	13,816	119,622
Amortisation for the year	–	–	1,936	1,936
Exchange differences	–	–	(121)	(121)
At 30 June 2014 and 1 July 2014	72,347	33,459	15,631	121,437
Amortisation for the year	–	–	1,916	1,916
Exchange differences	–	–	11	11
At 30 June 2015	72,347	33,459	17,558	123,364
Carrying amount				
At 30 June 2015	–	–	1,555	1,555
At 30 June 2014	–	–	3,463	3,463
Remaining amortisation period:	–	–	0.25 to 2.17 years	

25. Investments in Subsidiaries

Particulars of the subsidiaries as at 30 June 2015 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dragon Boom Investments Limited	British Virgin Islands ("BVI")	Ordinary US$1	100%	–	Investment holding
Ever Strength Investments Limited	BVI	Ordinary US$1	100%	–	Inactive
Gold Capture Investments Inc.	BVI	Ordinary US$1	100%	–	Investment holding
Prosper Path Limited	BVI	Ordinary US$1	100%	–	Investment holding
Quality Gain Investments Ltd.	BVI	Ordinary US$1	100%	–	Investment holding
Better Day Bio-Chem Technology Ltd.	BVI	Ordinary US$2	100%	–	Investment holding
Better Day Power Ltd.	BVI	Ordinary US$2	100%	–	Investment holding
Master King Group Limited	Hong Kong	Ordinary HK$1	100%	–	Inactive
Better Lion Holdings Limited	BVI	Ordinary US$2	–	100%	Investment holding
Daytech Group Limited	BVI	Ordinary US$2	–	100%	Investment holding
Powerful Rise Group Limited	BVI	Ordinary US$1	–	100%	Inactive
Racing Dragon Group Limited ("Racing Dragon")	BVI	Ordinary US$100	–	67%	Investment holding

25. Investments in Subsidiaries (continued)

Name	Place of incorporation/ registration and operation	Issued and paid up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Mudanjiang Better Day Power Limited ("Mudanjiang BD Power")	PRC (Note (a))	RMB110,000,000	–	100%	Generation and supply of heat and power
Mudanjiang Daytech Chemical Limited	PRC (Note (b))	RMB558,844,178	–	100%	Manufacture and sale of calcium carbide
Mudanjiang Dongbei Chemical Engineering Company Limited ("Mudanjiang Dongbei Chemical")	PRC (Note (c))	RMB110,910,000	–	63.11%	Manufacture and sale of vinyl acetate
Mudanjiang Dongbei Gaoxin Chemical Co., Ltd. ("Mudanjiang Dongbei Gaoxin")	PRC (Note (d))	HK$230,000,000	–	100%	Manufacture and sale of polyvinyl-chloride
Mudanjiang Gaoke Bio-Chem Company Limited ("Mudanjiang Gaoke")	PRC (Note (e))	RMB100,000,000	–	100%	Manufacture and sale of Vitamin C, glucose and starch
Heihe LongJiang Chemical	PRC (Note (f))	RMB265,000,000	–	67%	Manufacture and sale of calcium carbide, polyvinyl-alcohol and vinyl acetate
大慶高新區東北化工銷售有限公司	PRC (Note (g))	RMB500,000	–	63.11%	Sale of vinyl acetate

25. Investments in Subsidiaries (continued)

Name	Place of incorporation/ registration and operation	Issued and paid up/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Zenith Construction Materials Limited	Cayman Islands	Ordinary HK$0.01	–	100%	Inactive
STB Company Limited	Hong Kong	Ordinary HK$2	–	100%	Inactive
Success Eagle Investment Limited	Hong Kong	Ordinary HK$1	–	100%	Provision of administrative and consultancy services

Notes:

(a) Mudanjiang BD Power is a wholly foreign-owned enterprise registered in the PRC for an operating period of 50 years commencing from the approval date of 9 June 2006.

(b) Mudanjiang Daytech Chemical is a wholly foreign-owned enterprise registered in the PRC for an operating period of 50 years commencing from the approval date of 30 December 2006.

