

WEBER CHARLOTTE C  
Form 4  
December 09, 2010

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
WEBER CHARLOTTE C

2. Issuer Name and Ticker or Trading Symbol  
CAMPBELL SOUP CO [CPB]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
1 CAMPBELL PLACE  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
12/07/2010

Director  10% Owner  
 Officer (give title below)  Other (specify below)

CAMDEN, NJ 08103-1799

4. If Amendment, Date Original Filed (Month/Day/Year)

6. Individual or Joint/Group Filing (Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock	12/07/2010		S	V 150,000 D 33.97 (1)	\$ 3,298,899	I	See Footnote (2)
Common Stock	12/08/2010		S	V 129,300 D 33.87 (3)	\$ 3,169,599	I	See Footnote (2)
Common Stock					41,973	D	
Common Stock					11,058,785	I	See Footnote (4)



## Edgar Filing: WEBER CHARLOTTE C - Form 4

Shares held under the Deed of Trust of Charlotte C. Weber dated May 10, 1968 ("1968 Trust"). The reporting person is a trustee of the 1968 Trust. The reporting person disclaims beneficial ownership of these shares except to the extent of her pecuniary interest therein.

The price reflects the weighted average sale price for the transactions reported on this line. The range of prices for the transactions

- (3) reported on this line are \$33.69 to and including \$34.00. The full information regarding the number of shares sold at each separate price will be provided upon request by the Commission staff.

- (4) Shares held by Suppe Holdings Limited Partnership, a Delaware limited partnership of which CSCS Holdings, Inc. is the general partner and the 1968 Trust is the limited partner. CSCS Holdings, Inc. is a corporation owned by the reporting person. The reporting person disclaims beneficial ownership of these shares except to the extent of her pecuniary interest therein.

- (5) Shares held by CSCS Holdings, Inc. The reporting person disclaims beneficial ownership of these shares except to the extent of her pecuniary interest therein.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ont: 10pt Times New Roman, Times, Serif; margin: 0; text-align: justify">According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise (Circular Guoshuihan [2009] No. 698) implemented on January 1, 2008, except for the purchase and sale of equity through a public securities market, where a foreign corporate investor indirectly transfers the equity of a PRC resident enterprise by disposing the equity of an overseas holding company (the "Indirect Transfer") located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5%, or (ii) does not tax its residents on their foreign income, the foreign corporate investor shall report the Indirect Transfer to the competent PRC tax authority within 30 days from the date when the equity transfer agreement was made. In this case, the PRC tax authority will examine the true nature of the Indirect Transfer. Should it deem the foreign investor to have made the Indirect Transfer without reasonable commercial purpose and in order to avoid the PRC tax, the PRC tax authority may disregard the existence of the overseas holding company that is used for tax planning purpose and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer by the foreign investor may be subject to the EIT Law.

### *Value-Added Tax*

Pursuant to the Provisional Regulations on Value-added Tax of PRC, last amended on November 5, 2008 and took effect from January 1, 2009, and its implementation rules which were revised on December 15, 2008 and took effect from January 1, 2009, all entities or individuals in PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the import of goods are required to pay value-added tax ("VAT"). The amount of VAT payable in the sale or import of goods except as otherwise provided by paragraph (2) and paragraph (3) of Article 2 of the Provisional Regulations on Value-added Tax of PRC. The tax rate is also 17% for those providing processing services repairs and replacement services.

In November 2011, the Ministry of Finance ("MOF") and the State Administration of Tax ("SAT") promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (the "Pilot Plan"). Since January 1, 2012, the PRC government has been implementing a pilot program in certain provinces and municipalities, to levy a 6% VAT on revenue generated from certain kinds of services in lieu of the 5% business tax. According to the Notice Regarding the Nationwide Implementation of B2V Transformation Pilot Program in respect of Transportation and Certain Modern Service Industries jointly issued by the MOF and SAT effective from August 1, 2013 (the "B2V Circular 37"), such policy has been implemented nationwide. In addition, the MOF and SAT released the Notice on Including Railway Transportation and Postal Services Sectors into the Pilot Scheme on Switching from Business Tax to VAT on December 12, 2013, which further expanded the scope of taxable services for value-added tax and replaced the B2V Circular 37 as of January 1, 2014.

*Business Tax*

Pursuant to the Interim Regulation of the People's Republic of China on Business Tax ("Business Tax Regulation") last amended on November 10, 2008 and took effect from 1 January, 2009, business that provide services (including entertainment business), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 20% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

*Tax on Dividends from PRC Enterprise with Foreign Investment*

According to the New Income Tax Law and the Implementation Rules, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty.

*Stamp Duty*

Under the PRC Interim Regulations on Stamp Duty promulgated by the State Council on August 6, 1988 and amended in January 6, 2011, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use right certificates, stamp duty shall be levied on an item basis at an annual rate of RMB5 per item.

*Urban Maintenance Tax*

Under the PRC Interim Regulations on Urban Maintenance Tax promulgated by the State Council on February 8, 1985 and amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay urban maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

*Education Surcharge*

Under the Interim Provisions on Imposition of Education Surcharge promulgated by the State Council on April 28, 1986 (last amended by the State Council on August 20, 2005), any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. Education surcharge shall be calculated and levied at a rate of 1% on the actual amount of product tax, value-added tax and business tax paid by the taxpayer.

According to the Circular on Issues Concerning Policies on Unifying Local Education Surtax promulgated by ministry of finance on November 17, 2010, the rate at which local education surtax is levied should be 2% of the value-added tax, the business tax or the consumption tax actually paid by entities and individuals (including foreign-invested enterprises, foreign enterprises and foreign individuals).

Wholly Foreign-Owned Enterprise

WFOE is governed by the Law of the People's Republic of China Concerning Enterprises with Sole Foreign Investments, which was promulgated on April 12, 1986 and was subsequently amended on October 31, 2000, and its Implementation Regulations promulgated on December 12, 1990 and was subsequently amended on April 12, 2001 (together the "Foreign Enterprises Law").

*Procedures for Establishment of a WFOE*

The establishment of a WFOE will have to be approved by Ministry of Commerce (or its delegated authorities) (the "MOC"). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOC (or its delegated authorities) for its record. A WFOE must also obtain a business license from the State Administration of Industry and Commerce (or its delegated authorities) before it can commence business.

*Nature*

A WFOE is a limited liability company under the Foreign Enterprise Law. It is a legal entity which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. The foreign investor may make its contributions by installments and the registered capital must be contributed within the period as approved by the MOC (or its delegated authorities) in accordance with relevant regulations.

### *Profit Distribution*

The Foreign Enterprise Law provides that after payment of taxes, a WFOE must make contributions to a reserve fund and at least 10% of the after-tax profits must be allocated to the reserve fund. If the accumulative amount of allocated reserve funds reaches 50% of an enterprise's registered capital, the WFOE will not be required to make any additional contribution. The WFOE is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

In accordance with the Notice of the Ministry of Finance on the Issue of Handling Financial Issues by Relevant Enterprises after the Implementation of the Company Law promulgated by the Ministry of Finance on March 15, 2006 and effective April 1, 2006, from January 1, 2006 on, enterprises established in accordance with the Company Law shall distribute profits pursuant to Article 167 of the Company Law and shall no longer make contributions to the reserve fund. After an enterprise ceases to make contributions to the reserve fund, it may continue to make contributions to the employee bonus and welfare fund as decided by the board of directors if the purpose, use conditions, and procedures thereof shall be made clear, and such funds shall be manage as debts.

### Company Law

The establishment and operation of corporate entities in China is governed by the PRC Company Law, which was promulgated by the Standing Committee of the NPC on December 29, 1993 and became effective on July 1, 1994 ("1993 PRC Company Law"). It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013.

The PRC Company Law generally governs 2 types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of assets owned by the company. Liabilities of shareholders of a limited liability company are limited to the amount of registered capital they have contributed.

The amendments to the PRC Company Law adopted in October 2005 seek to reform various aspects of the 1993 PRC Company Law and simplify the establishment and operation of companies incorporated in China by lowering capitalization requirements, increasing shareholder and creditor protection, improving corporate governance, and relaxing rules regarding the establishment of subsidiaries. Further, the restriction relating to the total investment of a company in other entities exceeding 50% of its net assets has been removed, the incorporation of one shareholder limited liability companies in addition to wholly State-owned enterprises is permitted, and the Chinese Company Law shall apply to foreign invested limited liability companies. Where laws on foreign investment have other stipulations,

such stipulations shall apply.

The amendments to the PRC Company Law adopted in December 2013 took effect on March 1, 2014. These amendments cover three aspects: (a) replacing the paid-up capital registration system by subscribed capital registration system; (b) relaxing the requirements for registered capital registration; and (c) streamlining the registration items and requirements for registration documents.

#### PRC Laws and Regulations Relating to Foreign Investment

On October 31, 2007, the National Development and Reform Commission (“NDRC”) and MOC, jointly promulgated the Catalogue of Industries for Guiding Foreign Investment (as amended in 2007), which came into effect on December 1, 2007 (the “Catalogue”), as amended on December 24, 2011 and came into effect on January 30, 2012. The Catalogue lists out the industries and economic activities which are encouraged, restricted or prohibited by the PRC government for foreign investment. The Catalogue does not specify which business activities are in the permitted category. Instead, if the business activities are not listed in any of the encouraged, restricted or the prohibited categories, they shall be construed as being in the permitted category. Pursuant to the Catalogue, the wholesale of refined oil falls under the restricted category. None of our Group’s business activities are listed in the prohibited category.



### Labor Law

Pursuant to the Labor Law of the PRC promulgated by Standing Committee of the NPC on July 5, 1994 and was subsequently amended on August 27, 2009, the Labor Contract Law of the PRC promulgated by Standing Committee of the NPC on June 29, 2007 and was subsequently amended on December 28, 2012 and the Labour Contract Law Implementation Rules of the PRC promulgated by the State Council on September 18, 2008, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement system of ensuring occupational safety and health, educating employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

### Social Insurance Law

Employers in China are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident funds. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make-up for the missed contributions. The various laws and regulations that govern the employers' obligation to contribute to the social security funds include PRC Social Insurance Law promulgated by the Standing Committee of the NPC on October 28, 2010 and became effective July 1, 2011; the Interim Regulations on the Collection and Payment of Social Security Funds, which were promulgated by the State Council and became effective on January 22, 1999; the Interim Measures concerning the Maternity Insurance, which were promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995; the Regulations on Occupational Injury Insurance, which were promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and was amended on December 20, 2010; the Regulations on Management of the Housing Provident Fund, which were promulgated and became effective on April 3, 1999 and was amended on March 24, 2002.

Where the enterprises fail to pay the full amount of the social insurance premiums, the relevant department aforesaid has the authority to check and decide on the amount of social insurance premiums that the enterprises should pay as the supplementary payment. If the enterprises does not pay for the social insurance premiums after the relevant department has charged the full amount of the supplementary payment, the relevant department is authorized to either inquire about the deposit account of such enterprises, or apply to the related department at or above the county level for making the decision of the allocation of social insurance premiums. The relevant department can also inform the bank or other financial institution to execute the allocation by written notice. If the amount of the deposit account is smaller than the amount of social insurance premiums required to pay by the enterprises, the enterprises may provide a security and delay the date to pay the social insurance premiums. If the amount of the deposit account is smaller than the amount of the social insurance premiums needed to pay by the enterprises, and the enterprises fails to provide a security, the relevant department shall apply to the court for the levying, sealing and auctioning of the property of such enterprises.

If the enterprises do not pay the full amount of social insurance premiums as scheduled, the social insurance premium collection institution shall order them to make the payment or make up the difference within a stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is not made within the stipulated period, the relevant administration department shall impose a fine from one to three times the amount of overdue payment.

#### Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the NPC on December 26, 1989, which has been amended on April 24, 2014 and will take effect on January 1, 2015, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalized. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized or have their business licenses terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

#### Governmental Regulations in Relation to the Company's Businesses

Pursuant to the Implementation Measures for Work Safety Licenses of Enterprises Producing Hazardous Chemicals ("Measures of Producing Hazardous Chemicals") promulgated by State Administration of Work Safety on August 5, 2011 which took effect on December 1, 2011, where an enterprise is established in accordance with relevant laws and has obtained the industrial and commercial business licenses or industrial and commercial approval documents for engaging in the production of end products or intermediate products that are included in the Catalogue of Hazardous Chemicals, the enterprise shall obtain the work safety licenses for hazardous chemicals in accordance with the provisions of Measures of Producing Hazardous Chemicals. The enterprise that has not obtained the work safety licenses shall not engage in the production activities of hazardous chemicals.

Save as otherwise disclosed, we are not subject to any special legislation or regulatory controls in the PRC other than those generally applicable to companies and businesses in the PRC, which will have a material effect on our business operations. Changes in the PRC governmental rules and regulations will have a significant impact on our business, and Foreign exchange control and tax policies in the PRC may limit our ability to utilize our revenue effectively and affect our ability to receive dividends and other payments from our subsidiaries in the PRC.

Please also refer to the Section “Risk Factors – Risks Relating to Doing Business in the PRC” of this report for details on the applicable PRC laws and regulations.

*Licenses, Permits and Approvals*

As of the date of this report, we have obtained all material licenses, permits and approvals from the relevant government authorities for our business operations in the PRC, and have complied with all relevant PRC environmental laws and regulations, and have not been fined under any related PRC environmental laws or regulations. Please see the table below for the material licenses, permits and approvals that we have received as of the date of this report:

Entity	Licenses, Permits and Certificates	Serial Number	Valid Term/ Renewal Period	Authority
Jiangsu Delta	Registration Certificate for Using Hazardous Chemicals	321110234	April 6, 2017 to April 5, 2020	Jiangsu Province Administration of Work Safety Chemical Registration Centre
Jiangsu Delta	Trading License for Hazardous Chemicals	Su Zhen An Jing Zi 000197	December 24, 2014 to December 23, 2017	Administration of Work Safety of Zhenjiang City
Jiangsu Delta	Record Keeping Certificate of Non-Pharmaceutical Precursor Chemical Production	(Su) 3S32111200031	April 24, 2017 to April 9, 2020	Administration of Work Safety of Zhenjiang City
Jiangsu Delta	Pollutant Discharge Permit	Zhen Tu Huan No. 3211212012062	May 2015 to May 2018	Environment Protection Agency of Dantu District, Zhenjiang City
Jiangsu Delta	Business License	91321100662742845	June 15, 2007 to June 14, 2027	Administration of Industry and Commerce of Zhenjiang, Jiangsu Province
Jiangsu Delta	Work Safety License	(Su) WH An Xu Zheng Zi [L00230]	April 28, 2014 to April 27, 2017	Administration of Work Safety of Jiangsu Province
Jiangsu Delta	Financial Registration Certificate for Foreign-invested Enterprises	No.3211210203	June 15, 2007 to June 14, 2027	Local Financial Bureau of Dantu District, Zhenjiang City
Jiangsu Delta	Organization Code Certificate	No.66274328-4	June 11, 2015 to June 10, 2019	Jiangsu Zhenjiang Administration of Quality Supervision, Inspection and Quarantine
Jiangsu Delta	Foreign Exchange Registration Card	No.00085568	N.A.	State Foreign Exchange Administration
Jiangsu Delta	Bank Account Permit	No. J3140002471102	N.A. <i>(Note: issued on July 16, 2008)</i>	People's Bank of China, Zhenjiang Branch
Jiangsu Delta	Social Insurance Registration Certificate	She Xian Su Zi No.32112115000942	June 23, 2010 to October 30, 2020	Social Labour Insurance Fund Management Centre, Dantu District, Zhenjiang City
Jiangsu Delta	Environmental Management System Certificate	04415E10738R0M	September 29, 2015 to September 28, 2018	China Certification Centre Inc.

Entity	Serial Number	Authority
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Explanation of Responses:

	<b>Licenses, Permits and Certificates</b>		<b>Valid Term/ Renewal Period</b>	
Binhai Delta	Business license Binhai	913209220710182325	June 8, 2013 to June 7, 2043 N.A.	Administration of Industry and Commerce of Binhai, Yanhai
Binhai Delta	Bank Account Permit	No. J3112001078201	(Note: issued on June 19, 2013)	People's Bank of China, Binhai Branch

## Properties

We currently own the following land use rights in the PRC:

<b>Owner</b>	<b>Location</b>	<b>Certificate of state-owned Land Use Right No.</b>	<b>Tenure</b>	<b>Approximate Gross Floor Area (sqm)</b>	<b>Use of Property</b>
Jiangsu Delta	Chenfeng Village, Gaozi Town, Dantu District, Zhenjiang	Zhen Tu Guo Yong (2008) No.199 <sup>(1)</sup>	October 19, 2008 to July 29, 2058	53,369	Industrial
Jiangsu Delta	Chenfeng Village, Gaozi Town, Dantu District, Zhenjiang	Zhen Tu Guo Yong (2011) No.1037	August 1, 2011 to August 31, 2060	26,023	Industrial

### Note:

This land use right has been mortgaged to the Industrial and Commercial Bank of China, Zhenjiang Branch. The period of the mortgage is commencing from May 31, 2013 and ending on December 31, 2017. During the term of the mortgage, Jiangsu Delta's rights to transfer, lease, mortgage or otherwise dispose of this land use right shall be subject to the prior written approval of the relevant bank.

