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China Zenith Chemical Group Limited

中國天化工集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

**ANNOUNCEMENT OF
ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2024**

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Zenith Chemical Group Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 30 June 2024 (the “**Year**”) together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2024

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Continuing operations			
Revenue	3	31,562	100,847
Cost of sales		<u>(20,415)</u>	<u>(105,947)</u>
Gross profit/(loss)		11,147	(5,100)
Other income and other gains or losses	5	99,037	8,366
Gain on bargain purchase on acquisition of a subsidiary		–	2,611
(Provision)/reversal of allowance for receivables, net			
– trade receivables		(7,265)	163
– prepayments, deposits and other receivables		11,065	(14,991)
Administrative expenses		(94,320)	(95,559)
Fair value changes on financial assets at fair value through profit or loss (“FVTPL”)		(1,771)	(47)
Other operating expenses		(30,613)	(13,319)
Impairment of property, plant and equipment		(65,011)	(359,411)
Gain on deconsolidation of a subsidiary		–	404,680
Loss from operations		(77,731)	(72,607)
Finance costs	6	(92,488)	(113,926)
Loss before tax		(170,219)	(186,533)
Income tax expense	7	–	–
Loss for the year from continuing operations		(170,219)	(186,533)
Discontinued operation			
Loss for the year from discontinued operation		–	(8,709)
Loss for the year	8	(170,219)	(195,242)

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Attributable to:			
Owners of the Company			
Continuing operations		(162,501)	(147,167)
Discontinued operation		–	(8,709)
		<u>(162,501)</u>	<u>(155,876)</u>
Non-controlling interests			
Continuing operations		<u>(7,718)</u>	<u>(39,366)</u>
		<u>(170,219)</u>	<u>(195,242)</u>
Loss per share			
	10		
From continuing and discontinued operations			
– Basic (<i>HK cents</i>)		(22.57)	(49.84)
– Diluted (<i>HK cents</i>)		(22.57)	(49.84)
		<u>(22.57)</u>	<u>(49.84)</u>
From continuing operations			
– Basic (<i>HK cents</i>)		(22.57)	(47.06)
– Diluted (<i>HK cents</i>)		(22.57)	(47.06)
		<u>(22.57)</u>	<u>(47.06)</u>
From discontinued operation			
– Basic (<i>HK cents</i>)		–	(2.78)
– Diluted (<i>HK cents</i>)		–	(2.78)
		<u>–</u>	<u>(2.78)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year	<u>(170,219)</u>	<u>(195,242)</u>
Other comprehensive income/(expense) after tax: <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	15,033	(7,571)
Exchange differences reclassified to profit or loss on deconsolidation of a subsidiary	<u>–</u>	<u>(31,872)</u>
Other comprehensive income/(expense) for the year, net of tax	<u>15,033</u>	<u>(39,443)</u>
	<u>(155,186)</u>	<u>(234,685)</u>
Total comprehensive expense for the year		
Continuing operations	(155,186)	(194,104)
Discontinued operation	<u>–</u>	<u>(40,581)</u>
	<u>(155,186)</u>	<u>(234,685)</u>
Attributable to:		
Owners of the Company		
Continuing operations	(147,388)	(152,888)
Discontinued operation	<u>–</u>	<u>(40,581)</u>
	<u>(147,388)</u>	<u>(193,469)</u>
Non-controlling interests		
Continuing operations	<u>(7,798)</u>	<u>(41,216)</u>
	<u>(155,186)</u>	<u>(234,685)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		227,914	389,974
Right-of-use assets		199,612	228,886
Financial assets at fair value through profit or loss (“FVTPL”)		342	2,075
Other intangible assets		–	–
		427,868	620,935
Current assets			
Inventories		10,672	2,125
Trade receivables	11	848	5,430
Prepayments, deposits and other receivables		7,953	26,360
Financial assets at FVTPL		54	116
Bank and cash balances		30,705	2,898
		50,232	36,929
Assets classified as held for sale		–	8,765
		50,232	45,694
Total assets		478,100	666,629
Capital and reserves			
Share capital	12	135,155	52,755
Reserves		(1,144,139)	(1,008,112)
Equity attributable to owners of the Company		(1,008,984)	(955,357)
Non-controlling interests		(160)	7,638
Total deficit		(1,009,144)	(947,719)

		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Bank loans		7,858	10,734
Bonds payable		424,238	740,387
Lease liabilities		801	–
Convertible bonds		–	22,745
		<u>432,897</u>	<u>773,866</u>
Current liabilities			
Trade payables	13	42,544	39,955
Other payables and accruals		273,899	400,011
Other loans		48,191	48,247
Bank loans		3,353	8,948
Bonds payable		684,826	324,319
Lease liabilities		1,534	–
Convertible bonds		–	19,002
		<u>1,054,347</u>	<u>840,482</u>
Total liabilities		<u>1,487,244</u>	<u>1,614,348</u>
Total equity and liabilities		<u>478,100</u>	<u>666,629</u>
Net current liabilities		<u>(1,004,115)</u>	<u>(794,788)</u>
Total assets less current liabilities		<u>(576,247)</u>	<u>(173,853)</u>
Net liabilities		<u>(1,009,144)</u>	<u>(947,719)</u>

Notes:

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 December 2000 and continued in Bermuda on 24 April 2017. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

The address of its principal place of business is Suites 1003–1005, 10/F, Shui On Centre, 6–8 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 consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with 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; Hong Kong Accounting Standards ("**HKASs**") and Interpretations. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and disclosure requirement of the Hong Kong Companies Ordinance.