(c) Mudanjiang Dongbei Chemical is a Sino-foreign equity joint venture established in the PRC for an operating period of 50 years commencing from the approval date of 27 May 2004.

(d) Mudanjiang Dongbei Gaoxin is a wholly foreign-owned enterprise registered in the PRC for an operating period of 50 years commencing from the approval date of 26 April 2005.

(e) Mudanjiang Gaoke is a wholly foreign-owned enterprise established in the PRC for an operating period of 50 years commencing from the approval date of 1 March 2006.

(f) Heihe LongJiang Chemical is a wholly foreign-owned enterprise established in the PRC for an operating period of 20 years commencing from the approval date of 5 June 2008.

(g) 大慶高新區東北化工銷售有限公司 is a limited liability company established in the PRC with indefinite operating period.

25. Investments in Subsidiaries (continued)

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Mudanjiang Dongbei Chemical		Racing Dragon	
	2015	2014	**2015**	2014
Principal place of business/ country of incorporation	**PRC/PRC**	PRC/PRC	**PRC/BVI**	PRC/BVI
% of ownership interests/voting rights held by NCI	**36.89%**	36.89%	**33%**	33%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 30 June:				
Non-current assets	**258,426**	273,553	**1,437,713**	1,440,622
Current assets	**377,133**	377,053	**464,456**	428,276
Non-current liabilities	**–**	–	**(3,696)**	(26,528)
Current liabilities	**(136,992)**	(132,380)	**(1,958,742)**	(1,788,806)
Net assets/(liabilities)	**498,567**	518,226	**(60,269)**	53,564
Accumulated NCI	**183,921**	191,174	**(19,888)**	17,676
Year ended 30 June:				
Revenue	**–**	–	**–**	90,791
Loss	**(20,205)**	(24,620)	**(128,153)**	(66,734)
Total comprehensive income	**(19,659)**	(28,026)	**(113,833)**	(64,379)
Loss allocated to NCI	**(7,454)**	(9,082)	**(42,291)**	(22,023)
Dividends paid to NCI	**–**	–	**–**	–
Net cash (used in)/generated from operating activities	**(49)**	(206)	**(19,255)**	46,985
Net cash used in investing activities	**–**	–	**(21,941)**	(8,899)
Net cash generated from/(used in) financing activities	**–**	–	**40,404**	(50,604)
Effect of foreign exchange rate changes	**19**	243	**599**	773
Net (decrease)/increase in cash and cash equivalents	**(30)**	37	**(193)**	(11,745)

26. Inventories

	Group	
	2015	2014
	HK$'000	HK$'000
Raw materials	**33,608**	40,106
Work in progress	**–**	217
Finished goods	**–**	167
	33,608	40,490

27 Trade Receivables

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 180 days (2014: 60 to 180 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within 30 days	**–**	46
31 to 60 days	**70**	–
61 to 90 days	**4,894**	300
91 to 120 days	**561**	10,610
121 to 150 days	**233**	10,456
151 to 180 days	**207**	9,947
181 to 240 days	**–**	23,435
241 to 330 days	**–**	21,302
331 to 365 days	**–**	18
	5,965	76,114

27 Trade Receivables (continued)

As at 30 June 2015, an allowance of approximately HK$232,581,000 (2014: HK$164,375,000) was made for estimated irrecoverable trade receivables.

The reconciliation of allowance for trade receivables is as follows:

	Group	
	2015 **HK$'000**	2014 HK$'000
At beginning of year	**164,375**	109,452
Allowance made for the year	**68,212**	56,435
Exchange differences	**(6)**	(1,512)
At end of year	**232,581**	164,375

As of 30 June 2015, trade receivables of approximately HK$5,895,000 (2014: HK$45,247,000) were past due but not impaired. These mainly relate to a number of independent customers (2014: an independent customer) for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2015 **HK$'000**	2014 HK$'000
Up to 90 days	**4,894**	300
91 to 180 days	**1,001**	193
181 to 365 days	**–**	44,754
	5,895	45,247

The Group's trade receivables are denominated in RMB.