We currently own and possess the Building Ownership Certificates for the following buildings in the PRC:

<b>Location</b>	<b>Certificate of Real Estate Ownership No.</b>	<b>Approximate Gross Floor Area (sq m)</b>	<b>Use of Property</b>
Building 3 No. 1 Fine Chemical Park Gaozi Zhen Dantu Economic and Development Zone Zhenjiang City <sup>(1)</sup>	Zhen Fang Quan Zheng Zi No. 1201007277100110	1,140.9	Industrial
North of Development Zone Road, South of Hu Ning Expressway	Dan Fang Quan Zheng Kai Fa Qu Zi No. 02032188	12,119.44	Research and Development

Explanation of Responses:



**Note:**

(1) This property has been mortgaged to the Industrial and Commercial Bank of China, Zhenjiang Branch. The term of the mortgage is one year commencing from June 20, 2016 and ending on June 19, 2017. During the term of the mortgage, our rights to transfer, lease, mortgage or otherwise dispose of this property shall be subject to the prior written approval of the relevant bank.

As of the date of this report, we do not lease any properties.

We believe there are no regulatory requirements or environmental issues that may materially affect our utilization of the above properties and fixed assets, all of which are located in the PRC.

**C. Organizational structure**

The chart below presents our corporate structure as of the date of this report.

**D. Property, Plants and Equipment**

Information regarding our property, plants and equipment is described “Item 4. B. Business Overview.”



#### **Item 4A. Unresolved Staff Comments**

Not required.

#### **Item 5. Operating and Financial Review and Prospects**

##### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

##### **Forward-Looking Statements**

The information in this report contains forward-looking statements. All statements other than statements of historical fact made in this report are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These forward-looking statements can be identified by the use of words such as "believes," "estimates," "could," "possibly," "probably," "anticipates," "projects," "expects," "may," "will," or "should" or other variations or similar words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. Forward-looking statements reflect management's current expectations and are inherently uncertain. Our actual results may differ significantly from management's expectations.

The following discussion and analysis should be read in conjunction with our financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

##### **Overview**

We are a fine and specialty chemical manufacturer, primarily engaged in manufacturing and selling of organic compound including para-chlorotoluene ("PCT"), ortho-chlorotoluene ("OCT"), and PCT/OCT downstream products. We used to manufacture unsaturated polyester resin ("UPR"), maleic acid ("MA") and other by-product chemicals but no longer do so.

We collaborate with reputable universities, such as the East China Normal University in order to secure our position as a market leader. We also closely monitor the market for development, trends and technological innovations and solicit customer feedback so as to keep abreast with market demands and industrial development.

This discussion and analysis focuses on the business results, comparing results of operations for the fiscal year ended June 30, 2017, 2016, and 2015, respectively.

### **The fiscal year ended June 30, 2017 and June 30, 2016**

#### **Results of Operations**

In the fiscal year ended June 30, 2017, our revenue increased by 5.38% year over year and incurred net losses for US\$28.43M due to significant bad debts provision of US\$25.16M. Our gross profit margin was driven down from 8.81% to 6.97% resulting from the high competition for our PCT/OCT products for the fiscal year ended June 30, 2017.

The following table summarizes the results of our operations during the fiscal years ended June 30, 2017 and 2016, respectively, and provides information regarding the dollar and percentage increase (or decrease) for the fiscal year ended June 30, 2017 as compared to 2016.

	<b>The Fiscal Year Ended June 30</b>				<b>Change Rate</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>		
Net Revenue	\$ 56,292,093	\$ 53,418,112	\$ 2,873,981	5.38	%
Cost of Sales	\$ (52,367,418 )	\$ (48,713,456 )	\$ 3,653,962	7.50	%
Gross Profit	\$ 3,924,675	\$ 4,704,656	\$ (779,981 )	16.58	%
Gross Margin	6.97	% 8.81	% N/A	N/A	
Operating Expenses	\$ (31,874,182 )	\$ (15,137,604 )	\$ 16,736,578	110.56	%
Operating (Loss) Income	\$ (27,949,507 )	\$ (10,432,948 )	\$ 17,516,559	167.90	%
Operating Margin	-49.65	% -19.53	% N/A	N/A	
Change in fair value of warrants	\$ 531,099	\$ 6,856,682	\$ 6,325,583	-92.25	%
Gain on disposal of a subsidiary	\$ 0	\$ 435,488	\$ N/A	N/A	
Other loss - net	\$ (1,008,836 )	\$ (4,417,452 )	\$ (3,408,616 )	-77.16	%
Income taxes	\$ 0	\$ 802,627	\$ 802,627	N/A	
Net (Loss) Income	\$ (30,309,130 )	\$ (6,755,603 )	(23,553,527)	348.65	%
Net (Loss) Profit Margin	-53.840	% -12.65	% N/A	N/A	

## Revenue

Revenue for the fiscal year ended June 30, 2017 was \$56,292,093, an increase of 5.38% as compared with revenue of \$53,418,112 for the fiscal year ended June 30, 2016. In the fiscal year ended June 30, 2017, no more revenue from sales of UPR and SCM as compared with USD4.57M and USD1.514M, respectively, in the fiscal year ended June 30, 2016 due to the Company exiting this market due to low margins. In the fiscal year ended June 30, 2017, revenue from sales of PCT/OCT was USD56.29M an increase of 18.93% as compared with USD47.33M in the fiscal year ended June 30, 2016. The increase for sales of PCT/OCT was mainly due to more marketing and sales resources allocated to the sale and marketing of PCT/OCT after the Company exited the UPR and SCM markets. The Company periodically reviews the market situation to adjust production to fit market demand.

The following table shows a breakdown of revenues from for our main products and service:

	The Fiscal Year Ended June 30,					
	2017			2016		
	Sales	% of total sales		Sales	% of total sales	
UPR/MA	0	0	%	4,571,332	8.56	%
PCT/OCT	56,292,093	100.00	%	47,332,388	88.61	%
SCM	0	0	%	1,514,392	2.83	%
Total revenue	\$56,292,093	100.00	%	\$53,418,112	100.00	%

### Gross Profit

Gross profit decreased 16.58% to \$3,924,675 for the fiscal year ended June 30, 2017, as compared with \$4,704,656 for the fiscal year ended June 30, 2016. The gross margin was 6.97% for the fiscal year ended June 30, 2017 as compared with 8.81 % for the same period of 2016, mainly because the Company could not increase the selling price to cover the increase of cost of good sales due to the lower demand and higher competition for the PRC market.

### Operating Income

Operating loss was \$27,949,507 for the fiscal year ended June 30, 2017 as compared with operating income \$10,432,948 for the fiscal year ended June 30, 2016. The operating loss was mainly due to doubtful debts provision of \$25.16M recorded during fiscal year 2017.

### Cost of Sales

Cost of sales was \$52,367,418 for the fiscal year ended June 30, 2017, representing a 7.5% increase as compared with \$48,713,456 for the same period of 2016. The increase in cost of sales was in tandem with the revenue increase year over year.

**Operating Expenses**

The table below provides a detailed breakdown of our operating expenses for the periods indicated:

	<b>The Fiscal Year Ended June 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Selling expenses	\$ 1,416,283	\$ 2,251,997	-37.11 %
General & Administrative expenses	\$ 5,295,518	\$ 5,376,137	-1.50 %
Bad debt provision	\$ 25,162,381	\$ 7,509,470	235.08 %
Total operating expenses	\$ 31,874,182	\$ 15,137,604	110.56 %

Operating expenses were \$31,874,182 for the fiscal year ended June 30, 2017, representing a 110.56% increase as compared with \$15,137,604 for the fiscal year ended June 30, 2016. The increase was primarily due to doubtful debts provision of \$25.16M was made during fiscal year 2017 which is partly offset by the reducing of selling expenses and general and administrative expenses.

**Change in Fair Value of Warrants**

Gain on change in fair value of warrants was \$531,099 for the fiscal year ended June 30, 2017 as compared with \$6,856,682 for the fiscal year ended June 30, 2016. This is recorded as a non-cash gain, which resulted from the change in fair value of warrants issued connection with our public offering on December 21, 2012.

**Net Loss**

Net loss was \$28,427,244 for the fiscal year ended June 30, 2017 as compared with \$6,755,603 for the fiscal year ended June 30, 2016. The increase in net loss in the fiscal year ended June 30, 2017 was mainly due to the decrease of gross profits and the doubtful debts provision being made.

**Earnings per Share**

Explanation of Responses:

Basic and diluted loss per share (“EPS”) for the fiscal year ended June 30, 2017 were \$2.87 and \$2.92 compared with EPS of \$1.46 and \$1.46 for the same period of 2016. The weighted average number of shares outstanding to calculate basic EPS was 9,914,313 and 9,323,108 for the fiscal year ended June 30, 2017 and 2016, respectively. The weighted average number of shares outstanding to calculate diluted EPS was 9,914,313 and 9,323,108 for the fiscal year ended June 30, 2017 and 2016.

## Liquidity and Capital Resources

We have historically financed our operations and capital expenditures principally through debt and equity offerings and cash provided by operations.

The table below presents information about our cash flow for the periods indicated:

	<b>The Fiscal Year Ended June 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Net cash provided by (used in) operating activities	\$ 343,545	\$ (19,155,656 )	26.79 %
Net cash provided by (used in) investing activities	\$ 38,926	\$ (910,715 )	N/M
Net cash provided by (used in) financing activities	\$ (388,495)	\$ 18,678,460	N/M
Effect of foreign currency translation on cash and cash equivalents	\$ (12,841 )	\$ 1,233,448	N/M
Beginning cash and cash equivalent	\$ 63,149	\$ 217,612	97.59 %
Ending cash and cash equivalent	\$ 44,284	\$ 63,149	70.98 %

## Operating Activities

For the fiscal year ended June 30, 2017, net cash from operating activities was \$343,545. This was primarily attributable to: 1) our net loss of \$28,427,244, adjusted by an add-back of non-cash charges mainly consisting of depreciation and amortization, change in fair value of warrants, share-based compensation expenses, allowance for doubtful accounts, allowance for obsolete stock of \$3,809,025, \$531,099, \$2,418,688, \$23,950,416 and \$1,211,966 respectively, and non-cash gain from disposal of property accounts of \$417,277; 2) an increase of \$1,670,930 in working capital, primarily due to: (i) a decrease of \$8,355,425 from trade and other receivables; (ii) an increase of \$743,189 in inventories, principally consisting of raw material; (iii) a decrease of \$7,612,138 in trade and other payables, and (iv) an decrease of \$1,671,028 in advance from customers’ deposits.

### **Investing Activities**

For the fiscal year ended June 30, 2017, net cash provided by investing activities was \$38,926. This was primarily attributable to: (i) \$932,572 provided from the disposal of property and equipment, and (ii) capital expenditure of \$893,646 for the purchase of new plant and equipment.

### **Financing Activities**

For the fiscal year ended June 30, 2017, net cash used by financing activities was \$388,495, primarily attributable to: (i) repayment of bank borrowings of \$462,567, and (ii) a change in restricted cash of \$74,072.

### **Cash and Cash Equivalents**

Our cash and cash equivalents as at July 1, 2016, were \$63,149 and decreased to \$44,284 by June 30, 2017. The decrease was mainly due to increase in net cash used in operating activities.

In future periods, we believe that our existing cash, cash equivalents and cash flows from operations, combined with cash availability under our revolving credit facility, will be insufficient to meet our presently anticipated future cash needs for at least the next year. We will require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue.

### **Trade Receivables, net**

Trade receivables, net were \$20,993,949 as of June 30, 2017, representing a 58.12% decrease as compared with \$50,126,279 as of June 30, 2016. This decrease in trade receivables was primarily attributable to increase in allowance of doubtful accounts.

### **Inventory**

Explanation of Responses:

Inventory consists of raw materials and finished goods. As of June 30, 2017, the recorded value of our inventory decreased 10.17% to \$5,282,737 from \$5,880,881 as of June 30, 2016. This decrease is mainly due to a decrease in production of finished goods from \$1,960,063 as of June 30, 2016 to \$1,513,895 as of June 30, 2017 and a decrease of raw materials from \$3,920,818 as of June 30, 2016 to \$3,768,842 as of June 30, 2017. The decrease of inventory was primarily due to the Company's efforts to minimize its inventory level due to cost savings.

### **Accounts Payable**

Trade and other payables were \$13,131,216 as of June 30, 2017, a decrease of 38.04 % from \$21,194,399 as of June 30, 2016. The decrease was primarily attributable to a lower purchase volume.

### **Obligations under Material Contracts**

There was no material contractual obligation as of June 30, 2017.



**The fiscal year ended June 30, 2016 and June 30, 2015****Results of Operations**

In the fiscal year ended June 30, 2016, our revenue decreased by 73.56% year over year and incurred net losses for US\$6.756M due to significant dropping of revenue. Our net profit margin was driven down by 7.85% resulting from the high competition of the PCT/OCT and UPR market for the fiscal year ended June 30, 2016.

The following table summarizes the results of our operations during the fiscal years ended June 30, 2016 and 2015, respectively, and provides information regarding the dollar and percentage increase (or decrease) for the fiscal year ended June 30, 2016 as compared to 2015.

	<b>The Fiscal Year Ended June 30</b>			
	2016	2015	Change	Change Rate
Net Revenue	\$ 53,418,112	\$ 202,009,160	\$ (148,591,048)	73.56 %
Cost of Sales	\$ (48,713,456 )	\$ (182,692,715 )	\$ (133,979,259)	73.34 %
Gross Profit	\$ 4,704,656	\$ 19,316,445	\$ (14,611,789 )	75.64 %
Gross Margin	8.81 %	9.56 %	0.75 %	7.85 %
Operating Expenses	\$ (15,137,604 )	\$ (7,058,041 )	\$ 8,079,563	114.47 %
Operating (Loss) Income	\$ (10,432,948 )	\$ 12,258,404	\$ N/A-	N/A
Operating Margin	(19.53 )%	6.07 %	N/A-	N/A
Change in fair value of warrants	\$ 6,856,682	\$ (7,906,529 )	\$ N/A	N/A
Gain on disposal of a subsidiary	\$ 435,488	\$ 1,178,093	\$ (742,605 )	63.03 %
Other loss - net	\$ (4,417,452 )	\$ (394,211 )	\$ 4,023,241	N/A
Income taxes	\$ 802,627	\$ (3,729,238 )	\$ N/A-	N/A
Net (Loss) Income	\$ (6,755,603 )	\$ 1,406,519	N/A-	N/A
Net (Loss) Profit Margin	(12.65 )%	0.70 %	N/A-	N/A

**Revenue**

Revenue for the fiscal year ended June 30, 2016 was \$53,418,112, a decrease of 73.56% as compared with revenue of \$202,009,160 for the fiscal year ended June 30, 2015. In the fiscal year ended June 30, 2016, revenue from sales of UPR was USD4.57M, a decrease of 88.13% as compared with USD38.51M in the fiscal year ended June 30, 2015. In the fiscal year ended June 30, 2016, revenue from sales of PCT/OCT was USD47.33M a decrease of 44.47% as compared with USD85.23M in the fiscal year ended June 30, 2015. The decrease for both sales of UPR and PCT/OCT

mainly due to the low demand as result of the slowdown in China's economic growth. In the fiscal year ended June 30, 2016, revenue from sales of chemicals in the SCM segment was USD1.51M, a decrease of 98.06% as compared with USD78.26M in the fiscal year ended June 30, 2015. The decrease in the sales in the SCM segment was due primarily to the Company exiting this market due to low margins. The Company periodically reviews the market situation to adjust production to fit market demand.

The following table shows a breakdown of revenues from for our main products and service:

	<b>The Fiscal Year Ended June 30,</b>					
	2016		2015			
	Sales	% of total sales	Sales	% of total sales		
UPR	4,571,332	8.56	% 38,513,560	19.06	%	
PCT/OCT	47,332,388	88.61	% 85,234,434	42.19	%	
SCM	1,514,392	2.83	% 78,261,166	38.75	%	
Total revenue	\$53,418,112	100.00	% \$202,009,160	100.00	%	

### **Gross Profit**

Gross profit decreased 75.64% to \$4,704,656 for the fiscal year ended June 30, 2016, as compared with \$19,316,445 for the fiscal year ended June 30, 2015. The gross margin decreased by 7.85% from 8.81% for the fiscal year ended June 30, 2016 to 9.56 % for the same period of 2015, mainly because the revenue was dropping as result of low demand from PRC market

**Operating Income**

Operating loss was \$10,432,948 for the fiscal year ended June 30, 2016 as compared with operating income \$12,258,404 for the fiscal year ended June 30, 2015. The operating loss was mainly due to (i) doubtful debts provision of \$7.51M recorded during FY2016, and (ii) a write off \$2.6M for Plant and Equipment which are not being used for future production

**Cost of Sales**

Cost of sales was \$48,713,456 for the fiscal year ended June 30, 2016, representing a 73.34% decrease as compared with \$182,692,715 for the same period of 2015. The decrease in cost of sales was due to revenue reduced.