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

(a) Going concern

The Group incurred a loss of approximately HK\$170,219,000 for the year ended 30 June 2024. As at 30 June 2024, the Group had net current liabilities and net liabilities of approximately HK\$1,004,115,000 and HK\$1,009,144,000 respectively. 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.

In preparing the consolidated financial statements, the management has given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to achieve positive cash flows from operations in immediate and long terms. The Directors have reviewed the Group's cash flow forecast prepared by management, which cover the period up to 30 June 2025. The Directors are of the opinion that, taking into account of the plans and measures below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2024. In order to

strengthen the Group's capital base and maintain sufficient financing necessary for future business development, the Directors have taken the following measures:

- Following the deconsolidation of Mudanjiang Better Day Power Limited (“**Mudanjiang BD Power**”), the then wholly-owned subsidiary of the Company, is in the process of voluntary liquidation. The Company expects a written-off receivable due from Mudanjiang BD Power of approximately HK\$283 million will be recovered and received out of the proceeds of its liquidation;
- The Company is in the process of negotiating for a settlement of a bond payable to several bondholders in the amount of approximately HK\$318 million. In the event that a proposed settlement is reached between the Company and bondholders, the Company expects the payment schedule of relevant bond payable in the amount of approximately HK\$159 million to be deferred or discounted;
- The Group had several idle right-of-use assets and buildings located in Mudanjiang City, Heilongjiang Province, the People's Republic of China (“**PRC**”) and Hong Kong with a total carrying amount of approximately HK\$90 million and approximately HK\$62 million respectively. These right-of-use assets and buildings are available to be disposed of, which have a total market value of approximately HK\$250 million with reference to the estimated market approach analysis of the right-of-use assets and buildings carried out by an independent third-party valuer, in the event the Group requires further financing;
- On 20 September 2024, the Company entered into the placing agreement with Leeds Securities Investment Limited (the “**New Placing Agent**”), pursuant to which the New Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six places who and whose ultimate beneficial owner(s) (if applicable) shall be independent third party to subscribe for up to 600,000,000 placing shares at the placing price of HK\$0.1 per placing share. Subject to the fulfillment of all conditions precedent under the placing agreement, the Company expects the placing of new shares under specific mandate and the net proceeds of approximately HK\$57.9 million can be completed and received in October 2024;
- The Company obtained the letter of financial support from substantial shareholder after the report period, under which loan facilities up to maximum amount of approximately HK\$50 million are available to the Company for not less than twelve months from 30 June 2024;
- The Company obtained the letter of financial support from former shareholder after the report period, under which loan facilities up to maximum amount of approximately HK\$40 million are available to the Company for not less than twelve months from 30 June 2024;
- The Group will consider equity fund raising activities to meet the financial obligations; and
- The Group will apply cost cutting measures to reduce administrative expenses and cash outflows for the next twelve months for the reporting period.

Based on the above measures, the Directors are therefore of the opinion that it is appropriate to prepare the consolidated 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 consolidated 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. The effect of these adjustments had not been reflected on these consolidated financial statements.

(b) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 July 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current period.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its consolidated financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) – Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

In June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will come into effect from 1 May 2025 (the “**Transition Date**”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “**offsetting mechanism**”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

Applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit. The Amendment Ordinance has no material impact on the Group’s LSP liability and staff cost.

(c) New and amended standards that have been issued but not yet effective

A number of new and amended standards have been published that are not yet effective for reporting period beginning on 1 July 2023 and have not been early adopted by the Group. These new and revised HKFRSs include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“ HK Int 5 (Revised) ”)	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The Directors have performed an assessment on these new and amended standards and have concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have a significant impact on the Group’s financial performance and position.

3. REVENUE

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of calcium carbide	–	84,224
Sales of lime powder	12,381	13,815
Sales of chemical products for agriculture	19,181	2,808
	31,562	100,847
Discontinued operation:		
Heat supplying services	–	3,766

4. SEGMENT INFORMATION

Information regarding the Group's reportable segments as provided to the Group's Chief Operating Decision Maker, the Executive Directors of the Company, for the purpose of resource allocation and assessment of segment performance for the year.

The Group has three reportable segments as follows:

- Calcium carbide – manufacture and sale of calcium carbide and lime powder;
- Chemical products for agriculture – manufacture and sale of chemical products for agriculture; and
- Heat and power – generation and supply of heat and power.

The Group's reporting segment of heat and power has been presented as discontinued operation following Mudanjiang BD Power, a wholly-owned subsidiary of the Company, engaging in the Group's heat and power segment; had been taken over by Mudanjiang Authority of Housing and Urban-Rural Development (the "Authority") on 26 August 2022.

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

Segment profits or losses do not include change in fair value of financial assets at FVTPL, net, gain on conversion of convertible bond and gain on early redemption of bonds, gain on deconsolidation of a subsidiary and corporate administrative expenses. Segment assets do not include bank and cash balances, financial assets at FVTPL, assets classified as held for sale and corporate assets. Segment liabilities do not include bank loans, bonds payable, convertible bonds, bonds interest payable, other loans and other payables and accruals for general administrative use.