28. Other Loan Receivables

A loan of HK$500,000 (2014: HK$500,000) granted to an independent third party was unsecured, interest bearing at 6% (2014: 6%) p.a. and repayable on 31 October 2015 (2014: 31 October 2014).

A loan of HK$200,000 (2014: HK$200,000) granted to an independent third party was unsecured, interest bearing at 6% (2014: 6%) p.a. and repayable on demand (2014: 28 June 2014).

29. Financial Assets at Fair Value Through Profit or Loss

	2015 HK$'000	2014 HK$'000
Equity securities listed in Hong Kong, at market value	**403**	2,721

The Group's financial assets at fair value through profit or loss are classified as held for trading.

30. Bank and Cash Balances

As at 30 June 2015, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$1,460,000 (2014: HK$7,222,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

31. Share Capital

	2015 HK$'000	2014 HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
2,382,899,519 (2014: 2,324,899,519) ordinary shares of HK$0.10 each	**238,290**	232,490

A summary of the movements in the issued share capital of the Company during the two years ended 30 June 2014 and 2015 is as follows:

	Number of ordinary shares issued '000	Par value HK$'000
At 1 July 2013, 30 June 2014 and 1 July 2014	2,324,899	232,490
Exercise of share options (Note)	58,000	5,800
At 30 June 2015	2,382,899	238,290

31. Share Capital (continued)

Note:

During the year, the subscription rights attaching to 58,000,000 shares options issued pursuant to the share option scheme of the Company were exercised at the subscription prices ranging from HK$0.425 to HK$1.05 per share, resulting in the issue of 58,000,000 shares of HK$0.10 each for the total cash consideration of approximately HK$39,025,000 (2014: HK$Nil).

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, if any, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes had been made in the objectives, policies and processes during the two years ended 30 June 2014 and 2015.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group received a report from the share registrars on substantial share interests showing the non-public float and it demonstrated continuing compliance with the 25% limit throughout the year.

32. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted on 20 December 2012 for a period of 10 years. The purpose of the Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group. Under the Scheme, the directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of grant, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. The offer for a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and in any event not later than 10 years from the date of grant of share options, subject to the provisions for early termination thereof.

32. Share Option Scheme (continued)

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of shares of the Company in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the extraordinary general meeting held on 20 December 2012.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Grant date	18 April 2013	10 March 2015	11 May 2015
Vesting period (Note (a))	18 April 2013	10 March 2015	11 May 2015
Exercise period	18 April 2013 to 17 April 2016	10 March 2015 to 9 March 2018	11 May 2015 to 10 May 2018
Exercise price at date of grant (Note (b))	0.204	0.425	1.05
Price of the Company's shares at the date of grant (Note (c))	0.204	0.425	1.05

Notes:

(a) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issue, or other similar changes in the Company's share capital.

(c) The price of the Company's shares disclosed as at the date of the grant of the share options is the higher of the closing price of the shares of the Company on the date of grant of the share options and the average Stock Exchange closing price for the five business days immediately preceding the date of the grant of the share options.

32. Share Option Scheme (continued)

Details of the grantees are as follows:

	Employees	
	Number of share options	Weighted average exercise price
Outstanding at 1 July 2013, 30 June 2014 and 1 July 2014	22,000,000	0.204
Granted during the year	138,000,000	0.738
Exercised during the year	(58,000,000)	(0.673)
Outstanding at 30 June 2015	102,000,000	0.659
Exercisable at 30 June 2015	102,000,000	0.659
Exercisable at 30 June 2014	22,000,000	0.204

No share options were exercised during the year ended 30 June 2014.

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.901 (2014: Nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 2.36 (2014: 1.80) years and the exercise price of HK$0.659 (2014: HK$0.204).