**Operating Expenses**

The table below provides a detailed breakdown of our operating expenses for the periods indicated:

	The Fiscal Year Ended June 30,		
	2016	2015	Change
Selling expenses	\$ 2,251,997	\$ 2,384,459	-5.56 %
General & Administrative expenses	\$ 5,376,137	\$ 3,474,472	54.73 %
Bad debt provision	\$ 7,509,470	\$ 1,199,110	526.25 %
Total operating expenses	\$ 15,137,604	\$ 7,058,041	114.47 %

Operating expenses were \$15,137,604 for the fiscal year ended June 30, 2016, representing a 114.47% increase as compared with \$7,058,041 for the fiscal year ended June 30, 2015. The increase was primarily due to two factors: (i) a doubtful debts provision of \$7.51M was made during FY2016, and (ii) a write off \$2.6M for Plant and Equipment which are not being used for the future production.

**Change in Fair Value of Warrants**

Gain on change in fair value of warrants was \$6,856,682 for the fiscal year ended June 30, 2016 as compared with a loss of \$7,906,529 for the fiscal year ended June 30, 2015. This is recorded as a non-cash gain, which resulted from the change in fair value of warrants issued connection with the Public Offering on December 21, 2012.

### **Gain on Disposal of A Subsidiary**

The Company recorded a gain of \$435,488 from the disposal of Jiangsu Delta Logistics Co Ltd during the year ended June 30, 2016 when the Company sold the subsidiary to Mr. Yang Yi at a sale price of \$1,505,140 (RMB10million) on March 20, 2016 pursuant to a sale and purchase agreement.

### **Net Income**

Net loss was \$6,755,603 for the fiscal year ended June 30, 2016 as compared with net income of \$1,406,519 for the fiscal year ended June 30, 2015. The decrease in net income in the fiscal year ended June 30, 2016 was mainly due to the decrease of revenue and the provision made.

### **Earnings per Share**

Basic and diluted loss per share ("EPS") for the fiscal year ended June 30, 2016 were \$1.46 and \$1.46 compared with EPS of \$1.44 and \$1.44 for the same period of 2015. The weighted average number of shares outstanding to calculate basic EPS was 9,323,108 and 6,462,577 for the fiscal year ended June 30, 2016 and 2015, respectively. The weighted average number of shares outstanding to calculate diluted EPS was 9,323,108 and 6,462,577 for the fiscal year ended June 30, 2016 and 2015.

## Liquidity and Capital Resources

We have historically financed our operations and capital expenditures principally through debt and equity offerings and cash provided by operations.

The table below presents information about our cash flow for the periods indicated:

	<b>The Fiscal Year Ended June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Net cash provided by (used in) operating activities	\$ (19,155,656 )	\$ (15,139,370 )	26.53 %
Net cash provided by (used in) investing activities	\$ (910,715 )	\$ 15,187,228	N/M
Net cash provided by (used in) financing activities	\$ 18,678,460	\$ (8,705,226 )	N/M
Effect of foreign currency translation on cash and cash equivalents	\$ 1,233,448	\$ (170,970 )	N/M
Beginning cash and cash equivalent	\$ 217,612	\$ 9,045,950	97.59 %
Ending cash and cash equivalent	\$ 63,149	\$ 217,612	70.98 %

## Operating Activities

For the fiscal year ended June 30, 2016, net cash used in operating activities was \$19,155,656. This was primarily attributable to: 1) our net loss of \$6,755,603, adjusted by an add-back of non-cash charges mainly consisting of depreciation and amortization, change in fair value of warrants, deferred income taxes, allowance for doubtful accounts, allowance for obsolete stock, impairment losses recognized on Plant and Equipment of \$5,883,313, \$6,856,682, \$23,939, \$7,509,470, \$423,588 and \$2,599,980, respectively, and non-cash gain from disposals of property accounts and disposal of a subsidiary of \$90,700 and \$435,488, respectively; 2) an increase of \$21,476,726 in working capital, primarily due to: (i) an increase of \$7,101,570 from trade and other receivables; (ii) a decrease of \$2,671,325 in inventories, principally consisting of raw material; partially offset by a decrease of \$20,539,601 in trade and other payables, an increase of \$4,169,072 in advance from customers deposit, and a decrease of \$675,952 in income tax payables.

## Investing Activities

For the fiscal year ended June 30, 2016, net cash used in investing activities was \$910,715. This was primarily attributable to: (i) \$1,516,850 from disposals of property and equipment, (ii) capital expenditure of \$929,108 for

Explanation of Responses:

purchase of new plant and equipment and (iii) \$1,535,243 in proceeds from the disposal of a subsidiary..

### **Financing Activities**

For the fiscal year ended June 30, 2016, net cash provided by financing activities was \$18,678,460, primarily attributable to: (i) a short-term bank loan borrowing of \$115,610,739, (ii) repayment of bank borrowings of \$121,283,331 and (iii) a change in restricted cash of \$24,351,052.

### **Cash and Cash Equivalents**

Our cash and cash equivalents as at July 1, 2015, were \$217,612 and decreased to \$63,149 by June 30, 2016. The decrease was mainly due to increase in net cash used in operating activities and investing activities.

In future periods, we believe that our existing cash, cash equivalents and cash flows from operations, combined with cash availability under our revolving credit facility, will be insufficient to meet our presently anticipated future cash needs for at least the next year. We will require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue.

### **Trade Receivables, net**

Trade receivables, net were \$50,126,279 as of June 30, 2016, representing a 6.86% decrease as compared with \$53,818,279 as of June 30, 2015. This decrease in trade receivables was primarily attributable to a decrease in sales.

## **Inventory**

Inventory consists of raw materials and finished goods. As of June 30, 2016, the recorded value of our inventory decreased 39.69% to \$5,880,881 from \$9,751,596 as of June 30, 2015. This decrease is mainly due to a decrease in production of finished goods from \$6,213,300 as of June 30, 2015 to \$1,960,063 as of June 30, 2016. The decrease of inventory was primarily due to the Company's efforts to minimize its inventory level due to lower demand of sales.

## **Accounts Payable**

Trade and other payables were \$21,194,399 as of June 30, 2016, a decrease of 53.19 % from \$45,279,369 as of June 30, 2015. The decrease was primarily attributable to a lower purchase volume.

## **Obligations under Material Contracts**

There was no material contractual obligation as of June 30, 2016.

## **Critical Accounting Policies**

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements include the financial statements of the Company, and its wholly-owned subsidiaries. All intercompany accounts, transactions, and profits have been eliminated upon consolidation.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those

estimates.

### Segment Reporting

The Company operates in one business and geographical segment of manufacturing and sales of organic compounds in the PRC. ASC 280, Segment Reporting, establishes standards for reporting information about operating segments. Given the economic characteristics of the similar nature of the products sold, the type of customer and the method of distribution, the Company operates as one reportable segment as defined by ASC 280, Segment Reporting.

### Foreign Currency Translation

The Company's financial statements are presented in the U.S. dollar (\$), which is the Company's reporting currency and functional currency. The Company's subsidiaries in the PRC use Renminbi ("RMB") as their functional currencies. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Any differences between the initially recorded amount and the settlement amount are recorded as a gain or loss on foreign currency transaction in the consolidated statements of income. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency rate of exchange ruling at the balance sheet date. Any differences are taken to profit or loss as a gain or loss on foreign currency translation in the statements of income.

In accordance with ASC 830, Foreign Currency Matters, the Company translated the assets and liabilities into US \$ using the rate of exchange prevailing at the applicable balance sheet date and the statements of income and cash flows are translated at an average rate during the reporting period. Adjustments resulting from the translation are recorded in shareholders' equity as part of accumulated other comprehensive income.



## Revenue Recognition

Revenue principally represents organic compound sale revenue. Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities and is recorded net of value added tax ("VAT"). Consistent with the criteria of ASC 605 "Revenue Recognition" ("ASC 605"), the Company recognizes revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been provided, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

Revenue from the sale of goods is recognized upon delivery when the significant risks and rewards of ownership of goods have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

## Borrowing Costs

Borrowing costs are recognized in profit or loss using the effective interest method except for those costs that are directly attributable to assets under construction. Borrowing costs on general borrowings are capitalized by applying a capitalization rate to construction or expenditures that are financed by general borrowings. Borrowing costs on general financing during the years ended June 30, 2017, 2016 and 2015 were capitalized at a rate of 4.9%, 5.2% and 7.11% , respectively.

## Leases

The Company accounts for its leases under the provisions of ASC 840, Leases. Certain of the Company's operating leases provide for minimum annual payments that change over the life of the lease. The aggregate minimum annual payments are expensed on the straight-line basis over the minimum lease term. The Company recognizes a deferred rent liability for minimum step rents when the amount of rent expense exceeds the actual lease payments and it reduces the deferred rent liability when the actual lease payments exceeds the amount of straight-line rent expense. Rent holidays and tenant improvement allowances for store remodels are amortized on the straight-line basis over the initial term of the lease and any option period that is reasonably assured of being exercised.

#### Restricted Cash

Restricted cash are cash deposited in fixed deposit accounts maintained in the PRC and Hong Kong for the purpose of securing bank borrowings.

#### Trade Receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and determined based on managements' assessment of known requirements, aging of receivables, payment history, the customer's current credit worthiness and the economic environment.

#### **Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our fiscal year 2017 that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

**Off-balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as of June 30, 2017.

**Tabular Disclosure of Contractual Obligations**

None.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**A. Directors and Senior Management**

Our directors and executive officers are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Xin Chao	40	Chairman and Chief Executive Officer
Hongming Dong	48	Chief Financial Officer
Borys Priadko	61	Independent Director (1)(2)(3)
Richard Liu	47	Independent Director (1)(2)(3)
Changuang Wu	49	Director
Anatoly Danilitskiy	65	Director (1)(2)(3)

- (1) Member of audit committee.
- (2) Member of compensation committee.
- (3) Member of governance and nominating committee.

Below is a summary of the business experience of each of our executive officers and directors:

Explanation of Responses:

**Xin Chao** has over 10 years of experience in the fine chemical industry. From 1999 to 2000, Mr. Chao worked as a sales manager at Sinopec International Corporation where he was actively involved in international trading matters. From 2000 to 2002, he worked at Lianshui County Zhengxin Chemical Co., Ltd. as the general manager in charge of the entire business operations of the company. Subsequently, in August 2002 and August 2003, Mr. Chao co-founded (i) Danyang Beijiata Materials Trading (“Beijiata Materials”) and (ii) Danyang Beijiata Chemicals Co., Ltd. (“Beijiata Chemicals”) respectively, where he was responsible for the daily operations of both Beijiata Materials and Beijiata Chemicals. Mr. Chao co-founded Jiangsu Delta, and he was the general manager of Jiangsu Delta when it was incorporated as a wholly foreign-owned enterprise on 15 June 2007. Mr. Chao subsequently acquired the entire equity interest in Jiangsu Delta from S&S International through Hong Kong Huilong International Investment Limited (formerly known as Hong Kong Zhengxin International Investment Limited) (which was controlled by Mr. Chao) on April 13, 2008. Since its incorporation, Mr. Chao has been actively involved in the operations and management of Jiangsu Delta. Mr. Xin Chao graduated from Nanjing University with a Bachelor’s Degree in International Trading.

**Hongming Dong** has rich experience in accounting and finance of chemical industry. He has been working as Finance Manager of the Company since 2010. Before joining the Company, he was Finance Manager at Danyang Liansheng Chemical Limited for over five years. Mr. Dong holds a bachelor’s degree in accounting from Nanjing Economic College.

**Changuang Wu** has been with Delta as its Executive Director since 2007 and has been actively involved in the daily operations of Delta since its establishment in 2007. From 1989 to 1992, Mr. Wu was a loan officer of People’s Bank of Danyang City. From 1992 to 2002, he worked as a chief planner at Danyang City Trust and Investment Co., Ltd. Subsequently, in August 2002 and August 2003, Mr. Wu co-founded (i) Danyang Beijiata Materials Trading (“Beijiata Materials”) and (ii) Danyang Beijiata Chemicals Co., Ltd. (“Beijiata Chemicals”) respectively with Mr. Xin Chao, where he was mainly responsible for the management of both Beijiata Materials and Beijiata Chemicals. While he was involved in the management of Beijiata Materials and Beijiata Chemicals, he was also the general manager of Danyang Liansheng Chemicals Co., Ltd. (“Liansheng Chemicals”). He officially left Liansheng Chemicals and joined the Target Group in November 2007. Mr. Wu graduated from Banking School of Jiangsu in 1989 with a diploma in Economic Management.

**Borys Priadko** has more than 35 years of experience in corporate management and accounting. He has been operating his own firm, Borys's Management Services Pty Ltd for the past nine years. Prior to that, he worked for two years with Lehman Brown Consulting in China. Before moving into the private consulting and service sector, Mr. Priadko worked for Siemens – Building Technologies Division for ten years in the role of either Financial Controller or General Manager in various countries and entities. Mr Priadko is a member of CPA Australia and has a bachelor degree in Financial Administration from New England University, Armidale, New South Wales, Australia.

**Richard Liu** has over twenty years' experience in business and legal practice. He is a partner and director of the securities investment section of Shanghai Huiye Law Firm, where he has worked since December 12, 2006. He was a legal assistant at Baker & McKenzie LLP's Shanghai office from May 2004 through October 2006. Prior to that, Mr. Liu was Senior Consultant of Overseas Consulting department at Shanghai Foreign Service Company from June 2001 to April 2004. Mr. Liu received his bachelor's degree in law from the Art College of Shanghai University.

**Anatoly Danilitskiy** has been serving as a director since February 22, 2016. From the date of our formation in November 2011 until September 2016, Mr. Danilitskiy served as our Chairman and Chief Executive Officer. From 2009 to 2015, Mr. Danilitskiy served as Chairman of the Board of RETN Group, which is an international network service provider. From 2004 to 2009, Mr. Danilitskiy established and led National Reserve Corporation, or NRC, to consolidate its strategic non-banking investment assets to become one of Russia's largest private holding companies. While at NRC, Mr. Danilitskiy was responsible for a number of key deals in energy (including but not limited to purchasing certain Gazprom assets), transportation, debt arbitrage and distressed assets. Also from 2004 to 2009, Mr. Danilitskiy served as Chairman of CIS Interfincom AG, a financial and asset management subsidiary of NRC, where he oversaw all major money market transactions and securities trading. From 1994 to 2004, Mr. Danilitskiy served as First Deputy Chairman of National Reserve Bank, or NRB, the parent company of NRC and one of Russia's leading universal commercial banks, where he was responsible for business development and international affairs. From 2006 to 2009, Mr. Danilitskiy served as a Member of the Board of Directors and a member of the Remuneration and the Assessment Committee of Aeroflot International Airlines, a Russian national carrier, where he played a key role in the successful effort to modernize the fleet of aircraft.

There is no family relationship between any of the persons named above and no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or member of senior management.

## **B. Compensation**

### ***Director Compensation***

We currently do not pay any compensation to members of our board of directors. Future compensation to be paid to our directors, if any, will be determined in the future. Mr. Changguang Wu received an annual base salary of RMB360,000 (approximately \$52,855) for the fiscal year ended June 30, 2017 for his services as president of Jiangsu Delta.

***Executive Compensation***

***Overview of Executive Compensation***

We paid annual base salaries to Xin Chao and Hongming Dong of approximately RMB462,000 (approximately \$69,538) and RMB108,000 (approximately \$16,256), respectively, in the fiscal year ended June 30, 2016 for their services as officers of the Company.

We paid annual base salaries to Xin Chao and Hongming Dong of approximately RMB462,000 (approximately \$67,830) and RMB108,000 (approximately \$15,856), respectively, in the fiscal year ended June 30, 2017 for their services as officers of the Company.

### ***Grants of Plan Based Awards***

None of the named executives of the Company currently participates in or have account balances in any plan based award programs. Future bonus plans will be adopted by the board of directors.