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

	Continuing operations			Total <i>HK\$'000</i>	
	Calcium carbide <i>HK\$'000</i>	Chemical products for agriculture <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>		
Year ended 30 June 2024					
Revenue from external customers	<u>12,381</u>	<u>19,181</u>	<u>–</u>	<u>31,562</u>	
Segment loss	(32,419)	(4,097)	–	(36,516)	
Loss on fair value of financial assets at FVTPL, net				(1,771)	
Corporate administrative expenses				<u>(131,932)</u>	
Loss before tax				(170,219)	
Income tax expense				<u>–</u>	
Consolidated loss for the year				<u><u>(170,219)</u></u>	
	Continuing operations			Discontinued operation	Total <i>HK\$'000</i>
	Calcium carbide <i>HK\$'000</i>	Chemical products for agriculture <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Heat and power <i>HK\$'000</i>	
Year ended 30 June 2023					
Revenue from external customers	<u>98,039</u>	<u>2,808</u>	<u>–</u>	<u>3,766</u>	<u>104,613</u>
Segment loss	(434,242)	(804)	–	(8,709)	(443,755)
Loss on fair value of financial assets at FVTPL, net					(47)
Gain on deconsolidation of a subsidiary					404,680
Corporate administrative expenses					<u>(156,120)</u>
Loss before tax					(195,242)
Income tax expense					<u>–</u>
Consolidated loss for the year					<u><u>(195,242)</u></u>

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations:		
Government grants (<i>Note</i>)	–	64
Bank interest income	2	4
Gain on conversion of convertible bonds	–	198
Reversal of allowance/(allowance) for inventories	2,197	(3,563)
Gain on disposal of property, plant and equipment	64,703	–
Gain on disposal of right-of-use assets	23,076	–
Gain on early redemption of bonds	8,820	11,500
Sundry income	239	163
	<u>99,037</u>	<u>8,366</u>
Discontinued operation:		
Sundry income	–	20
	<u>–</u>	<u>20</u>

Note: Government grants for the year ended 30 June 2023 were received from the Employment Support Scheme under the Anti-epidemic Fund as launched by the Government of the Hong Kong Special Administrative Region of the People's Republic of China. There are no unfulfilled conditions or contingencies attached to the grants.

6. FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Continuing operations:		
Interest on bank loans	825	1,621
Interest on other loans	6,412	6,294
Interest on bonds payable	81,902	103,134
Interest on convertible bonds	3,273	2,824
Interest on lease liabilities	76	53
	<u>92,488</u>	<u>113,926</u>
Discontinued operation:		
Interest on other loans	–	1,509
	<u>–</u>	<u>1,509</u>

7. INCOME TAX EXPENSE

Hong Kong Profits Tax to be provided in accordance with the two-tiered profits tax rate regime under which the first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profit of a qualifying corporation of the Group is taxed at 8.25% (2023: 8.25%) and the remaining assessable profits above HK\$2,000,000 (2023: HK\$2,000,000) are taxed at 16.5% (2023: 16.5%).

No provision for Hong Kong Profits Tax has been made for the year ended 30 June 2024 as the Group had no assessable profits arose in Hong Kong for the year (2023: Nil).

Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group's entities 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 at a rate of 25% during the year ended 30 June 2024 (2023: 25%).

No provision for PRC Enterprise Income Tax has been made for the years ended 30 June 2024 and 2023 as the Group had no assessable profits arose in the PRC during the years.

8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2024 HK\$'000	2023 HK\$'000
Continuing operations:		
Auditor's remuneration		
– Audit services	1,100	1,200
– Non-audit services	–	–
Cost of inventories sold (<i>Note a</i>)	20,415	105,947
Depreciation of property, plant and equipment	32,311	56,399
Depreciation of right-of-use assets	6,220	6,941
Expenses relating to short-term leases	1,281	1,097
Provision of litigation claims, net (included in other operating expenses)	16,372	2,676
Staff costs (excluding Directors' emoluments):		
– Wages, salaries and benefits in kind	7,232	9,926
– Retirement benefits scheme contributions	650	607
Impairment on property, plant and equipment (<i>Note b</i>)	65,011	359,411
Provision/(reversal) of allowance for receivables, net		
– trade receivables	7,265	(163)
– prepayments, deposits and other receivables	(11,065)	14,991
(Reversal of allowance)/allowance for inventories (<i>Note c</i>)	(2,197)	3,563
Discontinued operation:		
Cost of services rendered (<i>Note a</i>)	–	5,614
Staff costs (excluding Directors' emoluments):		
– Wages, salaries and benefits in kind	–	1,156
– Retirement benefits scheme contributions	–	564
(Reversal)/provision of allowance for receivables, net		
– trade receivables	–	(655)
– prepayments, deposits and other receivables	–	3,542

Notes:

- (a) Cost of inventories sold and services rendered includes staff costs and depreciation of approximately HK\$851,000 (2023: HK\$4,020,000) and approximately HK\$4,649,000 (2023: HK\$4,649,000) respectively, which are included in the amounts disclosed separately above.
- (b) The amount was included in administrative expenses in the consolidated statements of profit and loss and other comprehensive income.
- (c) Reversal of allowance for inventories of approximately HK\$2,197,000 (2023: allowance for inventories of approximately HK\$3,563,000) are included in other income and other gains or losses.

9. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 30 June 2024 (2023: Nil).

10. LOSS PER SHARE

Basic loss per share

From continuing and discontinued operations

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$162,501,000 (2023: HK\$155,876,000) and on the weighted average number of approximately 720,059,000 ordinary shares in issue during the year (2023: 312,745,000 ordinary shares).

From continuing operations

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$162,501,000 (2023: HK\$147,167,000) and on the weighted average number of approximately 720,059,000 ordinary shares in issue during the year (2023: 312,745,000 ordinary shares).

From discontinued operation

Basic loss per share of the discontinued operation is approximately HK\$Nil cent per share (2023: HK\$2.78 cents per share) based on the loss for the year from the discontinued operation of approximately HK\$Nil (2023: HK\$8,709,000) and the denominators detailed above for basic loss per share from continuing operations.

Diluted loss per share

The computation of diluted loss per share for the years did not assume the exercise of outstanding share options (2023: share options and convertible bonds) of the Company since these options have no dilutive effect (2023: share options have no dilutive effect and convertible bonds were anti-dilutive).

