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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

Reference is made to the 2022 Annual Results Announcement and the 2022 Annual Report. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the 2022 Annual Results Announcement and the 2022 Annual Report.

In addition to the information provided in the 2022 Annual Results Announcement and the 2022 Annual Report, the Board would like to provide further information in relation to (I) the differences between unaudited results and audited results in the financial year ended 30 June 2022; and (II) the management's position on the disclaimer opinion regarding opening balances and corresponding figures and how it can be resolved.

(I) DIFFERENCES BETWEEN UNAUDITED RESULTS AND AUDITED RESULTS

Please refer to the following table that sets out the differences between the unaudited results and the audited results for the financial year ended 30 June 2022 and the reasons in the footnotes.

	2022 Audited <i>HK\$'000</i>	2022 Unaudited <i>HK\$'000</i>	(Decrease)/ increase <i>HK\$'000</i>	<i>Notes</i>
Loss for the year	<u>(1,073,821)</u>	<u>(1,073,821)</u>	<u>–</u>	
Other comprehensive income after tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	1,567	1,752	(185)	1
Share of other comprehensive income of an associate	(592)	(777)	185	1
Exchange differences reclassified to profit or loss on disposal of a subsidiary	<u>6,312</u>	<u>–</u>	<u>6,312</u>	2
Other comprehensive income for the year, net of tax	<u>7,287</u>	<u>975</u>	<u>6,312</u>	2
Total comprehensive income for the year	<u><u>(1,066,534)</u></u>	<u><u>(1,072,846)</u></u>	<u><u>6,312</u></u>	2

Notes:

1. The difference represents reallocation between the balances of “Exchange differences on translating foreign operations” and “Share of other comprehensive income of an associate”.
2. The difference represents reclassification from foreign currency translation reserve of an associate being classified as assets held for sale to other comprehensive income.

(II) DISCLAIMER OPINION REGARDING OPENING BALANCES AND CORRESPONDING FIGURES

In page 59 of the 2022 Annual Report, it is stated that:

“In the predecessor auditor’s report dated 29 October 2021 in respect of the audit of the consolidated financial statements of the Group for the year ended 30 June 2021 (the “2021 Financial Statements”), the predecessor auditor did not express an opinion on the 2021 Financial Statements. The disclaimer of opinion was resulted from (i) uncertainties relating to going concern and (ii) deconsolidation of a subsidiary. There were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any

adjustments that might have been found necessary may have effect on the Group's assets and liabilities as at 30 June 2021 and 1 July 2021 and hence its results for the year ended 30 June 2022, and the presentation and disclosure thereof in the consolidated financial statements."

The management has communicated with the auditor, inter alias, the opening balances and the corresponding figures if the same can be resolved in the consolidated financial statements for the year ending 30 June 2023.

In evaluating management's assessment of the Company's ability to continue as a going concern, the auditor is required to cover the same period as that used by the management to make its assessment as required by the HKFRS. If events or conditions have been identified that may cast significant doubt on the Company's ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern through performing additional audit procedures, including consideration of mitigating factors.

As disclosed in note 2 to the consolidated financial statements of the Company in the 2022 Annual Results Announcement, the going concern adopted by the Company is largely dependent on whether the Company could meet its obligations from equity fund raising, external borrowings and the successful disposal of the idle right-of-use assets and buildings and negotiation with the bond holders for extension of the bonds payments terms and etc. This assessment collectively considered by the auditor to determine whether Company's ability to continue as a going concern is appropriate. The management of Company will continuously communicate with the auditor with regard to this matter, including the financial position of the Company, cash flow projection and other important information regarding the going concern of the Company.

If the Company is able to satisfy of the auditor's requirements as stated above, the disclaimer opinion resulted from uncertainties relating to going concern possibly would be removed.

Save as disclosed above, the contents of the 2022 Annual Results Announcement and the 2022 Annual Report remain unchanged.

By Order of the Board of
China Zenith Chemical Group Limited
Chan Yuk Foebe
Chairman and Executive Director

Hong Kong, 18 January 2023

As at the date hereof, Ms. Chan Yuk Foebe, Mr. Gao Ran and Mr. Law Tze Ping Eric are the executive Directors; Mr. Liu Yangyang is the non-executive Director; and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.