### ***2016 Equity Incentive Plan***

On September 27, 2016, the board of directors of the Company adopted the 2016 Equity Incentive Plan (“2016 Incentive Plan”), covering 1,442,827 ordinary shares, which represents approximately 15% of the total number of the Company’s current issued and outstanding ordinary shares. The shareholders approved the 2016 Incentive Plan at the special meeting held on October 31, 2016. Set forth below is a summary of the plan:

#### *Awards*

The 2016 Incentive Plan provides for the grant of ordinary shares, which involves or might involve the issuance of restricted ordinary shares, unrestricted ordinary shares, and/or a combination of both, for an aggregate of not more than 1,442,827 ordinary shares. If any award is forfeited, cancelled or settled in cash, the number of ordinary shares subject thereto will again be available for grant under the 2016 Incentive Plan. If there is any change in our corporate capitalization, the Compensation Committee of the Board (hereinafter referred to as the Committee) in its sole discretion may make substitutions or adjustments to the number of shares reserved for issuance under the 2016 Incentive Plan, the number of shares covered by awards then outstanding under the 2016 Incentive Plan, the limitations on awards under the 2016 Incentive Plan, and such other equitable substitution or adjustments as it may determine appropriate. The 2016 Incentive Plan has a term of ten years and no further awards may be granted under the 2016 Incentive Plan after that date.

#### *Eligibility*

The persons who are eligible to receive grants are employees, directors or consultants of the Company or its affiliates. New directors, employees and consultants of the Company or its affiliates are eligible to participate in the 2016 Incentive Plan as well. The Committee has the sole and complete authority to determine who will be granted an award under the 2016 Incentive Plan, however, it may delegate such authority to one or more officers of the company under the circumstances set forth in the 2016 Incentive Plan.

*Administration*

The 2016 Incentive Plan is administered by either the Board, a committee of at least two people designated by the Board or the Committee. Among other things, the Committee has the authority, in its discretion, subject to the express limits of the 2016 Incentive Plan and its charter, to (i) designate the employees, directors and consultants to be granted awards, (ii) determine the types of awards to be granted, (iii) determine the number of ordinary shares or the amount of other consideration subject to each award, (iv) determine the terms and conditions of awards granted, (v) determine the settlement or exercise of awards, (vi) determine the extent and circumstances surrounding the delivery of consideration for an award to be made, (vii) interpret, administer, reconcile any inconsistency, correct any defect or resolve any controversy regarding the 2016 Incentive Plan and related documents, (viii) establish, amend, suspend or waive any rules or regulations and appoint agents as the Committee deems appropriate for proper administration of the 2016 Incentive Plan, (ix) accelerate the vesting or lapse of restrictions on the awards and (x) make other determination and take other action that the Committee deems necessary or desirable to administer the 2016 Incentive Plan.



*Additional Terms*

Except to the extent otherwise provided in an award agreement, in the event of a Change in Control (as defined in the 2016 Incentive Plan), all outstanding awards issued under the 2016 Incentive Plan will become fully vested. In general, in the event of a Change of Control, the Committee may cause any award either (i) to be canceled in consideration of a payment in cash or other consideration in amount per share equal to the excess, if any, of the price or implied price per share in the Change of Control over the per share exercise, base or purchase price of such award, which may be paid immediately or over the vesting schedule of the award; or (ii) to be assumed or a substantially equivalent award be substituted by the successor corporation or a parent or subsidiary of such successor corporation.

Awards under the 2016 Incentive Plan may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or to any Permitted Transferee (as defined in the 2016 Incentive Plan). With respect to international participants who reside or work outside of the United States, the Committee may in its sole discretion amend the terms of the 2016 Incentive Plan or outstanding awards to conform with the requirements of local law or to obtain more favorable tax or other treatment for a participant, the Company or its affiliates.

*Amendments*

The Board may at any time alter, amend, suspend, discontinue, or terminate the 2016 Incentive Plan; provided, that no such alteration, amendment, suspension, discontinuation or termination shall be made without shareholder approval if such approval is necessary to comply with any applicable tax or regulatory requirement applicable to this plan; and provided further that no alternation, amendment, suspension, discontinuation, or termination may be effected without the prior written consent a participant if it would adversely affect the rights of the participant with respect to a previously-awarded award under the 2016 Incentive Plan.

*Employment Agreements*

On June 15, 2007, we, through Delta, entered into an employment agreement with Xin Chao pursuant to which Xin Chao agreed to act as the chairman and Chief Executive Officer of Delta. The employment agreement does not have a definite term. The employment agreement provides for a base salary of RMB462,000 a year, with performance based bonus.

Mr. Hongming Dong entered into an employment agreement with the Company, dated August 17, 2015, pursuant to which he will serve as the Chief Financial Officer of the Company from September 1, 2015 until the earlier of his resignation or termination by the Company. In consideration for his employment, the Company paid Mr. Dong an annual salary of RMB 9,000 (approximately \$14,048). Mr. Dong's annual salary was adjusted to RMB108,000 (approximately \$15,856) from January 1, 2016. Mr. Dong is also entitled to benefits such as vacation, sick and holiday pay, insurance, and pension, in accordance with rules, regulations and the Company's benefits policies established and in effect from time to time.

***Outstanding Equity Awards at Fiscal Year-End; Option Exercises and Stock Vested***

None.

***Pension Benefits***

None of the named executives currently participates in or has account balances in qualified or nonqualified defined benefit plans sponsored by us.

### *Nonqualified Deferred Compensation*

None of the named executives currently participates in or has account balances in nonqualified defined contribution plans or other deferred compensation plans maintained by us.

Other than as disclosed above, we have not entered into any agreements or arrangements with our executive officers or directors, and have not made any agreements to provide benefits upon termination of employment.

## **C. Board Practices**

### **Board Committees**

Our Board of Directors has established an audit committee, a compensation committee and a governance and nominating committee.

*Audit Committee.* Our audit committee consists of Borys Priadko, Richard Liu and Anatoly Danilitskiy. Borys Priadko is the chair of the Audit Committee, and our Board of Directors believes that Mr. Priadko qualifies as an “audit committee financial expert”, as such term is defined in the rules of the Securities and Exchange Commission. The Company has opted to follow its home country rules in relation to the independence of our Audit Committee members, which allows for non-independent directors to serve on the Audit Committee. In this case, Messrs. Priadko and Liu are both independent, while Mr. Danilitskiy is not independent, as he served as the Company’s Chairman and Chief Executive Officer until September 14, 2014. Accordingly, we have opted not to comply with independence requirements for audit committees set forth in Nasdaq Governance Rule 5605(c)(2) and have supplied Nasdaq with notice of our non-compliance.

The Board of Directors has adopted an audit committee charter, providing for the following responsibilities of the Audit Committee:

appointing and replacing our independent auditors and pre-approving all auditing and permitted non-auditing services to be performed by the independent auditors;

- reviewing and discussing the annual audited financial statements with management and the independent auditors;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our Board of Directors from time to time;
- meeting separately and periodically with management, the internal auditors and the independent auditors; and
- reporting regularly to the Board of Directors.

*Compensation Committee.* Our compensation committee consists of Mr. Priadko, Mr. Liu and Mr. Danilitskiy. Mr. Danilitskiy serves as Chair of the Compensation Committee. Messrs. Priadko and Liu do not have any direct or indirect material relationship with us other than as a director, and thus are considered independent directors pursuant to SEC and Nasdaq rules. Mr. Danilitskiy, however, served as our Chairman and Chief Executive Officer through September 14, 2014, and thus does not meet Nasdaq's independence requirements. As such, the Company has opted to follow its home country rules in relation to the independence of our Compensation Committee members, which allows for non-independent directors to serve on the Compensation Committee. Accordingly, we have opted not to comply with independence requirements for compensation committees set forth in Nasdaq Governance Rule 5605(d)(2) and have supplied Nasdaq with the appropriate notice of our non-compliance.

Our Board of Directors adopted a compensation committee charter, providing for the following responsibilities of the Compensation Committee:

- reviewing and making recommendations to the board regarding our compensation policies and forms of compensation provided to our directors and officers;
- reviewing and making recommendations to the board regarding bonuses for our officers and other employees;
- administering our incentive-compensation plans for our directors and officers;
- reviewing and assessing the adequacy of the charter annually;
- administering our share option plans, if they are established in the future, in accordance with the terms thereof; and
- such other matters that are specifically delegated to the compensation committee by our Board of Directors from time to time.

*Governance and Nominating Committee.* Our governance and nominating committee consists of Borys Priadko, Richard Liu and Anatoly Danilitskiy. Except for Mr. Danilitskiy, the members of the Governance and Nominating Committee do not have any direct or indirect material relationship with us other than as a director. Richard Liu serves as Chair of the Governance and Nominating Committee.

Our Board of Directors adopted a governance and nominating committee charter, providing for the following responsibilities of the Governance and Nominating Committee:

- overseeing the process by which individuals may be nominated to our Board of Directors;
- identifying potential directors and making recommendations as to the size, functions and composition of our Board of Directors and its committees;
- reviewing candidates proposed by our stockholders;

- developing the criteria and qualifications for the selection of potential directors; and
- making recommendations to the Board of Directors on new candidates for board membership.

In making nominations, the Governance and Nominating Committee is required to submit candidates who have the highest personal and professional integrity, who have demonstrated exceptional ability and judgment and who shall be most effective, in conjunction with the other nominees to the board, in collectively serving the long-term interests of the stockholders. In evaluating nominees, the Governance and Nominating Committee is required to take into consideration the following attributes, which are desirable for a member of the board: leadership, independence, interpersonal skills, financial acumen, business experiences, industry knowledge, and diversity of viewpoints.

### **Code of Ethics**

On March 19, 2012, our Board of Directors adopted a code of ethics that applies to our directors, officers and employees.

### **Director Independence**

In conformity with Nasdaq's Corporate Governance Rules, the Company, as a foreign private issuer, has opted not to comply with Nasdaq's independence requirements. Accordingly, our Board of Directors has determined that two of our directors, Messrs. Priadko and Liu, qualify as independent directors pursuant to the rules of the Nasdaq Marketplace.

**D. Employees**

As of June 30, 2017, we have a total of 218 full-time employees, all of whom are located in Zhenjiang, Jiangsu Province, the PRC. We do not experience any significant seasonal fluctuations in our number of employees. The number of temporary employees employed by us during the periods under review was insignificant.

None of our employees are represented by a union. We believe that our relationship with our employees has historically been good and this is expected to continue.

The functional distribution of our full-time employees as of June 30, 2017 is as follows:

Function	Number
Management	6
Sales and marketing	7
Research and Development	36
Safety and environmental protection	15
Production	16
Procurement	5
New Material	34
Logistics	2
Quality control	11
Administration	20
Production workers	66
Total	218

**E. Share Ownership**

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of November 14, 2017:

· each person known by us to be the beneficial owner of more than 5% of our outstanding ordinary shares;

· each of our executive officers and directors; and

Explanation of Responses:

all our executive officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all ordinary shares beneficially owned by them. The following table does not include securities underlying warrants or options that are not exercisable within 60 days of November 14, 2017. All shares have identical voting rights.

<u>Name and Address of Beneficial Owner</u> <sup>(1)</sup>	Amount of Beneficial Ownership	Approximate Percentage of Outstanding Ordinary <u>Shares</u> <sup>(2)</sup>	
Directors and Executive Officers:			
Xin Chao, CEO and Chairman <sup>(3)</sup>	2,674,462	26.6	%
Hongming Dong, CFO	-	-	
Borys Priadko, Director	-	-	
Richard Liu, Director	-	-	
Changuang Wu, Director	-	-	
Anatoly Danilitskiy, Director	-	-	
All directors and executive officers as a group (six individuals)	2,674,462	26.6	%
Five Percent Holders:			
CIS Acquisition Holding Ltd. <sup>(4)</sup>	4,525,072 <sup>(7)</sup>	33.1	%
Master Kingdom Holdings Ltd. <sup>(3)</sup>	2,674,462	26.6	%
KIP Growth Capital Fund No. 17 <sup>(5)</sup>	1,074,029	10.7	%
KPCB China Fund, L.P. <sup>(6)</sup>	1,183,663	11.8	%
AQR Capital Management, LLC <sup>(8)</sup>	953,700 <sup>(9)</sup>	8.7	%
Pine River Capital Management L.P. <sup>(10)</sup>	576,058 <sup>(11)</sup>	5.4	%
Link Capital Financial Services Ltd. <sup>(12)</sup>	785,500	7.8	%



- (1) Unless otherwise noted, the business address for each of our beneficial owners is c/o Delta Technology Holdings Limited, 16 Kaifa Avenue, Danyang, Jiangsu, China.
- (2) Based on 10,061,679 ordinary shares outstanding (including 1,000,000 ordinary shares subject to certain net income performance targets).
- (3) Held through Master Kingdom Holdings Ltd. (“Master Kingdom”). Mr. Xin Chao is the owner of Master Kingdom and as such, is deemed to hold voting and dispositive power of the securities held by Master Kingdom.

- Denise Lopez, Rosita Zelaya and Alex Lyamport share voting and dispositive power over the ordinary shares owned by CIS Acquisition Holding Co. Ltd. CIS Acquisition Holding Co. Ltd. is owned by Zelda Finance Ltd. and SPAC Investments Ltd. Ms. Lopez and Ms. Zelaya control Zelda Finance Ltd. and Alex Lyamport controls SPAC Investments Ltd. As a result of the foregoing, Ms. Lopez, Ms. Zelaya and Mr. Lyamport may be deemed to
- (4) have beneficial ownership (as determined under Section 13(d) of the Securities Exchange of 1934, as amended) of these securities held by CIS Acquisition Holding Co. Ltd. The business address of Zelda Finance Ltd. is Withfield Tower, 3rd floor, 4792 Coney Drive, Belize City, Belize. The mailing address of SPAC Investments Ltd. is FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands.

- Korean Investment Partners Co., Ltd. (“KIP”), as the general investor of KIP Growth Capital Fund No. 17 (“KIPGCF”), has voting and investment power over securities held by KIPGCF. As Senior Managing Director of KIP, Ho Kyung Shik makes voting and investment decisions on behalf of KIP. As a result of foregoing, Mr. Shik
- (5) may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange of 1934, as amended) of these securities held by KIP. The address of KIPGCF is 2bfl., Gangnam Finance Center 737 Yeoksam-dong, Gangnam-gu, Seoul, Korea.

- KPCB China Associates, Ltd. is the general manager of KPCB China Fund, L.P. (“KPCB”) and holds voting and dispositive power of the securities held by KPCB. Susan Biglieri makes voting and investment decisions on behalf of KPCB China Associates, Ltd. As a result of foregoing, Ms. Biglieri may be deemed to have beneficial
- (6) ownership (as determined under Section 13(d) of the Securities Exchange of 1934, as amended) of these securities held by KPCB China Associates, Ltd. The address for KPCB is P.O. Box 309, GT Uglan House, South Church Street, Georgetown, Grand Cayman, Cayman Islands.

- (7) Consists of 925,477 ordinary shares and 3,599,595 ordinary shares underlying warrants exercisable within 60 days from October 12, 2016.

- (8) Bradley D. Asness has voting and investment power over securities held by AQR Capital Management Holdings, LLC. The address for AQR Capital Management Holdings, LLC is 2 Greenwich Plaza, Greenwich, CT 06830.

- (9) Consists of 953,700 ordinary shares underlying warrants exercisable within 60 days from October 12, 2017.

- Pine River Capital Management LLC is the general manager of Pine River Capital Management L.P., and holds voting control and investment discretion over securities held by Pine River Capital Management L.P. As Manager and President of Pine River Capital Management LLC, Brian Taylor makes voting and investment decisions on behalf of Pine River Capital Management LLC in its capacity as general manager of Pine River Capital Management L.P. As a result of the foregoing, Mr. Taylor may be deemed to have beneficial ownership (as determined under Section 13(d) of the Securities Exchange of 1934, as amended) of these securities held by Pine River Capital Management L.P. The address for Pine River Capital Management LLC is 601 Carlson Parkway, Suite 330, Minnetonka, MN 55305.
- (10)
- (11) Consists of 576,058 ordinary shares underlying warrants exercisable within 60 days from October 12, 2017.
- (12) Taras Vazhnov has voting and investment power over securities held by Link Capital Financial Services Ltd. The address for Link Capital Financial Services Ltd. is 3076 Sir Frances Drake's Hwy, Tortola, BVI VG10000.

**Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders**

Please refer to Item 6 “Directors, Senior Management and Employees—E. Share Ownership.”

**B. Related Party Transactions**

Guarantees in favor of the Company’s bank borrowings were received from Mr. Chao Xin, our Chief Executive Officer, Chairman and the majority shareholder in the Company, for the year ended June 30, 2017, 2016 and 2015. The following is a summary of the Company’s bank borrowings as of June 30, 2017 and 2016:

Bank name	2017	2016
Dantu High Credit Cooperatives	\$7,036,021	\$7,398,144
Danyang Branch of China Construction Bank	3,309,750	3,417,886
Bank of Danyang Jiangsu Branch	3,731,894	3,887,416
Zhenjiang Branch of Shanghai Pudong Development Bank	5,826,474	5,996,866
Huaxia Bank Zhenjiang Branch	5,900,080	6,027,001
Minsheng Bank Zhenjiang Branch	3,453,224	3,540,863
Industrial and Commercial Bank of China Dantu District Branch	12,200,195	12,506,027
CITIC Bank Zhenjiang Branch	5,826,474	5,951,663
China Merchants Bank Danyang Branch	19,130,011	19,587,753
	\$66,414,123	\$68,313,619

The interest expenses for the years ended June 30, 2017, 2016 and 2015 were \$3,254,991, \$3,710,945 and \$5,295,616, respectively.