11. TRADE RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables from contracts with customers	8,072	5,437
Less: allowance for expected credit losses	<u>(7,224)</u>	<u>(7)</u>
	<u>848</u>	<u>5,430</u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 15 to 90 days (2023: 15 to 90 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	7	3,078
31 to 60 days	8	282
61 to 90 days	11	539
91 to 120 days	150	325
121 to 150 days	93	–
151 to 180 days	141	383
181 to 365 days	<u>438</u>	<u>823</u>
	<u>848</u>	<u>5,430</u>

The Group's trade receivables are denominated in RMB.

12. SHARE CAPITAL

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Authorised:		
5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
Issued and fully paid:		
1,351,548,168 (2023: 527,548,168) ordinary shares of HK\$0.10 each	135,155	52,755
	Number of ordinary shares '000	Par value <i>HK\$'000</i>
Authorised:		
At 1 July 2022	500,000	500,000
Share consolidation (<i>Note (a)</i>)	(475,000)	–
Share sub-division (<i>Note (a)</i>)	475,000	–
At 30 June 2023, 1 July 2023 and 30 June 2024	500,000	500,000
Issued:		
At 1 July 2022	2,660,561	266,056
Issue of share on conversion of convertible bonds (<i>Note (b)</i>)	354,000	35,400
Capital reorganisation (<i>Note (a)</i>)	(2,863,833)	(286,383)
Rights issue (<i>Note (c)</i>)	376,820	37,682
At 30 June 2023 and 1 July 2023	527,548	52,755
Issue of share on conversion of convertible bonds (<i>Note (d)</i>)	136,000	13,600
Placing of shares (<i>Note (e)</i>)	580,000	58,000
Subscription of new shares (<i>Note (f)</i>)	108,000	10,800
At 30 June 2024	1,351,548	135,155

Notes:

- (a) On 14 December 2022, the Company implemented a share consolidation of every twenty (20) existing shares of par value of HK\$0.1 each in the ordinary shares of the Company into one (1) consolidated share of par value of HK\$2.00 each with effect from 16 December 2022. Immediately following the share consolidation, issued share capital of the Company will be reduced by (a) rounding down the total number of consolidated shares in the issued share capital of the Company to the nearest whole number by cancelling any fraction of a consolidated share in the issued share capital of the Company; and (b) cancelling the paid up capital of the Company to the extent of HK\$1.9 on each of the then issued consolidated shares such that the par value of each issued consolidated share will be reduced from HK\$2.0 to HK\$0.1. Besides, every authorised but unissued consolidated shares of HK\$2.0 each were sub-divided into 20 new ordinary shares of HK\$0.1 each. The capital reorganisation was completed on 16 December 2022. Details of which are set out in the Company's circular dated 21 November 2022 and announcement dated 14 December 2022 and 16 December 2022.
- (b) On 21 June 2022, the Company issued convertible bonds in an aggregate principal amount of HK\$35,400,000 with the rights to convert into 354,000,000 ordinary shares of the Company at conversion price of HK\$0.1 per share. The convertible bonds of approximately HK\$29,996,000 were converted into 354,000,000 ordinary shares on 4 July 2022.
- (c) On 27 January 2023, a total of 376,820,120 rights shares with subscription price of HK\$0.2 per rights share were allotted and issued pursuant to the underwriting agreement entered on 18 October 2022. The net proceeds of approximately HK\$75,364,000 was used for repayment of the Group's indebtedness and general working capital.
- (d) (i) On 5 June 2023, the Company issued convertible bonds in aggregate principal amount of approximately HK\$28,560,000 with the rights to convert into 136,000,000 shares of the Company at conversion price of HK\$0.21 per share.
- (ii) On 11 October 2023, the convertible bonds of approximately HK\$2,999,000 were converted into 14,280,000 ordinary shares.
- (iii) On 12 January 2024, the convertible bonds of approximately HK\$1,680,000 were converted into 8,000,000 ordinary shares.
- (iv) On 18 January 2024, the convertible bonds of approximately HK\$4,998,000 were converted into 23,800,000 ordinary shares.
- (v) On 20 February 2024, the convertible bonds of approximately HK\$5,460,000 were converted into 26,000,000 ordinary shares.
- (vi) On 4 March 2024, the convertible bonds of approximately HK\$6,325,000 were converted into 30,120,000 ordinary shares.
- (vii) On 11 March 2024, the convertible bonds of approximately HK\$7,098,000 were converted into 33,800,000 ordinary shares.
- (e) (i) On 2 February 2024, a total of 280,000,000 shares with placing price of HK\$0.1 per placing share were allotted and issued under special mandate pursuant to the placing agreement dated 15 December 2023. The net proceeds of approximately HK\$22,400,000 and approximately HK\$4,200,000 were used for repayment of the Group's indebtedness and for replenishing the working capital of the Group, respectively.

- (ii) On 28 June 2024, a total of 300,000,000 shares with placing price of HK\$0.1 per placing share were allotted and issued under special mandate pursuant to the placing agreement dated 20 May 2024. The net proceeds of approximately HK\$27,000,000 and approximately HK\$2,400,000 were used for repayment of the Group's indebtedness and interest expenses; and for replenishing the working capital of the Group, respectively.
- (f) On 19 April 2024, a total of 108,000,000 subscription shares with subscription price of HK\$0.1 per share were allotted and issued under general mandate pursuant to the subscription agreement dated 13 March 2024. The net proceeds of approximately HK\$10,300,000 was used for general working capital.