The aggregate estimated fair values of the options granted during the year ended 30 June 2015 calculated using the Black-Scholes Pricing Model was approximately HK$21,952,000. The inputs into the model are as follows:

	Share options granted on	
	10 March 2015	11 May 2015
Option value	HK$0.085	HK$0.233
Total fair value	HK$5,869,000	HK$16,083,000
Exercisable price	HK$0.425	HK$1.05
Expected volatility	41%	47%
Risk-free interest rate	0.317%	0.224%
Expected life of options	1.5 years	1.5 years
Dividend yield	0%	0%

The expected volatility was determined by calculating the historical volatility of the Company's share price over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Investments in subsidiaries	25	**222,405**	222,405
Current assets			
Due from subsidiaries		**2,011,301**	1,893,026
Other receivables		**–**	15,000
Bank and cash balances		**36,063**	73,432
		2,047,364	1,981,458
TOTAL ASSETS		**2,269,769**	2,203,863
Capital and reserves			
Share capital	31	**238,290**	232,490
Reserves	33(b)	**1,508,761**	1,518,698
Total equity		**1,747,051**	1,751,188
Non-current liabilities			
Bonds payable	40	**291,437**	224,000
Current liabilities			
Due to subsidiaries		**219,484**	219,484
Bond interest payable		**6,749**	2,612
Other payables and accruals		**5,048**	6,579
		231,281	228,675
Total liabilities		**522,718**	452,675
TOTAL EQUITY AND LIABILITIES		**2,269,769**	2,203,863
Net current assets		**1,816,083**	1,752,783
Total assets less current liabilities		**2,038,488**	1,975,188

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(b) Reserves movement of the Company

	Share premium account HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 July 2013	1,787,281	952	448	46,363	1,835,044
Loss for the year	–	–	–	(316,346)	(316,346)
Expiry of warrants	–	–	(448)	448	–
At 30 June 2014 and 1 July 2014	1,787,281	952	–	(269,535)	1,518,698
Loss for the year	–	–	–	(65,114)	(65,114)
Share option benefits					
– Grant of share options (Note 32)	–	21,952	–	–	21,952
– Exercise of share options (Note 31)	33,225	–	–	–	33,225
– Transfer to share premium	8,338	(8,338)	–	–	–
At 30 June 2015	1,828,844	14,566	–	(334,649)	1,508,761

34. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves of the Group

(i) Share premium account

The share premium account includes (i) the premium arising from the issue of shares; and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation for the purpose of the listing of the Company's shares on the Stock Exchange, over the nominal value of the shares of the Company issued in exchange therefor.

(ii) Fixed asset revaluation reserve

Fixed asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings in note 5(d) to the financial statements.

(iii) Share option reserve

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and business associates of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 5(p) to the financial statements.

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 5(c) to the financial statements.

35. Deferred Tax

The movement in deferred tax assets/(liabilities) account is as follows:

	Group	
	2015 **HK$'000**	2014 HK$'000
At beginning of year	**(41,132)**	(116,782)
Credit to profit or loss (Note 13)	**28,418**	78,080
Charge to equity (Note 19)	**(4,750)**	(2,132)
Exchange differences	**(75)**	(298)
At end of year	**(17,539)**	(41,132)

The following are the major deferred tax assets/(liabilities) recognised by the Group, and the movements thereon, during the current and prior reporting periods:

Deferred tax assets	**Accelerated tax depreciation** HK$'000	**Other temporary differences** HK$'000	**Revaluation of buildings and prepaid land lease payments** HK$'000	**Total** HK$000
At 1 July 2013	5,550	(1,640)	(3,910)	–
Credit/(charge) to profit or loss	430	(386)	–	44
Charge to equity	–	–	(44)	(44)
Exchange differences	(45)	18	27	–
At 30 June 2014 and 1 July 2014	5,935	(2,008)	(3,927)	–
Credit to profit or loss	57	–	–	57
Charge to equity	–	–	(57)	(57)
Exchange differences	5	–	(5)	–
At 30 June 2015	5,997	(2,008)	(3,989)	–