**C. Interests of Experts and Counsel**

Not applicable.

## ITEM 8. FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

#### *Financial Statements*

We have appended consolidated financial statements filed as part of this report. See Item 18 “Financial Statements.”

#### *Legal Proceedings*

As of June 30, 2017, the Company was involved in seven legal actions in China. Among these seven legal actions, two were trade business disputes, in which Jiangsu Delta was the plaintiff. The other five actions were financial loan disputes, in which Jiangsu Delta was the defendant.

The two trade business disputes, involving an aggregated claim of \$285,818 were instituted by Jiangsu Delta to delinquent balances and interest from its customers. These disputes have been adjudicated by the People’s Court in favor of Jiangsu Delta. Details of these proceedings are set forth below:

On November 14, 2016, the Jiangsu Province Danyang City Court (“Danyang Court”) ruled in favor of Jiangsu Delta in a proceeding which Jiangsu Delta instituted against Danyang City Taiyanghua Glass Manufacture Co., Ltd. and Weixing Sun for breach of contract. The Dantu Court ordered the defendants to pay RMB 423,375 (approximately US\$62,450) plus accumulated interest to Jiangsu Delta Jiangsu Delta.

Also on November 14, 2016, the Jiangsu Province Zhenjiang City Intermediate Court (“Zhenjiang Intermediate Court”) ruled in favor of Jiangsu Delta in a proceeding which Jiangsu Delta instituted against Shandong Yuncheng Zhongxin Industry Co., Ltd. for breach of contract. The Zhenjiang Intermediate Court ordered Shandong Yuncheng Zhongxin Industry Co., Ltd. to pay Jiangsu Delta RMB 1,514,300 (approximately US\$223,368).

Three out of the five financial loan disputes, involving an aggregate balance of \$3,575,673, have been adjudicated by the People’s Court against Jiangsu Delta. One of these financial loan disputes involves a balance of \$4,417,765 and the other one, which is still on trial, has a balance \$3,499,219. Details of these proceedings are set forth below:

On January 20, 2017, Jiangsu Province Zhenjiang City Runzhou District Court (“Runzhou District Court”) ruled in favor of the plaintiff, China Merchants Bank Zhenjiang Branch, in its claim to freeze the defendants’ assets in an aggregated amount of RMB 5,000,000 (approximately USD 737,528). The defendants include Jiangsu Delta, Danyang City Xingangjing Milengdai Co., Ltd., Xujun Sun and Dan Lu.

On May 4, 2017, the Runzhou District Court entered a judgment in favor of China Merchants Bank Zhenjiang Branch in a proceeding instituted against Jiangsu Delta, Danyang Meike Glasses Limited Company and four other individuals. The court ruled that Danyang Meike Glasses Limited Company shall pay the plaintiff its loan principal and accrued interest of RMB 7,150,781.8 (approximately US\$1,054,781), and the other defendants, including Jiangsu Delta, shall be jointly and severally liable as guarantors .

On May 4, 2017, Runzhou District Court entered a judgment in favor of China Merchants Bank Zhenjiang Branch in a proceeding instituted against Jiangsu Delta, Zhenjiang City Liangming Guangxue Limited Company and other two individuals. The court ruled that Zhenjiang City Liangming Guangxue Limited Company shall pay the plaintiff its loan principal and accrued interests of RMB 12,090,133 (approximately US\$1,783,363), and the other defendants, including Jiangsu Delta, shall be jointly and severally liable as guarantors .

Pin An Bank Nanjing Branch instituted proceedings in Nanjing City Gulou District Court against Jiangsu Delta, Jiangsu Xinlong Yurong Limited Company, Danyang City Development Zone High-Tech Industry Development Limited Company and two other individuals, for the repayment of the principal of a loan and accrued interests thereon amounting to RMB 29,949,792 (approximately US\$4,417,765). No final judgement has been made as of the date of this report.

China Construction Bank Danyang Branch instituted proceedings in the Danyang Court against Jiangsu Delta, Jiangsu Tiangong Tool Development Co., Ltd., Xin Chao and Qian Yang for breach of contract and for the repayment of the Jiangsu Deltaprincipal of a loan and accrued interests amounting to RMB 23,722,608.2 (approximately USD 3,499,219). As of the date of this report, no judgement has been rendered.

### *Dividends*

We have not paid dividends on our ordinary shares and do not anticipate paying such dividends in the foreseeable future. We will rely on dividends from our Hong Kong and China operation entities for our funds and Hong Kong and Chinese regulations may limit the amount of funds distributed to us from Hong Kong and Chinese operation entities which will affect our ability to declare any dividends.

### **B. Significant Changes**

None.

Explanation of Responses:

**ITEM 9. THE OFFER AND LISTING****A. Offer and Listing Details**

Our units, Class A Shares and redeemable warrants have been listed on the NASDAQ Capital Market under the symbols CISAU, CISAA and CISAW, since December 19, 2012. Beginning March 18, 2013, the Class A Shares and redeemable warrants underlying the units began to trade separately on a voluntary basis. The units and Class A Shares were delisted on October 1, 2014 following the mandatory separation of the units and the redemption of Class A Shares in accordance with our Amended and Restated Memorandum and Articles of Association. The trading of redeemable warrants was suspended until our ordinary shares were successfully listed on the NASDAQ Capital Market on June 1, 2015. Our ordinary shares and redeemable warrants are currently trading under the ticker symbol “DELT” and “DELTW”, respectively.

The following table sets forth the range of high and low market prices for our redeemable warrants for the periods indicated, as reported by the NASDAQ Capital Market. These prices do not include retail mark-ups, markdowns, or commissions.

	<b>Warrants</b>	
	<b>High</b>	<b>Low</b>
Annual Highs and Lows		
Fiscal Year Ended June 30, 2014	\$0.47	\$0.11
Fiscal Year Ended June 30, 2015	\$1.48	\$0.12
Fiscal Year Ended June 30, 2016	\$0.50	\$0.02
Fiscal Year Ended June 30, 2017	\$0.1599	\$0.0508
Quarterly Highs and Lows		
2015		
First Quarter (Fiscal quarter ended September 31, 2013)	\$0.47	\$0.12
Second Quarter (Fiscal quarter ended December 31, 2013) <sup>(1)</sup>	\$0.47	\$0.23
Third Quarter (Fiscal quarter ended March 31, 2014)	\$0.38	\$0.22
Fourth Quarter (Fiscal quarter ended June 30, 2014)	\$1.48	\$0.18
2016		
First Quarter (Fiscal quarter ended September 30, 2015)	\$0.50	\$0.07
Second Quarter (Fiscal quarter ended December 31, 2015)	\$0.16	\$0.02
Third Quarter (Fiscal quarter March 31, 2016)	\$0.30	\$0.04
Fourth Quarter (Fiscal quarter ended June 30, 2016)	\$0.29	\$0.02
2017		
First Quarter (Fiscal quarter ended September 30, 2016)	\$0.39	\$0.06
Second Quarter (Fiscal quarter ended December 31, 2016)	\$0.1599	\$0.0508
Third Quarter (Fiscal quarter ended March 31, 2017)	\$0.1349	\$0.0555
Fourth Quarter (Fiscal quarter ended June 30, 2017)	\$0.1	\$0.036
2018		
First Quarter (Fiscal quarter ended September 30, 2017)	\$0.084	\$0.0101

Explanation of Responses:

Monthly Highs and Lows

May 2017	\$0.1	\$0.0508
June 2017	\$0.084	\$0.0499
July 2017	\$0.084	\$0.03
August 2017	\$0.065	\$0.041
September 2017	\$0.0585	\$0.022
October 2017	\$0.0289	\$0.0101

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Our ordinary shares commenced trading on the NASDAQ Capital Market on June 1, 2015. The table below shows the monthly high and low prices.

	<b>Ordinary Shares</b>	
	<b>High</b>	<b>Low</b>
<b>Annual Highs and Lows</b>		
Fiscal Year Ended June 30, 2015 <sup>(1)</sup>	\$ 38.25	\$ 4.56
Fiscal Year Ended June 30, 2016	\$ 5.00	\$ 0.43
Fiscal Year Ended June 30, 2017	\$ 3.14	\$ 0.65
<b>2015</b>		
Fourth Quarter (Fiscal Quarter ended June 30, 2015)	\$ 38.25	\$ 4.56
<b>2016</b>		
First Quarter (Fiscal quarter ended September 30, 2015)	\$ 5.00	\$ 1.63
Second Quarter (Fiscal quarter ended December 31, 2015)	\$ 2.80	\$ 1.08
Third Quarter (Fiscal quarter March 31, 2016)	\$ 1.47	\$ 0.70
Fourth Quarter (Fiscal quarter ended June 30, 2016)	\$ 2.60	\$ 0.43
<b>2017</b>		
First Quarter (Fiscal quarter ended September 30, 2016)	\$ 3.14	\$ 0.65
Second Quarter (Fiscal quarter ended December 31, 2016)	\$ 1.55	\$ 0.72
Third Quarter (Fiscal quarter ended March 31, 2017)	\$ 1.74	\$ 0.74
Fourth Quarter (Fiscal quarter ended June 30, 2017)	\$ 2.91	\$ 1.54
<b>2018</b>		
First Quarter (Fiscal quarter ended September 30, 2017)	\$ 1.76	\$ 0.94
<b>Monthly Highs and Lows</b>		
May 2017	\$ 2.91	\$ 1.99
June 2017	\$ 2.16	\$ 1.66
July 2017	\$ 1.76	\$ 1.13
August 2017	\$ 1.30	\$ 0.94
September 2017	\$ 1.36	\$ 1.03
October 2017	\$ 1.49	\$ 1.04

(1) Our ordinary shares commenced trading on June 1, 2015.

## **B. Plan of Distribution**

Not applicable.

## **C. Markets**

Explanation of Responses:

See our disclosures above under “A. Offer and Listing Details.”

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

*The following represents a summary of certain key provisions of our articles of incorporation and bylaws. The summary does not purport to be a summary of all of the provisions of our articles of incorporation and bylaws. For more complete information you should read our amended and restated articles of incorporation and bylaws, each listed as an exhibit to this report.*

***Summary***

*Registered Office.* Under our Amended and Restated Memorandum of Association, the address of our registered office is FH Chambers, P.O. Box 4649, Road Town, Tortola, British Virgin Islands.

*Objects and Purposes.* Under Clause 4(1) of our Amended and Restated Memorandum of Association, we have the capacity to carry on or undertake any business or activity.

*Directors.* Under Article 74 of our Articles of Association, no contract or transaction between us and one or more of our Directors (an “Interested Director”) or officers, or between us and any of their affiliates (an “Interested Transaction”), will be void or voidable solely for this reason, or solely because the director or officer is present at or participates in

the meeting of our board or committee which authorizes the contract or transaction, or solely because any such director's or officer's votes are counted for such purpose, if:

(a) The material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the our Board of Directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) The material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to our shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of our shareholders; or

(c) The contract or transaction is fair as to us as of the time it is authorized, approved or ratified, by the board, a committee or the Shareholders.

A majority of independent directors must vote in favor of any Interested Transaction and determine that the terms of the Interested Transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties.

Our board shall review and approve all payments made to the founders, officers, directors, special advisors, consultants and their respective affiliates and any Interested Director shall abstain from such review and approval.

*Rights, Preferences and Restrictions Attaching to Our Ordinary Shares.* We are authorized to issue 155,000,000 shares divided into: (i) 150,000,000 ordinary shares; and (ii) 5,000,000 preferred shares, each par value \$0.0001 per share. As of November 14, 2017, 10,061,679 ordinary shares were outstanding. Each share, regardless if it is part of a class of ordinary shares, has the right to one vote at a meeting of shareholders or on any resolution of shareholders, the right to an equal share in any dividend paid by us, and the right to an equal share in the distribution of surplus assets. We may by a resolution of the Board of Directors redeem our shares for such consideration as the Board of Directors determines.

*Alteration of Rights.* If, at any time, our authorized number of shares is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not we are being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class.

*Meetings.* At least 10 days' (exclusive of the date that notice is given and the date on which event for which notice is given is to take effect) notice of a meeting shall be given to each shareholder entitled to attend and vote thereat, stating the date, place, and time at which the meeting is to be held, and if different, the record date for determining shareholders entitled to attend and vote at the meeting, and the general nature of the business to be conducted at the meeting. A meeting shall, notwithstanding the fact that it is called on shorter notice than otherwise required, be deemed to have been properly called if it is attended, or such notice is waived, by 90% of the shareholders entitled to attend and vote thereat. The inadvertent failure to give notice of a meeting to, or the non-receipt of a notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

*Limitations on the Right to Own Securities.* There are no limitations on the rights to own our securities, or limitations on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our securities, contained in our Amended and Restated Memorandum and Articles of Association (or under British Virgin Islands law).

### **C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company," "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions," or elsewhere in this annual report on Form 20-F.

### **D. Exchange Controls**

#### ***BVI Exchange Controls***

There are no material exchange controls restrictions on payment of dividends, interest or other payments to the holders of our ordinary shares or on the conduct of our operations in the BVI. There are no material BVI laws that impose any material exchange controls on us or that affect the payment of dividends, interest or other payments to

nonresident holders of our ordinary shares. BVI law and our memorandum and articles of association do not impose any material limitations on the right of non-residents or foreign owners to hold or vote our ordinary shares.

***PRC Exchange Controls***

Under the Foreign Currency Administration Rules promulgated in 1996 and revised in 1997, and various regulations issued by SAFE and other relevant PRC government authorities, RMB is convertible into other currencies without prior approval from SAFE only to the extent of current account items, such as trade related receipts and payments, interest and dividends and after complying with certain procedural requirements. The conversion of RMB into other currencies and remittance of the converted foreign currency outside PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in RMB. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Unless otherwise approved, domestic enterprises must convert all of their foreign currency proceeds into RMB.

On October 21, 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, which became effective as of November 1, 2005. According to the notice, a special purpose company, or SPV, refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of an SPV, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of these SPVs that previously made onshore investments in China were required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (i) the PRC residents have completed the injection of equity investment or assets of a domestic company into the SPV; (ii) the overseas funding of the SPV has been completed; (iii) there is a material change in the capital of the SPV. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators to penalties under the PRC foreign exchange administration regulations.

On August 29, 2008, SAFE promulgated Notice 142 which regulates the conversion by a foreign-funded enterprise of foreign currency into RMB by restricting how the converted RMB may be used. Notice 142 requires that RMB funds converted from the foreign currency capital of a foreign-funded enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of RMB funds converted from the foreign currency capital of a foreign-funded enterprise. The use of such RMB capital may not be changed without SAFE's approval, and may not, in any case, be used to repay or prepay RMB loans if such loans are outstanding. Violations of Notice 142 will result in severe penalties, such as heavy fines as set out in the relevant foreign exchange control regulations.

## **E. Taxation**

### **British Virgin Islands Taxation**

Under the law of the British Virgin Islands as currently in effect, a holder of our shares who is not a resident of the British Virgin Islands is not liable for British Virgin Islands income tax on dividends paid with respect to our shares, and all holders of our securities are not liable to the British Virgin Islands for income tax on gains realized on the sale or disposal of such securities. The British Virgin Islands does not impose a withholding tax on dividends paid by a company incorporated or re-registered under the BVI Act.

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There are no capital gains, gift or inheritance taxes levied by the British Virgin Islands on companies incorporated or re-registered under the BVI Act. In addition, securities of companies incorporated or re-registered under the BVI Act are not subject to transfer taxes, stamp duties or similar charges.

There is no income tax treaty or convention currently in effect between the United States and the British Virgin Islands, although a Tax Information Exchange Agreement is in force.



## **PRC Taxation**

Under the PRC Enterprise Income Tax Law, or the EIT Law, and its implementation rules that became effective on January 1, 2008, a non-resident enterprise is generally subject to PRC enterprise income tax with respect to PRC-sourced income. A circular issued by the State Administration of Taxation on April 22, 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be classified as a “resident enterprise” with its “de facto management body” located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function are mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (iv) at least half of the enterprise’s directors with voting right or senior management reside in the PRC. In addition, the State Administration of Taxation issued a bulletin on August 3, 2011, effective as of September 1, 2011, to provide more guidance on the implementation of the above circular. The bulletin clarified certain matters relating to resident status determination, post-determination administration and competent tax authorities. It also specifies that when provided with a copy of a PRC tax resident determination certificate from a resident PRC-controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the PRC-sourced dividends, interest and royalties to the PRC-controlled offshore incorporated enterprise. Although both the circular and the bulletin only apply to offshore enterprises controlled by PRC enterprises and not those by PRC individuals, the determination criteria set forth in the circular and administration clarification made in the bulletin may reflect the State Administration of Taxation’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises and the administration measures should be implemented, regardless of whether they are controlled by PRC enterprises or PRC individuals. If we are deemed to be a PRC resident enterprise, dividends distributed to our non-PRC enterprise shareholders by us, or the gain our non-PRC enterprise shareholders may realize from the transfer of our ordinary shares, may be treated as PRC-sourced income and therefore be subject to a 10% PRC withholding tax pursuant to the EIT Law.