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 180 days (2023: 30 to 180 days) from its suppliers.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 30 days	1,685	61
31 to 60 days	1,568	2,008
61 to 90 days	278	144
91 to 120 days	292	520
121 to 365 days	11,726	14,430
Over 365 days	26,995	22,792
	<u>42,544</u>	<u>39,955</u>

14. CONTINGENT LIABILITIES

On 26 June 2023, Mudanjiang BD Power, a deconsolidated subsidiary had submitted to the Intermediate People's Court of Mudanjiang City, Heilongjiang Province for its voluntary liquidation (the "**Voluntary Liquidation**") under the action number (2023) Black 10 Liquidation No. 1 (the "**Application**") was duly accepted. Subsequent to the Application, the liquidation team of the Authority has been appointed as its administrator (the "**Administrator**") on 10 July 2023.

Mudanjiang Longtuo New Energy Co., Ltd. ("**Mudanjiang Longtuo**"), a wholly-owned subsidiary of the Group, being the sole equity holder of Mudanjiang BD Power immediately prior to its deconsolidation and taken over by the Authority on 24 August 2022 would be liable in the sum of RMB150 million, representing a subscription amount of RMB150 million in the registered capital of Mudanjiang BD Power ("**Mudanjiang BD Power Subscription**") made by Mudanjiang Longtuo on 18 May 2020 by way of capitalisation of a shareholder's loan due by Mudanjiang BD Power to Mudanjiang Longtuo which amounted to RMB150 million ("**Capitalisation**"). In the event the Capitalisation was not certified and accepted by the Administrator, the Mudanjiang BD Power Subscription would be deemed unsuccessful and void whereby the Mudanjiang BD Power Subscription become due and payable immediately upon the Voluntary Liquidation.

As of the approval date on these consolidated financial statements, the Voluntary Liquidation is still processing and not yet completed. Hence the outcome of the Voluntary Liquidation is uncertain and cannot be estimated reliably. The directors of the Company are having carefully considered any possible outcomes of the Voluntary Liquidation and of the view that the same amount of shareholder's loan (RMB150 million) is available to offset against Mudanjiang BD Power Subscription in case the Capitalisation was being voided and therefore no provision was made in preparing these consolidated financial statements.

15. EVENTS AFTER THE REPORTING PERIOD

- (a) On 4 December 2013, Ms. Wang Yuexian (the “**Petitioner**”) subscribed for an eight-year bond (the “**Bond**”) with a face value of HK\$10,000,000 issued by the Company. Under the instruction of the Petitioner, the Company made a payment of HK\$5,800,000 to the designated account of the Petitioner and the Petitioner signed a deed of waiver (the “**Deed of Waiver**”) in favour of the Company and undertook to waive the payment of HK\$4,500,000 of the principal amount of the Bonds by the Company to the Petitioner on the maturity date (i.e. the Company would only be required to repay the principal amount of the Bonds of HK\$5,500,000 at the maturity date). After maturity of the Bond, the Petitioner refused to acknowledge the Deed of Waiver and demanded the Company to pay HK\$13,200,000 (comprising the principal amount of HK\$10,000,000 and all interest of HK\$3,200,000). In this regard, the Company and the Petitioner disagreed on the amount of payment, which resulted in the Petitioner commencing proceedings on 22 February 2022. On 30 November 2022, besides filing a claim for HK\$13,200,000 on 22 February 2022 against the Company, the Petitioner filed for summary judgement proceedings in respect of the Bond of which the principal amount is HK\$5,500,000. On 13 April 2023, the Court ordered the Company to pay HK\$5,500,000 to the Petitioner by way of a summary judgement (the “**Summary Judgement**”).

During the financial year ended 30 June 2024, the Company has paid the claims in the amount of approximately HK\$6,443,000 by Petitioner. The Petitioner had withdrawn from the Petition and has been substituted by another alleged creditor of the Company (“**Substituted Petitioner**”). During the substantive hearing, the Judge considered if there is any bona fide dispute on substantial grounds on the debts of the Substituted Petitioner, and two other parties who had applied to substitute the petitioner. If there is any bona fide dispute on substantial grounds in respect of the claims by the Substituted Petitioner and the other two applicants, their applications will be dismissed.

However, the Judge may order one of the two applicants to be substituted as the Substituted Petitioner if there is a bona fide dispute in respect of the Substituted Petitioner’s claim, and no bona fide dispute on substantial grounds in respect of the said applicants’ claims. Judgment will be handed down within three months from 19 September 2024.

The Company had fully made the provision on Substituted Petitioner.

Details of above are set out in the Company’s announcements dated 23 August 2023, 28 August 2023, 30 November 2023, 28 February 2024, 29 February 2024, 6 March 2024, 26 March 2024, 5 June 2024 and 2 July 2024.

- (b) On 22 August 2024, the Company entered into an agreement with Ruibang Securities Limited (the “**Previous Placing Agent**”), pursuant to which the Previous Placing Agent agreed to place up to 600,000,000 placing shares at the placing price of HK\$0.1 per placing share, to not less than six persons or entities procured by the Previous Placing Agent or its agents to subscribe for any placing shares, who and whose respective ultimate beneficial owners shall be independent third parties. The placing agreement with the Previous Placing Agent was mutually and amicably terminated on 20 September 2024.

Details of the above are set out in the Company’s announcements dated 22 August 2024, 9 September 2024 and 20 September 2024.

- (c) On 20 September 2024, the Company entered into the placing agreement with the New Placing Agent, pursuant to which the New Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six placees who and whose ultimate beneficial owner(s) (if applicable) shall be independent third party to subscribe for up to 600,000,000 placing shares at the placing price of HK\$0.1 per placing share.

Details of the above are set out in the Company's announcement dated 20 September 2024.