35. Deferred Tax (continued)

Deferred tax liabilities	Accelerated tax depreciation	Other temporary differences	Revaluation of buildings and prepaid land lease payments	Total
	HK$'000	HK$'000	HK$'000	HK$000
At 1 July 2013	16,219	36,975	(169,976)	(116,782)
Credit/(charge) to profit or loss	15,527	(2,247)	64,756	78,036
Charge to equity	–	–	(2,088)	(2,088)
Exchange differences	(291)	(253)	246	(298)
At 30 June 2014 and 1 July 2014	31,455	34,475	(107,062)	(41,132)
Credit to profit or loss	13,409	13,772	1,180	28,361
Charge to equity	–	–	(4,693)	(4,693)
Exchange differences	9	(11)	(73)	(75)
At 30 June 2015	44,873	48,236	(110,648)	(17,539)

The deferred tax liabilities in relation to revaluation of buildings have been charged to equity directly.

36. Trade Payables

The Group normally obtains credit terms ranging from 30 to 120 days (2014: 30 to 120 days) from its suppliers.

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Within 30 days	**6,305**	5,150
31 to 60 days	**4,353**	6,545
61 to 90 days	**2,661**	5,991
91 to 120 days	**45**	17,088
121 to 365 days	**19,967**	12,879
Over 365 days	**46,212**	37,878
	79,543	85,531

The Group's trade payables are denominated in RMB.

37. Other Loans

A loan of the Group of approximately HK$24,859,000 (2014: HK$24,837,000) granted from an independent third party is interest bearing at 12% (2014: 12%) p.a., secured by the pledge of the Group's fixed assets and prepaid land lease payments and is repayable on demand. The Group received a verdict from the Intermediate People's Court of Heilongjiang Province in the PRC in relation to the repayment of the other loan during the year ended 30 June 2013. According to the verdict, the other loan should be repaid before 20 March 2013.

A loan of the Group of approximately HK$24,984,000 (2014: HK$Nil) was reclassified from bank loan to other loan based on a verdict issued by the Intermediate People's Court of Heilongjiang Province in the PRC during the year ended 30 June 2015, of which the details are stated in Note 39. At 30 June 2015, the loan is interest-free, secured by the pledge of the Group's fixed assets and prepaid land lease payments and should be repaid before 8 May 2014.

38. Due to a Non-Controlling Shareholder of a Subsidiary

The amount due to a non-controlling shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

39. Bank Loans

The Group's bank loans are repayable as follows:

	2015 HK$'000	2014 HK$'000
Term loans subject to a repayment on demand clause	**114,926**	189,696
Within one year	**2,397**	2,347
In the second year	**2,449**	2,396
In the third to fifth years inclusive	**7,659**	7,502
After five years	**21,653**	24,259
	149,084	226,200
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(117,323)**	(192,043)
	31,761	34,157

The carrying amounts of the Group's bank loans are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Hong Kong dollars	**34,158**	36,504
RMB	**114,926**	189,696
	149,084	226,200

At 30 June 2015, bank loans were arranged at floating rates ranging from 2.10% to 7.21% (2014: 2.10% to 10.80%) p.a., thus exposed the Group to cash flow interest rate risk.

Bank loans are secured by the pledge of the Group's fixed assets, land held under finance leases and prepaid land lease payments.

During the year ended 30 June 2014, the Group received a verdict from the Intermediate People's Court of Heilongjiang Province in the PRC in the relation to the repayment of a bank loan amounting approximately HK$24,960,000. According to the verdict, the bank loan should be repaid before 8 May 2014. During the year ended 30 June 2015, the Group received another verdict from the Intermediate People's Court of Heilongjiang Province in the PRC in relation to the debts transfer by the bank to an independent third party and the loan was classified to other loan (Note 37).

40. Bonds Payable

The movement of the bonds payable is as follows:

	2015 HK$'000	2014 HK$'000
At beginning of year	**224,000**	–
Issuance of bonds	**47,820**	218,647
Interest charge for the year	**19,617**	5,353
At the end of year	**291,437**	224,000

During the year, the Group and the Company issued fixed rate corporate bonds with total principal amount of approximately HK$80,000,000 (2014: HK$466,250,000). The bonds were repayable as follows:

	2015 HK$'000	2014 HK$'000
In the third to fifth years inclusive	**10,000**	–
After five years	**536,250**	466,250
	546,250	466,250

The bonds payables are unsecured and interest bearing at coupon rates of 3% to 8.75%.