## **U.S. Federal Income Taxation**

### **General**

The following are the material U.S. federal income tax consequences to an investor of the acquisition, ownership and disposition of our securities.

The discussion below of the U.S. federal income tax consequences to “U.S. Holders” will apply to a beneficial owner of our securities that is treated for U.S. federal income tax purposes as:

- an individual citizen or resident of the United States;

- a corporation (or other entity treated as a corporation) that is created or organized (or treated as created or organized) in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source;
- or
- a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a beneficial owner of our securities is not described as a U.S. Holder and is not an entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes, such an owner will be considered a "Non-U.S. Holder." The material U.S. federal income tax consequences of the acquisition, ownership and disposition of our securities applicable specifically to Non-U.S. Holders are described below under the heading "Non-U.S. Holders."

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, Treasury regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These authorities are subject to change or differing interpretations, possibly on a retroactive basis.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular holder of our securities based on such holder's individual circumstances. In particular, this discussion considers only holders that own and hold our securities as capital assets within the meaning of Section 1221 of the Code, and does not address the alternative minimum tax. In addition, this discussion does not address the U.S. federal income tax consequences to holders that are subject to special rules, including:

- financial institutions or financial services entities;
- broker-dealers;
- persons that are subject to the mark-to-market accounting rules under Section 475 of the Code;
- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;

- certain expatriates or former long-term residents of the United States;
- persons that actually or constructively own 5% or more of our public shares;
- persons that acquired our securities pursuant to the exercise of employee options, in connection with employee incentive plans or otherwise as compensation;
- persons that hold our securities as part of a straddle, constructive sale, hedging, conversion or other integrated transaction;
- persons whose functional currency is not the U.S. dollar;
- controlled foreign corporations; or passive foreign investment companies.

This discussion does not address any aspect of U.S. federal non-income tax laws, such as gift or estate tax laws, state, local or non-U.S. tax laws or, except as discussed herein, any tax reporting obligations applicable to a holder of our securities. Additionally, this discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold our securities through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the beneficial owner of our securities, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. This discussion also assumes that any distributions made (or deemed made) by us on our securities and any consideration received (or deemed received) by a holder in consideration for the sale or other disposition of our securities will be in U.S. dollars.

We have not sought, and will not seek a ruling from the Internal Revenue Service (“IRS”) or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR SECURITIES IS NOT TAX ADVICE. EACH HOLDER OF OUR SECURITIES IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR SECURITIES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND ANY APPLICABLE TAX TREATIES.

## **U.S. Holders**

### ***Taxation of Cash Distributions***

Subject to the passive foreign investment company (“PFIC”) rules discussed below, a U.S. Holder generally will be required to include in gross income as ordinary income the amount of any cash dividend paid on our shares. A cash distribution on such shares generally will be treated as a dividend for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such dividend generally will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. The portion of such distribution, if any, in excess of such earnings and profits generally will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. Holder’s adjusted tax basis in such shares. Any remaining excess will be treated as gain from the sale or other taxable disposition of such shares and will be treated as described under “— *Taxation on the Disposition of Securities*” below.

With respect to non-corporate U.S. Holders, dividends on our shares may be subject to U.S. federal income tax at the lower applicable long-term capital gains tax rate (see “— *Taxation on the Disposition of Securities* ” below) provided that (1) such shares are readily tradable on an established securities market in the United States, (2) we are not a PFIC, as discussed below, for either the taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. Under published IRS authority, our shares are considered for purposes of clause (1) above to be readily tradable on an established securities market in the United States only if they are listed on certain exchanges, which presently include the NASDAQ Capital Market. Although our ordinary shares and warrants are currently listed and traded on the NASDAQ Capital Market, we cannot guarantee that our securities will continue to be listed on the NASDAQ Capital Market. U.S. Holders should consult their own tax advisors regarding the availability of the lower rate for any cash dividends paid with respect to our securities.

### ***Possible Constructive Distributions with Respect to Redeemable Warrants***

The terms of each redeemable warrant provide for an adjustment to the number of ordinary shares for which the redeemable warrant may be exercised in certain events. An adjustment that has the effect of preventing dilution generally is not taxable. However, the U.S. Holders of the redeemable warrants would be treated as receiving a constructive distribution from us if, for example, the adjustment increases the redeemable warrant holders' proportionate interest in our assets or earnings and profits (e.g., through an increase in the number of ordinary shares that would be obtained upon exercise) as a result of a distribution of cash to the holders of our shares, which is taxable to the U.S. Holders of such shares as described under "Taxation of Cash Distributions" above. Such constructive distribution would be subject to tax as described under that section in the same manner as if the U.S. Holders of the redeemable warrants received a cash distribution from us equal to the fair market value of such increased interest.

### ***Taxation on the Disposition of Securities***

Upon a sale or other taxable disposition of our securities (which, in general, would include a distribution in connection with our liquidation or a redemption of redeemable warrants), and subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the securities. See "— Exercise or Lapse of Redeemable Warrants" below for a discussion regarding a U.S. Holder's basis in the ordinary share acquired pursuant to the exercise of a warrant.

The regular U.S. federal income tax rate on capital gains recognized by U.S. Holders generally is the same as the regular U.S. federal income tax rate on ordinary income, except that long-term capital gains recognized by non-corporate U.S. Holders generally are subject to U.S. federal income tax at reduced rates of tax. Capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder's holding period for the securities exceeds one year. The deductibility of capital losses is subject to various limitations.

### ***Additional Taxes***

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% Medicare contribution tax on unearned income, including, without limitation, dividends on, and gains from the sale or other taxable disposition of, our securities, subject to certain limitations and exceptions. Under recently issued regulations, in the absence of a special election, such unearned income generally would not include income inclusions under the qualified electing fund, or QEF rules discussed below under "— Passive Foreign Investment Company Rules," but would include distributions of earnings and profits from a QEF. U.S. Holders should consult their own tax advisors regarding the effect, if any, of such tax on their ownership and disposition of our securities.

*Exercise or Lapse of Redeemable Warrants*

Subject to the PFIC rules discussed below, a U.S. Holder generally will not recognize gain or loss upon the acquisition of ordinary shares on the exercise of redeemable warrants for cash. Ordinary shares acquired pursuant to the exercise of redeemable warrants for cash will have a tax basis equal to the U.S. Holder's tax basis in the redeemable warrants, increased by the amount paid to exercise the redeemable warrants. The holding period of such ordinary shares should begin on the day after the date of exercise of the redeemable warrants. If redeemable warrants are allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder's adjusted tax basis in the redeemable warrants.

The tax consequences of a cashless exercise of redeemable warrants are not clear under current tax law. A cashless exercise may be tax-free, either because it is not a realization event (i.e., not a transaction in which gain or loss is realized) or because the transaction is treated as a recapitalization for U.S. federal income tax purposes. In either tax-free situation, a U.S. Holder's tax basis in the ordinary shares received would equal the U.S. Holder's basis in the redeemable warrants. If the cashless exercise were treated as not being a realization event, the U.S. Holder's holding period in the ordinary shares could be treated as commencing on the date following the date of exercise of the redeemable warrants. If the cashless exercise were treated as a recapitalization, the holding period of the ordinary shares received would include the holding period of the redeemable warrants.

It is also possible that a cashless exercise could be treated as a taxable exchange in which gain or loss is recognized. In such event, a U.S. Holder could be deemed to have surrendered a number of redeemable warrants with a fair market value equal to the exercise price for the number of redeemable warrants deemed exercised. For this purpose, the number of redeemable warrants deemed exercised would be equal to the number of ordinary shares issued pursuant to the cashless exercise of the redeemable warrants. In this situation, the U.S. Holder would recognize capital gain or loss in an amount equal to the difference between the fair market value of the redeemable warrants deemed surrendered to pay the exercise price and the U.S. Holder's tax basis in such redeemable warrants deemed surrendered. Such gain or loss would be long-term or short-term depending on the U.S. Holder's holding period in the redeemable warrants. In this case, a U.S. Holder's tax basis in the ordinary shares received would equal the sum of the fair market value of the redeemable warrants deemed surrendered to pay the exercise price and the U.S. Holder's tax basis in the redeemable warrants deemed exercised, and a U.S. Holder's holding period for the ordinary shares should commence on the date following the date of exercise of the redeemable warrants. There also may be alternative characterizations of any such taxable exchange that would result in similar tax consequences, except that a U.S. Holder's gain or loss would be short-term.

Due to the absence of authority on the U.S. federal income tax treatment of a cashless exercise of redeemable warrants it is unclear which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise of redeemable warrants.

### ***Passive Foreign Investment Company Rules***

A foreign (i.e., non-U.S.) corporation will be a PFIC if at least 75% of its gross income in a taxable year of the foreign corporation, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income. Alternatively, a foreign corporation will be a PFIC if at least 50% of its assets in a taxable year of the foreign corporation, ordinarily determined based on fair market value and averaged quarterly over the year, including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes dividends, interest, rents and royalties (other than certain rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets.

Based on the composition of our assets and the nature of the Company's income and subsidiaries' income for our taxable year ended June 30, 2015, we do not expect to be treated as a PFIC for such year and we do not expect to be one for our taxable year ending June 30, 2016 or become one in the foreseeable future. Nevertheless, the application of the PFIC rules is subject to ambiguity in several respects and, in addition, we must make a separate determination each year as to whether we are a PFIC (after the close of each taxable year). Accordingly, we cannot assure you that we will not be a PFIC for the current or any other taxable year. Moreover, although we do not believe we would be treated as a PFIC, we have not engaged any U.S. tax advisers to determine our PFIC status. In addition, if a U.S. Holder owned our ordinary shares at any time prior to our acquisition of Elite, such U.S. Holder may be considered to

own stock of a PFIC by virtue of the fact that we may have been a PFIC during the period prior to our acquisition of Elite, unless such U.S. Holder made either a valid and timely QEF election or a valid and timely mark-to-market election, in each case as described below.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our shares or redeemable warrants and, in the case of our shares, the U.S. Holder did not make either a timely qualified electing fund (“QEF”) election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) such shares, a QEF election along with a purging election, or a mark-to-market election, each as described below, such holder generally will be subject to special rules for regular U.S. federal income tax purposes with respect to:



any gain recognized by the U.S. Holder on the sale or other disposition of its shares or redeemable warrants; and

any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the shares or warrants during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder’s holding period for the shares or warrants).

Under these rules,

the U.S. Holder’s gain or excess distribution will be allocated ratably over the U.S. Holder’s holding period for the shares or redeemable warrants;

the amount allocated to the U.S. Holder’s taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder’s holding period before the first day of our first taxable year in which we are a PFIC, will be taxed as ordinary income;

the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder; and

the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may avoid the PFIC tax consequences described above in respect to our shares by making a timely QEF election (or a QEF election along with a purging election, as described below). Pursuant to the QEF election, a U.S. Holder will be required to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends. A U.S. Holder may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

A U.S. Holder may not make a QEF election with respect to its redeemable warrants. As a result, if a U.S. Holder sells or otherwise disposes of a redeemable warrant (other than upon exercise of the redeemable warrant), any gain recognized generally will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above, if we were a PFIC at any time during the period the U.S. Holder held the redeemable warrants. If a U.S. Holder that exercises such redeemable warrants properly makes a QEF election with respect to the newly acquired ordinary shares (or has previously made a QEF election with respect to our shares), the QEF election will apply to the newly acquired ordinary shares, but the adverse tax consequences relating to PFIC shares, adjusted to

take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such newly acquired ordinary shares (which generally will be deemed to have a holding period for purposes of the PFIC rules that includes the period the U.S. Holder held the redeemable warrants), unless the U.S. Holder makes a purging election with respect to such shares. The purging election creates a deemed sale of such shares at their fair market value. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will increase the adjusted tax basis in its ordinary shares acquired upon the exercise of the redeemable warrants by the gain recognized and will also have a new holding period in such ordinary shares for purposes of the PFIC rules.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the taxable year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from us. Upon request from a U.S. Holder, we will endeavor to provide to the U.S. Holder no later than 90 days after the request such information as the IRS may require, including a PFIC annual information statement, in order to enable the U.S. Holder to make and maintain a QEF election. However, there is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided.

If a U.S. Holder has made a QEF election with respect to our shares and the special tax and interest charge rules do not apply to such shares (because of a timely QEF election for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares or a QEF election, along with a purge of the PFIC taint pursuant to a purging election, as described above), any gain recognized on the sale or other taxable disposition of our shares generally will be taxable as capital gain and no interest charge will be imposed. As discussed above, for regular U.S. federal income tax purposes, U.S. Holders of a QEF are currently taxed on their pro rata shares of the QEF's earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable as a dividend to such U.S. Holders. The adjusted tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules. Similar basis adjustments apply to property if by reason of holding such property the U.S. Holder is treated under the applicable attribution rules as owning shares in a QEF.

Although a determination as to our PFIC status will be made annually, the initial determination that we are a PFIC generally will apply for subsequent years to a U.S. Holder who held shares or redeemable warrants while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years, unless such U.S. Holder made a purging election as described below. A U.S. Holder who makes the QEF election discussed above for our first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) our shares, however, will not be subject to the PFIC tax and interest charge rules discussed above in respect to such shares. In addition, such U.S. Holder will not be subject to the QEF inclusion regime with respect to such shares for any of our taxable years that end within or with a taxable year of the U.S. Holder and in which we are not a PFIC. On the other hand, if the QEF election is not effective for each of our taxable years in which we are a PFIC and during which the U.S. Holder holds (or is deemed to hold) our shares, the PFIC rules discussed above will continue to apply to such shares unless the holder files on a timely filed U.S. income tax return (including extensions) a QEF election and a purging election to recognize under the rules of Section 1291 of the Code any gain that the U.S. Holder would otherwise recognize if the U.S. Holder had sold our shares for their fair market value on the "qualification date." The qualification date is the first day of our tax year in which we qualify as a QEF with respect to such U.S. Holder. The purging election can only be made if such U.S. Holder held our ordinary shares on the qualification date. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, the U.S. Holder will increase the adjusted tax basis in its ordinary shares by the amount of the gain recognized and will also have a new holding period in the shares for purposes of the PFIC rules.

If a U.S. Holder did not make a timely "mark-to-market" election (as described above), and if we were a PFIC at any time during the period such U.S. Holder held our ordinary shares, then such ordinary shares will continue to be treated as stock of a PFIC with respect to such U.S. Holder even if we cease to be a PFIC in a future year, unless such U.S.

Holder makes a “purging election” for the year we cease to be a PFIC. A “purging election” creates a deemed sale of such ordinary shares at their fair market value on the last day of the last year in which we are treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, such U.S. Holder will have a new tax basis (equal to the fair market value of the ordinary shares on the last day of the last year in which we are treated as a PFIC) and tax holding period (which new holding period will begin the day after such last day) in such ordinary shares.

As an alternative to the QEF election, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) our shares and for which we are determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect to its shares. Instead, in general, the U.S. Holder will include as ordinary income each year the excess, if any, of the fair market value of its shares at the end of its taxable year over the adjusted tax basis in its shares. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted tax basis of its shares over the fair market value of its shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's adjusted tax basis in its shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of the shares will be treated as ordinary income. Currently, a mark-to-market election may not be made with respect to our redeemable warrants.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, including the NASDAQ Capital Market, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. Although our ordinary shares are listed and traded on the NASDAQ Capital Market, we cannot guarantee that our shares will continue to be listed and traded on the NASDAQ Capital Market. U.S. Holders should consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our shares under their particular circumstances.

If we are a PFIC and, at any time, have a foreign subsidiary that is classified as a PFIC, a U.S. Holder generally would be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder otherwise were deemed to have disposed of an interest in, the lower-tier PFIC. Upon request, we will endeavor to cause any lower-tier PFIC to provide to a U.S. Holder no later than 90 days after the request the information that may be required to make or maintain a QEF election with respect to the lower-tier PFIC. However, there is no assurance that we will have timely knowledge of the status of any such lower-tier PFIC, and we do not plan to make annual determinations or otherwise notify U.S. Holders of the PFIC status of any such lower-tier PFIC. There also is no assurance that we will be able to cause the lower-tier PFIC to provide the required information. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) shares in a PFIC during any taxable year of the U.S. Holder may have to file an IRS Form 8621 (whether or not a QEF election or mark-to-market election is or has been made) with such U.S. Holder's U.S. federal income tax return and provide such other information as may be required by the U.S. Treasury Department.

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our shares and redeemable warrants should consult their own tax advisors concerning the application of the PFIC rules to our shares and redeemable warrants under their particular circumstances.