- (d) On 23 September 2024, the Company announced that the Board proposes to conduct a consolidation (the "**Share Consolidation**") of the existing ordinary shares in the share capital of the Company of par value of HK\$0.01 each.

Further details of the Share Consolidation are set out in the announcement of the Company dated 23 September 2024 and will be made by the Company as and when appropriate.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by McMillan Wood (Hong Kong) CPA Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 30 June 2024:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

The Group had incurred a loss of approximately HK\$170,219,000 for the year ended 30 June 2024 and as at 30 June 2024, the Group had net current liabilities and net liabilities of approximately HK\$1,004,115,000 and HK\$1,009,114,000 respectively. 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.

As details in the consolidated financial statements, the directors of the Company have been undertaking a number of plans and measures to improve the Group’s liquidity and financial position to enable the Group to meet in full its financial obligations as and when they fall due for the next twelve months. In supporting the Group’s going concern, the directors have reviewed the Group’s cash flow forecast prepared by management, which covers a period up to 30 June 2025. Notwithstanding the material uncertainty as mentioned above, these consolidated financial statements have been prepared on a going concern basis on the assumption that a successful outcome of these plans and measures could be achieved.

However, in view of the extent of the material uncertainty, we were unable to obtain sufficient appropriate evidence to satisfy ourselves regarding the following: (i) the viability and outcome of the assumption that the Group could receive settlement from Mudanjiang Better Day Power Limited (“**Mudanjiang BD Power**”), a deconsolidated subsidiary, a written-off receivable of approximately HK\$283 million out of the proceeds upon its voluntary liquidation (“**Voluntary Liquidation**”); (ii) a possible settlement plan to defer the repayment schedule of a bond payable of approximately HK\$318 million (“**Bond Payable**”) could be reached between the Company and the bondholders; (iii) a possible realisation of the Group’s idle right-of-use assets and buildings which could be sold at a consideration of not less than their market value as of 30 June 2024, which was approximately HK\$250 million (“**Proposed Realisation**”); and (iv) the ability of the Group to raise funds through equity financing (“**Proposed Fund Raising**”) and the ability of the substantial shareholder to support the Group. There were no alternative audit procedures that we could adopt to ascertain the outcome of the Voluntary Liquidation,

Proposed Realisation and Proposed Fund Raising; nor obtain evidence of bondholders' consent to defer the repayment schedule of the Bond Payable and the ability of the substantial shareholder to support the Group. The aforementioned uncertainties and constraints constitute a scope limitation to our audit. Hence, we were unable to assess the appropriateness or reasonableness of assumptions adopted in the Group's cash flow forecast in supporting the use of the going concern basis in the preparation of these consolidated financial statements. As a result of these limitations and uncertainties, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue as a going concern and to settle its obligations and commitments, and adjustments may have to be made to write down the Group's assets to amounts that can be realised, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments, which could be both material and pervasive, have not been reflected in these consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, revenue of the Group amounted to approximately HK\$32 million (2023: approximately HK\$105 million), representing a decrease of approximately 70% compared with that of the last financial year. Loss attributable to the owners of the Company amounted to approximately HK\$163 million (2023: approximately HK\$156 million), representing an increase of 4% compared with that of the last financial year.

The decrease in the Group's revenue was mainly derived from temporarily suspension of sales of calcium carbide during the Year.

The Group's selling and distribution costs for the Year was approximately HK\$Nil (2023: approximately HK\$1 million), representing a decrease of approximately 100% compared with that of the last financial year. The decrease in selling and distribution costs was mainly due to deconsolidation of the heat and power segment during the last financial year.

The Group's administrative expenses for the Year was approximately HK\$94 million (2023: approximately HK\$97 million), representing a decrease of approximately 3% compared with that of the last financial year. The decrease in administrative expenses was mainly due to temporarily suspension of sales of calcium carbide during the Year.

The Group's other operating expenses for the Year was approximately HK\$31 million (2023: approximately HK\$14 million), representing an increase of approximately 121% compared with that of the last financial year. The increase in other operating expenses was due to the increase in provision of litigation claims during the Year.

Coal-related chemical production division

The coal-related chemical production division includes the calcium carbide segment (the “**CC segment**”), the polyvinyl-chloride segment and the vinyl acetate segment. During the Year, the CC segment recorded a revenue of approximately HK\$12 million (2023: approximately HK\$98 million) from external customers, representing a decrease of approximately 88% compared with that of the last financial year. The decrease in sales of CC segment was mainly due to partial operation being suspended temporarily since January 2023. Since the Company can obtain the raw material at market-discounted price with China Mining and its continuing connected transactions were duly passed on 9 September 2024, the production of calcium carbide is expected to fully resume in October 2024.

Chemical products for agriculture division

The Company acquired Mudanjiang Haidi to manufacture and conduct sales of chemical products for agriculture at the last financial year. The chemical products for agriculture segment record a revenue of approximately HK\$19 million (2023: approximately HK\$3 million) from external customers, representing an increase of approximately 533% compared with that of the last financial year. The chemical products for agriculture segment record a gross profit of approximately HK\$4 million (2023: approximately HK\$1 million).

Heat and power division

In view of the Authority has taken over the operations of Mudanjiang BD Power, the management of the Group had deconsolidated the operation of heat and power segment during the year ended 30 June 2023.