Interest on bond payables at face value of HK$150,000,000 (2014: HK$110,000,000) is payable annually and the principal is repayable in full upon maturity. Interest on bond payables at face value of HK$396,250,000 (2014: HK$356,250,000) was fully paid at issue date and the principal is repayable in full upon maturity.

The bonds payable are measured at amortised cost, using the effective interest method, and the effective rates are ranging from 3.0% to 26.23% p.a. (2014: 3.0% to 15.7% p.a.) after taking into account the transaction costs directly attributable to the issuance of the bonds.

41. Contingent Liabilities

(a) On 19 November 2012, China Electricity Construction Consultant Group Dongbei Electricity Design College (translated from the Chinese name of 中國電力工程顧問集團東北電力設計院) (the "Plaintiff") filed a writ (the "Writ") at the high court of Heilongjiang Province in the PRC against Mudanjiang BD Power, an indirect wholly-owned subsidiary of the Company.

Mudanjiang BD Power had contracted the Plaintiff to construct certain coal-powered electricity generating facilities at the business address of Mudanjiang BD Power (the "Contract"). Owing to the alleged delay in the progress of the construction, the Plaintiff claimed (i) the payment of the contract sum in the amount of approximately RMB42,700,000 and the interest thereof; (ii) the grant of the first priority right to receive payment from Mudanjiang BD Power in respect of the subject construction project under the Contract; (iii) damages in the sum of approximately RMB13,300,000 for alleged termination of the Contract; and (iv) the legal fees arising from this legal case. The Company has been seeking legal advice in respect of the Writ on the dispute in the payment for the Contract since December 2012. According to management of Mudanjiang BD Power, the construction work had been slowed down because the financial resources available for the project development were tied up by unfavourable business operations since 2009. To handle the claim from the Plaintiff, the local management has appointed an independent professional valuer to ascertain both the percentage of completion of the subject construction project and the quality of the construction work done in respect of the subject Contract at the moment. Thereafter, management is expected to have sufficient information to deal with the claims from the Plaintiff and will not rule out the possibility of filing a counterclaim. Management believes that sufficient provision for this legal claim was made at this stage.

(b) On 19 July 2013, the Company received a writ of summons in relation to an alleged exercise of unlisted warrants related to issuing of 20,000,000 shares of the Company by Mr. Ko Kin Hang (the "Claims"), a subscriber and holder of the unlisted warrants. The exercise money of the subject unlisted warrants amounted to approximately HK$3,800,000. By a consent order dated 7 April 2014, the proceeding was stayed and the Company is entitled to withhold the issue and allotment of shares until for further order.

The Company is currently seeking legal advice in relation thereto. Further announcement will be made by the Company in compliance with the Listing Rules as and when appropriate. The directors consider that the Claims do not have any material adverse effect on the operation or financial position of the Group.

42. Capital Commitments

The Group's capital commitments at the end of the reporting period are as follows:

	2015 **HK$'000**	2014 HK$'000
Contracted but not provided for		
Buildings and construction in progress	**656,752**	664,955

The Company did not have any capital commitments as at 30 June 2015 (2014: Nil).

43. Lease Commitments

At 30 June 2015 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2015 **HK$'000**	2014 HK$'000
Within one year	**1,817**	1,816
In the second to fifth years inclusive	**1,037**	2,814
	2,854	4,630

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for a lease term of 3 years (2014: 3 years) and rentals are fixed over the lease terms and do not include contingent rentals.

The Company did not have any operating lease arrangements as at 30 June 2015 (2014: Nil).

44. Related Party Transactions

Except as disclosed in Note 15 to the financial statements, the Group did not have any related party transaction during the years ended 30 June 2014 and 2015.

45. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2015.