### **Non-U.S. Holders**

Dividends (including constructive dividends) paid or deemed paid to a Non-U.S. Holder in respect to our securities generally will not be subject to U.S. federal income tax, unless the dividends are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States).

In addition, a Non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain attributable to a sale or other taxable disposition of our securities unless such gain is effectively connected with its conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) or the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of sale or other disposition and certain other conditions are met (in which case, such gain from U.S. sources generally is subject to U.S. federal income tax at a 30% rate or a lower applicable tax treaty rate).

Dividends and gains that are effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains or maintained in the United States) generally will be subject to regular U.S. federal income tax at the same regular U.S. federal income tax rates applicable to a comparable U.S. Holder and, in the case of a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes, may also be subject to an additional branch profits tax at a 30% rate or a lower applicable tax treaty rate.

The U.S. federal income tax treatment of a Non-U.S. Holder's exercise of redeemable warrants, or the lapse of redeemable warrants held by a Non-U.S. Holder, generally will correspond to the U.S. federal income tax treatment of the exercise or lapse of redeemable warrants by a U.S. Holder, as described under " *U.S. Holders — Exercise or Lapse of Redeemable Warrants* " above.

### **Backup Withholding and Information Reporting**

In general, information reporting for U.S. federal income tax purposes should apply to distributions made on our securities within the United States to a U.S. Holder (other than an exempt recipient) and to the proceeds from sales and other dispositions of our securities by a U.S. Holder (other than an exempt recipient) to or through a U.S. office of a broker. Payments made (and sales and other dispositions effected at an office) outside the United States will be subject to information reporting in limited circumstances. In addition, certain information concerning a U.S. Holder's adjusted tax basis in its securities and adjustments to that tax basis and whether any gain or loss with respect to such securities is long-term or short-term also may be required to be reported to the IRS, and certain holders may be required to file an IRS Form 8938 (Statement of Specified Foreign Financial Assets) to report their interest in our securities.

Moreover, backup withholding of U.S. federal income tax at a rate of 28% generally will apply to dividends paid on our securities to a U.S. Holder (other than an exempt recipient) and the proceeds from sales and other dispositions of shares or warrants by a U.S. Holder (other than an exempt recipient), in each case who

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that backup withholding is required; or
- in certain circumstances, fails to comply with applicable certification requirements.

A Non-U.S. Holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status, under penalties of perjury, on a duly executed applicable IRS Form W-8 or by otherwise establishing an exemption. Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against a U.S. Holder's or a Non-U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that certain required information is timely furnished to the IRS. Holders are urged to consult their own tax advisors regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

We have filed this report on Form 20-F with the SEC under the Exchange Act. Statements made in this report as to the contents of any document referred to are not necessarily complete. With respect to each such document filed as an exhibit to this report, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

We are subject to the informational requirements of the Exchange Act as a foreign private issuer and file reports and other information with the SEC. Reports and other information filed by us with the SEC, including this report, may be inspected and copied at the public reference room of the SEC at 100 F Street, N.E., Washington D.C. 20549. You can also obtain copies of this report by mail from the Public Reference Section of the SEC, 100 F. Street, N.E., Washington D.C. 20549, at prescribed rates. Additionally, copies of this material may be obtained from the SEC's Internet site at <http://www.sec.gov>. The SEC's telephone number is 1-800-SEC-0330.



As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

## **I. Subsidiary Information**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### ***Interest Rate Risk***

We deposit surplus funds with Chinese banks earning daily interest. We do not invest in any instruments for trading purposes. Most of our outstanding debt instruments carry fixed rates of interest. Our operations generally are not directly sensitive to fluctuations in interest rates and we currently do not have any long-term debt outstanding. Management monitors the banks' prime rates in conjunction with our cash requirements to determine the appropriate level of debt balances relative to other sources of funds. We have not entered into any hedging transactions in an effort to reduce our exposure to interest rate risk.

### ***Foreign Exchange Risk***

While our reporting currency is the U.S. dollar, substantially all of our consolidated revenues and consolidated costs and expenses are denominated in RMB. Substantially all of our assets are denominated in RMB. As a result, we are exposed to foreign exchange risk as our revenues and results of operations may be affected by fluctuations in the exchange rate between the U.S. dollar and the RMB. If the RMB depreciates against the U.S. dollar, the value of our RMB revenues, earnings and assets as expressed in our U.S. dollar financial statements will decline. Assets and liabilities are translated at exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and equity is translated at historical exchange rates. Any resulting translation adjustments are not included in determining net income but are included in determining other comprehensive income, a component of equity. An average appreciation (depreciation) of the RMB against the U.S. dollar of 5% would increase (decrease) our comprehensive income by \$0.912 million based on our outstanding revenues, costs and expenses, assets and liabilities denominated in RMB as of June 30, 2017. As of June 30, 2017, our accumulated other comprehensive loss was \$4.12 million. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

The value of RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions. Since July 2005, RMB has not been pegged to the U.S. dollar. Although the People's Bank of China regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate, RMB may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in RMB exchange rate and lessen intervention in the foreign exchange market.

### *Inflation*

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenues if the selling prices of our products do not increase with these increased costs.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our management has concluded that, as of June 30, 2017, our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15 (f) under the Exchange Act. Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was not effective as of June 30, 2017.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Management identified the following material weaknesses in its assessment of the effectiveness of internal control over financial reporting as of June 30, 2017:

The Company had inadequate accounting personnel who is capable of US GAAP and bilingual, and that it did not supply adequate training to new staff in a timely manner, which led to the delay of processing some transactions or events. The weakness resulted in the late filing of Form 20-F for the year ended June 30, 2016, and such weakness had not been fully remediated as of June 30, 2017.

#### **Remediation Efforts to Address Significant Deficiencies**

We intend to engage an in-house bilingual accountant who is familiar with US GAAP and is able to represent the Company in future communication with regulators, authorities and other US professional parties.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our board of directors has determined that Borys Priadko is an independent director as defined by the rules of the NASDAQ Stock Market as well as qualifies as an audit committee financial expert as defined by the rules of the NASDAQ Stock Market, Inc. and Rule 10A-3 under the Exchange Act.

**ITEM 16B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, vice presidents and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at <http://www.deltath.com>.

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**Item 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES**

(a) Former Independent Registered Public Accounting Firm

On April 30, 2016, our former independent registered public accounting firm, Dominic K.F. Chan & Co (“DKFC”), had merged with AWC (CPA) Limited (the “Merger”) and formed DCAW (CPA) Limited (“DCAW”). DCAW has succeeded from DKFC, the license to audit U.S. public company regulated by PCAOB, effective from May 1, 2016. Effective November 14, 2016, DCAW has changed the name to “Centurion ZD CPA Limited”. Centurion ZD CPA Limited (“Centurion”) resigned as our independent registered public accounting firm and on the same day, our board of directors approved the resignation of DCAW and Centurion assuming the role of the Company’s independent public accounting firm, effective immediately.

The reports of DKFC on our financial statements for the fiscal years ended June 30, 2014 and 2015 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended June 30, 2014 and 2015, and in the subsequent interim periods through November 14, 2016, there were no disagreements with DKFC on any matter of accounting principles or practices, financial statement disclosure or auditing scope and procedure which, if not resolved to the satisfaction of DKFC, would have caused DKFC to make reference to the matter in its report.

We provided Centurion (fka DCAW as successor to DKFC) with a copy of the foregoing disclosures and requested Centurion to furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the above disclosures. A copy of the letter furnished pursuant to that request is filed as Exhibit 16.1 to this Amendment No. 1 to the Annual Report on Form 20-F.

(b) New Independent Registered Public Accounting Firm

On November 14, 2016, we appointed Centurion ZD CPA Limited (“Centurion”) as our new independent registered public accounting firm, effective immediately. During the fiscal years ended June 30, 2014 and 2015, and during all subsequent interim periods through November 14, 2016, we did not consult Centurion regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us nor oral advice was provided that Centurion concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or any matter that was either the subject of a disagreement (as defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions to this Item) or a reportable event (as described in Item 16F(a)(1)(v) of Form 20-F.

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Centurion (our independent registered public accounting firms), for the fees under 2017 column and the company's former auditor DCAW for the fees under 2016 column for the years ended June 30, 2017 and 2016, respectively. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	For the Year Ended June 30,	
	2017	2016
Audit fees <sup>(1)</sup>	\$ 155,000	\$ 126,000
Audit related fees <sup>(2)</sup>	-	-
Tax fees <sup>(3)</sup>	-	-

“Audit fees” means the aggregate fees billed for professional services rendered by our independent registered public (1) accounting firm for the audit of our annual financial statements and the review of our comparative interim financial statements.

(2) "Audit related fees" means the fees billed for review of response letter to a regulatory body.

(3) "Tax fees" represents the aggregated fees billed for pro

### **Pre-Approval of Services**

Our board of directors evaluated and approved in advance the scope and cost of the engagement of an auditor before the auditor rendered its audit and non-audit services.

### **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

The Company is exempt from complying with the listing standards for audit committees as set forth in Rule 10A-3 of the Exchange Act as the Company has opted to comply with its home country corporate governance standards. As such, the Company's audit committee is not entirely independent as the audit committee is made up of two independent directors and one director who was the CEO of the Company's predecessor. We do not believe following the Company's home country rules will negatively affect the audit committee's independence.

### **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Following the Acquisition, the units which were sold in our initial public offering ceased to exist and were mandatorily separated into their component parts: one Class A Share and one warrant to purchase one ordinary share, in order to complete the redemption of Class A Shares and the distribution of the balance of funds held in our Trust Account pursuant to our organizational documents. A total of 3,500,000 Class A Shares were redeemed at \$10.40 per share upon liquidation of the Trust Account and the remainder Class A Shares were converted into Class C Shares which, along with all other classes of ordinary share, were later consolidated into one class of ordinary share.

### **ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANTS**

See Item 16C above, which is incorporated herein by reference.

### **ITEM 16G. CORPORATE GOVERNANCE**



Pursuant to the home country rule exemption set forth under Nasdaq Listing Rule 5615, we elected to be exempt from the requirement under NASDAQ Listing Rule 5635 to obtain shareholder approval of a business combination. In addition, we also elected to be exempted from NASDAQ Listing Rules 5605 with respect to the composition requirement of the Board of Directors, audit committee, compensation committee and nominating committee. Under NASDAQ Listing Rule 5605, a U.S. domestic listed company is required to have a board of directors of a majority of independent directors and an audit committee, compensation committee and nominating committee, each composed entirely of independent directors, which are not required under the Business Companies Act of British Virgin Islands, our home country. Currently, our audit, compensation and nominating committees each is composed of three members, only two of whom are independent directors.

Except for the foregoing, there are no material differences in the Company's corporate governance practices from those of U.S. domestic companies under the listing standards of the NASDAQ.

#### **ITEM 16H.MINE SAFETY DISCLOSURE**

Not applicable.

### **PART III**

#### **ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The financial statements are filed as part of this report beginning on page F-1.

**ITEM 19. EXHIBITS**

The list of exhibits in the Exhibit Index to this report is incorporated herein by reference.

**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: November 15, 2017 **DELTA TECHNOLOGY HOLDINGS LIMITED**

/s/ Xin Chao  
Xin Chao  
Chief Executive Officer and Chairman

**EXHIBIT INDEX**

**Exhibit No. Description**

<u>1.1(4)</u>	<u>Amended and Restated Memorandum of Association</u>
<u>1.2(4)</u>	<u>Amended and Restated Articles of Association</u>
<u>2.1(1)</u>	<u>Specimen Unit Certificate</u>
<u>2.2(1)</u>	<u>Specimen Public Warrant Certificate</u>
<u>2.3(1)</u>	<u>Specimen Placement Warrant Certificate</u>
<u>2.4(1)</u>	<u>Form of Warrant Agreement</u>
<u>2.5(1)</u>	<u>Form of Unit Purchase Option</u>
<u>4.1(1)</u>	<u>Form of Letter Agreement by and among the Registrant, Chardan Capital Markets, LLC and the founders</u>
<u>4.2(1)</u>	<u>Form of Services Agreement between the Registrant and Chardan Capital Markets, LLC</u>
<u>8.1*</u>	<u>List of Subsidiaries of the Company</u>
<u>10.1(2)</u>	<u>Stock Purchase Agreement by and among CIS Acquisition Ltd., Elite Ride Limited, Delta Advanced Materials Limited, and the shareholders of Elite Ride Limited, dated September 16, 2014</u>
<u>10.2 (3)</u>	<u>Registration Rights Agreement by and among CIS Acquisition Ltd. and the holders of Elite Ride Limited, dated September 19, 2014</u>
<u>10.3(3)</u>	<u>Voting Agreement by and among the Company, Elite Ride Limited, Delta Advanced Materials Limited, and certain shareholders of Elite Ride Limited dated September 19, 2014</u>
<u>10.4(3)</u>	<u>Call Agreement by and among CIS Acquisition Ltd. and CIS Sponsors dated September 19, 2014</u>
<u>11.1(1)</u>	<u>Code of Ethics</u>
<u>12.1*</u>	<u>Certification of the Chief Executive Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended.</u>
<u>12.2*</u>	<u>Certification of the Chief Financial Officer (Principal Financial Officer) pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended</u>
<u>13.1**</u>	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>13.2**</u>	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

\*\* Furnished herewith.

- (1) Incorporated herein by reference to the Company's Registration Statement on Form F-1 (File No. 333-180224).
- (2) Incorporated herein by reference to the Company's Form 6-K (File No. 001-35755) filed on September 19, 2014.
- (3) Incorporated herein by reference to the exhibits to the Company's Form 20-F filed on September 25, 2014.
- (4) Incorporated herein by reference to the exhibits to the Company's Form 20-F filed on November 17, 2015.



**Results of Operations and Financial Condition**

Following are the audited financial results for the years ended June 30, 2017, 2016 and 2015 of Delta Technology Holdings Limited.

**DELTA TECHNOLOGY HOLDINGS LIMITED**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Pages</b>
<b>Consolidated Financial Statements for the Years Ended June 30, 2017, 2016 and 2015</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Balance Sheets as at June 30, 2017 and 2016</u>	<u>F-3</u>
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Delta Technology Holdings Limited

We have audited the accompanying consolidated balance sheets of Delta Technology Holdings Limited and its subsidiaries (collectively, the “Company”) as of June 30, 2017 and 2016, and the related consolidated statements of operations and comprehensive (loss) income, changes in shareholders’ equity and cash flows for each of the three years in the period ended June 30, 2017. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Technology Holdings Limited as of June 30, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has an accumulated deficit, and has suffered losses from operations. Its ability to continue as a going concern is dependent upon its ability to develop additional sources of capital, generate income, and ultimately, achieve profitable operations. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Centurion ZD CPA Ltd.