PROSPECT

Over the past year, the People’s Republic of China (“**PRC**”) has been affected by COVID-19 pandemic and under high-interest rate environment, the economic recovery and development of the PRC were against expectations due to insufficient overall demand and supply chain. The Board believes that the society and economy of the PRC will begin to recover and return normal in the coming year. At the special general meeting of the Company held on 9 September 2024, the supplemental agreement entered into by the Company and 中礦聯合控股集團有限公司 (China Mining United Holding Group Co., Ltd.*) and the transactions contemplated thereunder (which, among other things, involve the sales and deep-processing of mineral products, chemical products or other products) were approved by the Shareholders. For further details of the supplemental agreement, please refer to the circular of the Company dated 22 August 2024. The management aims to achieve a revenue of RMB5 billion in the coming year.

Coal-related chemical production division

During the Year, HLCL has temporarily suspended partial production of calcium carbide due to the decrease in market selling price of calcium carbide. Since the Company can obtain the raw material at market-discounted price with China Mining and its continuing connected transactions were duly passed on 9 September 2024, the production of calcium carbide is expected to be fully resumed in October 2024.

Chemical products for agriculture division

During the year ended 30 June 2023, Mudanjiang Haidi has commenced production and sales of chemical products for agriculture. Mudanjiang Haidi is in a growth stage. In view of the considerable profit margin, the Board believes that Mudanjiang Haidi will continue to be the growth driver of the Group in the forthcoming years.

Heat and power division

During the year ended 30 June 2023, the heat and power division decided deconsolidation of the operation. On 26 August 2022, the Group received a notice (the “**Notice**”) issued by the Authority stating that in order to ensure the stability of the heat supply to the residents of Mudanjiang in the coming winter, the Authority has temporarily taken over the operations of Mudanjiang BD Power. Upon the Notice coming into effect, Mudanjiang BD Power shall be deemed as deconsolidated from the consolidated financial statements of the Group and be classified as a discontinued operation. The Group is also liaising with the Authority relating to the Notice and the control and operation of Mudanjiang BD Power. BD Power is in the process of voluntary liquidation and after the completion of liquidation process, the Company can carry out reversal of receivables in respect of the proceeds from liquidation of BD Power and expected to record in the revenue of the Company.

FINANCIAL REVIEW

Capital structure, liquidity and financial resources

Capital structure

During the Year, the Group financed its operations and business development with internally generated resources, non-equity funding and equity funding.

Liquidity and financial ratios

As at 30 June 2024, the Group had total assets of approximately HK\$478 million (2023: approximately HK\$667 million), which were financed by current liabilities of approximately HK\$1,054 million (2023: approximately HK\$840 million), non-current liabilities of approximately HK\$433 million (2023: approximately HK\$774 million), non-controlling interests of deficit by approximately HK\$1 million (2023: surplus by approximately HK\$8 million) and shareholders' equity of deficit by approximately HK\$1,009 million (2023: approximately HK\$955 million). As at 30 June 2024, the current assets of the Group amounted to approximately HK\$50 million (2023: approximately HK\$46 million), comprising inventories of approximately HK\$11 million (2023: approximately HK\$2 million), trade receivables of approximately HK\$1 million (2023: approximately HK\$5 million), prepayments, deposits and other receivables of approximately HK\$8 million (2023: approximately HK\$26 million), financial assets at fair value through profit or loss of approximately HK\$1 million (2023: approximately HK\$1 million), and cash and cash equivalents of approximately HK\$31 million (2023: approximately HK\$3 million).

As at 30 June 2024, 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 0.1 (2023: approximately 0.1), approximately 0.1 (2023: approximately 0.1), approximately 311% (2023: approximately 242%) and deficit by approximately 147% (2023: approximately 170%), respectively. The higher gearing ratio was mainly attributable to the impairment of assets of HLCL, whilst the total debts of the Group remained stable. Throughout the Year, the management had taken several measures to improve the liquidity position and financial position of the Group.

Although the Group was in a net current liabilities position and net liabilities position as at 30 June 2024, the management has closely 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 2024, the bank loans of the Group amounted to approximately HK\$11 million (2023: approximately HK\$20 million). Based on the agreed repayment schedule set out in the loan agreements, bank loans of approximately HK\$3 million (2023: approximately HK\$9 million) were repayable within 12 months, of which approximately HK\$11 million was denominated in Hong Kong dollars (2023: approximately HK\$14 million was denominated in Hong Kong dollars and approximately HK\$6 million was denominated in RMB, respectively).

Bonds

As at 30 June 2024, the aggregate amount of bonds payable was approximately HK\$1,109 million (2023: approximately HK\$1,065 million).

Equity funding

On 2 February 2024, a total of 280,000,000 shares with placing price of HK\$0.1 per share were issued under special mandate pursuant to the placing agreement dated 15 December 2023. The net proceeds of approximately HK\$22.4 million and approximately HK\$4.2 million were used for repayment of the Group's indebtedness and for replenishing the working capital of the Group, respectively.

Details of the placing of new shares under specific mandate were disclosed in the announcement of the Company dated 15 December 2023, 3 January 2024 and 2 February 2024.

On 19 April 2024, a total of 108,000,000 shares with subscription price of HK\$0.1 per share were issued under general mandate pursuant to the subscription agreement dated 13 March 2024. The net proceeds of approximately HK\$10.3 million was used for general working capital.

Detail of the subscription of new shares under general mandate were disclosed in the announcement of the Company dated 13 March 2024, 10 April 2024 and 19 April 2024.

On 28 June 2024, a total of 300,000,000 shares with placing price of HK\$0.1 per share were issued under special mandate pursuant to the placing agreement dated 20 May 2024. The net proceeds of approximately HK\$27 million and approximately HK\$2.4 million were used for repayment of the Group's indebtedness and interest expenses; and for replenishing the working capital of the Group, respectively.

Details of the placing of new shares under specific mandate were disclosed in the announcement of the Company dated 20 May 2024, 29 May 2024 and 28 June 2024.

Significant investment held by the Company

As at 30 June 2024, the Company did not have any significant investments, except for the financial assets at FVTPL of approximately HK\$0.3 million (2023: approximately HK\$2 million). During the Year, the Company had recorded a fair value loss on financial assets at fair value through profit or loss, net of approximately HK\$2 million (2023: approximately HK\$0.1 million).

Charges on the Group's assets

As at 30 June 2024, bank loans and other loans of approximately HK\$11 million (2023: approximately HK\$20 million) and approximately HK\$48 million (2023: approximately HK\$48 million), respectively, were secured by charges over the Group's certain property, plant and equipment and right-of-use assets.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Financial Year, there was no material acquisitions or disposals of subsidiaries, associates or joint venture.

On 28 December 2020, HLCL, a company indirectly owned as to 90% by the Company, entered into an agreement (the “**Disposal Agreement**”) with Heihe Longhe Investment Management Limited* (黑河龍合投資管理有限責任公司), an independent third party, pursuant to which HLCL had agreed to transfer the land use rights of certain lands (the “**Lands**”) located in the PRC at an aggregate consideration of RMB156,440,000 (equivalent to approximately HK\$185,500,000), comprising RMB139,440,000 with land compensation of RMB17,000,000 (the “**Land Disposal**”). The Land Disposal was completed on 19 June 2024.

DISPOSAL OF SHARES BY THE SINGLE LARGEST SHAREHOLDER

The Company was informed by Mr. Chan Yuen Tung (“**Mr. Chan**”), the single largest shareholder of the Company that on 11 August 2023, Mr. Chan as the vendor and Mr. Tang Yi Duan (“**Mr. Tang**”) as the purchaser, pursuant to which Mr. Chan sold 142,850,000 shares in the Company (“**Shares**”) to Mr. Tang at a selling price of HK\$0.966 per share (the “**Disposal by Mr. Chan**”). Immediately after the Disposal by Mr. Chan, Mr. Chan does not hold any Shares and is no longer the single largest shareholder of the Company, and Mr. Tang held 142,850,000 Shares of the Company as at 11 August 2023.

Details of the Disposal by Mr. Chan were disclosed in the announcement of the Company dated 11 August 2023.

The Company was informed by Mr. Tang Yiduan (“**Mr. Tang**”), the then single largest shareholder of the Company that on 21 February 2024, Mr. Tang as the vendor and Mr. Cheung Hung (“**Mr. Cheung**”) as the purchaser, pursuant to which Mr. Tang sold 131,850,000 shares in the Company (“**Shares**”) to Mr. Cheung at a selling price of HK\$0.15 per share (the “**Disposal by Mr. Tang**”). Immediately after the Disposal by Mr. Tang, Mr. Tang does not hold any Shares and is no longer the single largest shareholder of the Company, and Mr. Cheung holds 238,460,000 Shares of the Company as at 21 February 2024 and became the single largest shareholder of the Company.

* *English name is for identification purpose only*

Details of the Disposal by Mr. Tang were disclosed in the announcement of the Company dated 21 February 2024.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 15 of the consolidated financial statements, the Group did not have any significant event after 30 June 2024.

CONTINGENT LIABILITIES

As at 30 June 2024, save as disclosed in note 14 of the consolidated financial statements, 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, despite the devaluation of RMB during the Year. 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 as at 30 June 2024.

In face of currency market instability, the Group will make use of hedging instruments to mitigate the exchange rate risk as and when appropriate.

NUMBER AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 120 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 the industry's practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance-related commissions.

The Company also operated a share option scheme (the "**Scheme**") for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group. The Scheme was proposed by the Board on 14 November 2022 and approved by its shareholders on 14 December 2022. As at 30 June 2023, there were 4,974,455 Share options outstanding. The Share options had an exercisable period up to 2 November 2023 at the adjusted exercise price of HK\$7.91 per Share. The Scheme was expired on 2 November 2023.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 30 June 2024 (2023: Nil).

PURCHASE, SALE OR REDEMPTION 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.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the Year, complied with the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix C1 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation as summarised below:

Code Provision C.2.1

The code provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer were performed by the same individual, Ms. Chan Yuk Foebe, and were not separated until the resignation of Ms. Chan becoming effective on 13 March 2024. The Board met regularly to consider issues related to corporate matters affecting operations of the Group and considered that this deviation would not impair the balance of power and authority of the Board and the Company's management. Following the resignation of Ms. Chan, Mr. Law Tze Ping Eric was appointed as the acting Chief Executive Officer and Mr. Ma Wing Yun Bryan was appointed as the Chairman of the Board and 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.

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 C3 to 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.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive directors, namely, Mr. Ma Wing Yun Bryan (Chairman), Mr. Tam Ching Ho and Mr. Hau Chi Kit.

The Audit Committee has reviewed the consolidated financial results of the Group for the year 30 June 2024 and is of the view that such results complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED

The figures in respect of the preliminary announcement of the Group’s results for the year ended 30 June 2024 have been agreed by the auditor of the Company, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group’s consolidated financial statements for the Year. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods (Hong Kong) CPA Limited on this announcement.

PUBLICATION OF ANNUAL REPORT

The 2024 Annual Report of the Company containing all the financial and other related information of the Company required by the Listing Rules will be available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.chinazenith.com.hk and will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
China Zenith Chemical Group Limited
Law Tze Ping Eric
Acting Chief Executive Officer

Hong Kong, 27 September 2024

As at the date of this announcement, Mr. Law Tze Ping Eric, Mr. Tang Yiduan, Mr. Shing Pan Yu James and Mr. Chin Chun Hin are the executive Directors; and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.