Centurion ZD CPA Ltd.  
Certified Public Accountants  
Hong Kong, November 15,  
2017

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## DELTA TECHNOLOGY HOLDINGS LIMITED

## CONSOLIDATED BALANCE SHEETS

AS AT JUNE 30, 2017 AND 2016

	2017	2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$44,284	\$63,149
Restricted cash	13,276	89,225
Trade and other receivables	81,327,991	116,228,901
Inventories	5,282,737	5,880,881
	\$86,668,288	\$122,262,156
<b>Non-current assets</b>		
Property, plant and equipment, net	\$46,608,189	\$51,064,565
Land use rights	2,032,547	2,125,665
Deferred tax assets	610,473	691,764
	\$49,251,209	\$53,881,994
<b>Total assets</b>	<b>\$135,919,497</b>	<b>\$176,144,150</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	\$13,131,216	\$21,194,399
Advances from customers	4,423,090	6,225,058
Bank borrowings	66,414,123	68,313,619
Income tax payables	187,261	191,284
Deferred tax liabilities	633,409	667,851
Dividends payable	35,000,000	35,000,000
Warrants liabilities	518,748	1,049,847
	\$120,307,847	\$132,642,058
<b>Total liabilities</b>	<b>\$120,307,847</b>	<b>\$132,642,058</b>
<b>Capital and reserves</b>		
Ordinary shares, \$0.0001 par value share, 150,000,000 shares authorized 11,061,679 and 9,618,852 shares issued and outstanding at June 30, 2017 and 2016 respectively	\$1,106	\$962
Preferred shares, par value \$0.0001 per share, 5,000,000 shares authorized; none issued or outstanding	-	-
Additional paid-in capital	47,959,263	45,540,719
Statutory reserves	7,180,500	7,180,500
Accumulated losses	(35,389,829 )	(6,962,585 )
Accumulated other comprehensive income	(4,139,390 )	(2,257,504 )
<b>Total equity</b>	<b>\$15,611,650</b>	<b>\$43,502,092</b>

Explanation of Responses:



<b>Total liabilities and equity</b>	\$ 135,919,497	\$ 176,144,150
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*See notes to consolidated financial statements*

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## DELTA TECHNOLOGY HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenue	\$56,292,093	\$53,418,112	\$202,009,160
Cost of sales	(52,367,418)	(48,713,456)	(182,692,715)
Gross profit	3,924,675	4,704,656	19,316,445
<b>Operating expenses:</b>			
Selling expenses	(1,416,283 )	(2,251,997 )	(2,384,459 )
General and administrative expenses	(5,295,518 )	(5,376,137 )	(3,474,472 )
Allowance for doubtful accounts and obsolescence stock	(25,162,381)	(7,509,470 )	(1,199,110 )
	(31,874,182)	(15,137,604)	(7,058,041 )
<b>Other income (expenses):</b>			
Interest expenses	(3,254,991 )	(3,710,945 )	(5,295,616 )
Interest income	504	336,623	5,433,346
Change in fair value of warrants	531,099	6,856,682	(7,906,529 )
Gain on disposal of a subsidiary	-	435,488	1,178,093
Other gains (loss) - net	2,245,651	(1,043,130 )	(531,941 )
	(477,737 )	2,874,718	(7,122,647 )
<b>(Loss) Income before income taxes</b>	(28,427,244)	(7,558,230 )	5,135,757
Income taxes	-	802,627	(3,729,238 )
<b>Net (loss) income</b>	\$(28,427,244)	\$(6,755,603 )	\$1,406,519
<b>Other comprehensive (loss) income</b>			
Foreign currency translation adjustments	(1,881,886 )	(12,263,307)	3,966,141
	(1,881,886 )	(12,263,307)	3,966,141
<b>Comprehensive (loss) income</b>	\$(30,309,130)	\$(19,018,910)	\$5,372,660
(Loss) earnings per share attributable to Equity holders of the Company			
- Basic	\$(2.87 )	\$(1.46 )	\$1.44
- Diluted	\$(2.92 )	\$(1.46 )	\$1.44
Weighted average shares used in calculating (Loss) earnings per ordinary share			
- Basic	9,914,313	9,323,108	6,462,577
- Diluted	9,914,313	9,323,108	6,462,577

Explanation of Responses:

*See notes to consolidated financial statements*

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## DELTA TECHNOLOGY HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	Share capital Ordinary share	Amount	Additional paid-in capital	Statutory reserves	Retained earnings (accumulated losses)	Accumulated other comprehensive income (loss)	Total
Balance as of July 1, 2014	4,560,000	456	8,852,257	6,196,949	34,370,050	6,039,662	55,459,374
Dividends distribution	-	-	-	-	(35,000,000)	-	(35,000,000)
Reserve acquisition	2,337,059	234	32,575,516	-	-	-	32,575,750
Exercise of warrants	1,823,935	182	-	-	-	-	182
Net income for the year	-	-	-	-	1,406,519	-	1,406,519
Foreign currency translation adjustment	-	-	-	-	-	3,966,141	3,966,141
Appropriation to statutory reserves	-	-	-	983,551	(983,551)	-	-
Balance as of June 30, 2015	8,720,994	872	41,427,773	7,180,500	(206,982)	10,005,803	58,407,966
Balance as of July 1, 2015	8,720,994	872	41,427,773	7,180,500	(206,982)	10,005,803	58,407,966
Exercise of warrants	897,858	90	4,112,946	-	-	-	4,113,036
Net loss for the year	-	-	-	-	(6,755,603)	-	(6,755,603)
Foreign currency translation adjustment	-	-	-	-	-	(12,263,307)	(12,263,307)
Balance as of June 30, 2016	9,618,852	962	45,540,719	7,180,500	(6,962,585)	(2,257,504)	43,502,092
Balance as of July 1, 2016	9,618,852	962	45,540,719	7,180,500	(6,962,585)	(2,257,504)	43,502,092
Issuance of shares for professional services	1,442,827	144	2,418,544	-	-	-	2,418,688
Net loss for the year	-	-	-	-	(28,427,244)	-	(28,427,244)
Foreign currency translation	-	-	-	-	-	(1,881,886)	(1,881,886)

Explanation of Responses:

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adjustment

Balance as of June 30, 2017	11,061,679	1,106	47,959,263	7,180,500	(35,389,829)	(4,139,390)	)	15,611,650
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*See notes to consolidated financial statements*

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## DELTA TECHNOLOGY HOLDINGS LIMITED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015

	2017	2016	2015
<b>Cash flows from operating activities:</b>			
Net (loss) income	\$(28,427,244)	\$(6,755,603)	\$1,406,519
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Change in fair value of warrants	(531,099 )	(6,856,682 )	7,906,529
Share based compensation expenses	2,418,688	-	-
Depreciation of property and equipment	3,760,619	5,883,313	6,452,324
Amortization of land use rights	48,406	67,131	79,353
Gain on disposals of property, plant and equipment	(417,277 )	(90,700 )	(14,002 )
Gain on disposals of a subsidiary	-	(435,488 )	(1,178,093 )
Deferred income taxes	-	(23,939 )	848,541
Allowance for doubtful accounts	23,950,416	7,509,470	1,199,110
Allowance for obsolescence stock	1,211,966	423,588	-
Impairment losses recognized on plant and equipment	-	2,599,980	-
Changes in assets and liabilities, net of effects of acquisitions and disposals:			
Trade and other receivables	8,355,425	(7,101,570 )	(46,117,191)
Inventories	(743,189 )	2,671,325	4,290,812
Trade and other payables	(7,612,138 )	(20,539,601 )	9,384,469
Advances from customers	(1,671,028 )	4,169,072	454,930
Income tax payables	-	(675,952 )	147,329
Net cash provided by (used in) operating activities	343,545	(19,155,656 )	(15,139,370)
<b>Cash flows from investing activities:</b>			
Acquisitions of			
- Land use rights	-	-	(5,695 )
- Property, plant and equipment and construction in progress	(893,646 )	(929,108 )	(4,154,726 )
Disposals of property and equipment	932,572	(1,516,850 )	8,829,460
Proceeds from disposal of a subsidiary	-	1,535,243	10,518,189
Net cash provided by (used in) investing activities	38,926	(910,715 )	15,187,228
<b>Cash flows from financing activities:</b>			
Cash received from capital contribution	-	-	5,210,000
Proceeds from bank borrowings	-	115,610,739	52,751,379
Repayment of bank borrowings	(462,567 )	(121,283,331)	(60,142,218)
Due to a shareholder	-	-	(2,844,070 )
Change in restricted cash	74,072	24,351,052	(3,680,317 )

Explanation of Responses:

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Net cash provided by (used in) financing activities	(388,495 )	18,678,460	(8,705,226 )
Effect of exchange rate changes on cash	(12,841 )	1,233,448	(170,970 )
Decrease in cash and cash equivalents	(18,865 )	(154,463 )	(8,828,338 )
Cash and cash equivalents at beginning of year	63,149	217,612	9,045,950
Cash and cash equivalents at end of year	\$44,284	\$63,149	\$217,612
Supplemental disclosures of cash flow information:			
Interest paid	\$3,254,991	\$3,710,945	\$5,295,616
Tax paid	\$-	\$1,207,434	\$2,693,055
Major non-cash transactions:			
Issuance of shares for professional services	\$2,418,688	\$-	\$-
Warrant exercise	\$-	\$90	\$182

*See notes to consolidated financial statements*

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## **DELTA TECHNOLOGY HOLDINGS LIMITED**

### **Notes to Consolidated Financial Statements**

#### **FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

#### **Note 1 - Organization and Business Operations**

Delta Technology Holdings Limited (formerly known as CIS Acquisition Limited, the “Company,” or “Delta Technology,” or “we”) was formed on November 28, 2011, under the laws of the British Virgin Islands. We were formed to acquire, through a merger, stock exchange, asset acquisition, stock purchase or similar acquisition transaction, one or more operating businesses. Although we were not limited to a particular geographic region or industry, we intended to focus on operating businesses with primary operations in Russia and Eastern Europe. We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act.

On December 21, 2012, our IPO of 4,000,000 units was consummated at a public offering price of \$10.00 per unit, generating gross proceeds of \$40,000,000. Each unit consists of one callable Class A Share, par value \$0.0001 per share, and one redeemable warrant. Each redeemable warrant included in the units entitles the holder to purchase one ordinary share at a price of \$10.00. Immediately prior to the consummation of the IPO, we completed a private placement of 4,500,000 warrants at a price of \$0.75 per warrant, for an aggregate purchase price of \$3,375,000, to our founding shareholders and their designees. We sold to the underwriters of the IPO, as additional compensation, an aggregate of 136,000 Class A Shares for \$2,720. A total of \$41,600,000, which included a portion of the \$3,375,000 of proceeds from the private placement of warrants to the founding shareholders and their designees, was placed in trust (the “Trust Account”) pending the completion of our initial acquisition transaction. On March 18, 2012, the ordinary shares and warrants underlying the units sold in the IPO began to trade separately.

On September 16, 2014, a Stock Purchase Agreement (the “Purchase Agreement”) was entered into by and among Delta Technology, Elite Ride Limited, a British Virgin Islands corporation (“Elite”), Delta Advanced Materials Limited, a Hong Kong corporation (“Delta”) and the shareholders of Elite (the “Elite Shareholders”). Upon closing of the Purchase Agreement on September 19, 2014, Delta Technology acquired all of the shares of Elite from Elite Shareholders in exchange for the issuance to Elite Shareholders an aggregate of 6,060,000 ordinary shares, of which 4,560,000 shares were issued at closing and 1,500,000 shares (“Earnout Payment Shares”) are held in escrow and will be released upon meeting of certain performance targets as specified in the Purchase Agreement (the “Acquisition”).

The Earnout Payment Shares, if any, will be issued as follows: (a) 500,000 shares shall be issued if the Company achieves Adjusted Net Income (as defined in the stock purchase agreement) of at least \$8 million for the period starting July 1, 2014 and ending June 30, 2015; (b) 500,000 shares shall be issued if the Company achieves Adjusted



Net Income of at least \$9.2 million for the period starting July 1, 2015 and ending June 30, 2016; (c) 500,000 shares shall be issued if the Company achieves Adjusted Net Income of at least \$10.6 million for the period starting July 1, 2016 and ending June 30, 2017 (collectively, the “Net Income Targets”). Further, during the thirteen (13) months post-closing, all material acquisitions made by the Company must be accretive to Company earnings. The Net Income Targets are to be met on an all-or-nothing basis, and there shall be no partial awards.

As a result of the consummation of the Acquisition, Elite is now our wholly subsidiary. Elite was incorporated under British Virgin Islands law on September 13, 2014 solely in contemplation of the Acquisition. It is currently the holding company of all the shares of Delta Advanced Materials Limited, a Hong Kong corporation (“Delta”), which, in turn, holds all the equity interests in four operating subsidiaries in the PRC: Jiangsu Yangtze Delta Fine Chemical Co., Ltd (“Jiangsu Delta”), Jiangsu Zhengxin New Material Research and Development Co., Ltd (“Jiangsu Zhengxin”), Jiangsu Delta Logistics Co., Ltd (“Jiangsu Logistics”), and Binhai Deda Chemical Co., Ltd (“Binhai Deda”) (collectively, the “PRC Subsidiaries”).

The Acquisition was accounted for as a reverse acquisition in accordance with US GAAP. Under this method of accounting, Delta Technology was treated as the “acquired” company for financial reporting purposes. This determination was primarily based on Elite comprising the ongoing operations of the combined entity, Elite senior management comprising the senior management of the combined company, and the former holders of Elite having a controlling interest in terms of the voting power of the combined entity. In accordance with guidance applicable to these circumstances, the Acquisition was considered to be a capital transaction in substance. Accordingly, for accounting purposes, the Acquisition was treated as the equivalent of Elite issuing stock for the net assets of Delta Technology, accompanied by a recapitalization. The net assets of Delta Technology will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Acquisition will be those of Elite.

Delta (formerly known as China Deltachem Holdings Limited) was incorporated in Hong Kong on June 17, 2010. The address of its registered office is Suite D, 19th Floor, Ritz Plaza, 122 Austin Road, Hong Kong. The reporting currency of Delta is the United States Dollar (“\$”). The principal activity of Delta is investment holding and currently operates two wholly-owned subsidiaries in the People’s Republic of China (“PRC”): Jiangsu Delta and Binhai Deda. Jiangsu Delta is the principal operating subsidiary of the Company and is engaged in the production of fine specialty chemicals.

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 1 - Organization and Business Operations (Continued)**

On June 15, 2007, Jiangsu Delta was established by S&S International Investment Holding (HK) Limited (“S&S International”), a Hong Kong based investment holding company, as a wholly foreign-owned enterprise (with an initial registered capital of \$42 million, which was later reduced to \$ 28.8 million) located in Zhenjiang City, Jiangsu Province, the PRC.

Pursuant to a share transfer agreement entered into on April 13, 2008, Mr. Xin Chao acquired the entire equity interest in Jiangsu Delta from S&S International through Zhengxin International Investment Limited, a Hong Kong corporation (“Zhengxin International”) and became the controller of Jiangsu Delta since then. On May 21, 2008, the acquisition of Jiangsu Delta by Zhengxin International was approved by the Jiangsu Foreign Trade and Economic Cooperation Department in accordance with “The Approval of Alteration of Equities in and Amendment of the Articles of Association of Jiangsu Yantze River Delta Fine Chemical Co, Ltd.” issued by the same authority.

As part of corporate restructuring, Delta acquired Jiangsu Delta for a consideration of \$28.8 million pursuant to a sale and purchase agreement dated May 20, 2010. Delta, formerly known as China Deltachem Holdings Limited, as a pure investment holding vehicle controlled by Mr. Chao had an initial issued and paid-up share capital of HK\$10,000 comprising 10,000 shares of HK\$1.00 each. The said shares were issued at a total subscription price of HK\$68,640,000 (equivalent to \$8,800,000) with a premium of HK\$6,863 per share.

On August 30, 2010, the acquisition of Jiangsu Delta by Delta was approved by the Jiangsu Foreign Trade and Economic Cooperation Department in accordance with “The Approval of Share Transfer of and Amendment of the Articles of Association of Jiangsu Chang San Jiao Chemical Co., Ltd.” issued by the same authority.

On May 26, 2011, Delta carried out a bonus share issue, whereby an additional 39,990,000 ordinary shares of Delta were allotted and issued as bonus shares at a price of HK\$1.00 each to all the then shareholders of Delta at the ratio in proportion to their existing shareholding percentage, and credited as fully paid up on a capitalization of the reserve of HK\$39,990,000 from the capital reserve of Delta. Subsequent to the bonus issue, Delta’s total issued and paid-up share capital increases to HK\$40 million, comprising 40 million shares of HK\$1.00 each.

Delta entered into a series of Securities Purchase Agreements dated January 31, 2011, May 16, 2011 and June 30, 2011, respectively, with the funds managed by Korea Investment Partners Co. Ltd. And Kleiner, Perkins, Caufield & Byers (the “Bondholders”), pursuant to which it issued convertible bonds (“Convertible Bonds”) for an aggregate principal amount of US\$18 million. The Convertible Bonds have an interest rate of 6.00% per annum and a guaranteed interest rate at maturity of 15.00%. The principal and interests accrued on such Convertible Notes are convertible in whole or in part into the ordinary shares in Delta, on such terms and subject to the conditions of the Securities Purchase Agreements.

On March 28, 2015, Zhenjiang Xinshun Chemical Trading Company Ltd and Jiangsu Delta entered into a sale and purchase agreement, pursuant to which the entire equity interest of Jiangsu Zhengxin R&D was sold to Zhenjiang Xinshun at a consideration of \$10,518,189 (RMB64.555 million). Delta had recorded a gain on disposal of \$1,178,093 for the year ended June 30, 2015.

On January 8, 2016, Mr. Yang Yi and Jiangsu Logistics entered into a sale and purchase agreement, pursuant to which the entire equity interest of Jiangsu Logistics was sold to Mr. Yang Yi at a consideration of approximately \$1,505,140 (RMB10 million). Delta had recorded a gain on disposal of \$435,488 for the year ended June 30, 2016.

## **Note 2 - Summary of Significant Accounting Policies**

### **Principles of Consolidation and Presentation**

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The consolidated financial statements include the financial statements of the Company, and its wholly-owned subsidiaries. All intercompany accounts, transactions, and profits have been eliminated upon consolidation.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Segment Reporting**

The Company operates in one business and geographical segment of manufacturing and sales of organic compounds in the PRC. ASC 280, Segment Reporting, establishes standards for reporting information about operating segments. Given the economic characteristics of the similar nature of the products sold, the type of customer and the method of distribution, the Company operates as one reportable segment as defined by ASC 280, Segment Reporting.

**Foreign Currency Translation**

The Company's financial statements are presented in the U.S. dollar (\$), which is the Company's reporting currency and functional currency. The Company's subsidiaries in the PRC use Renminbi ("RMB") as their functional currencies. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Any differences between the initially recorded amount and the settlement amount are recorded as a gain or loss on foreign currency transaction in the consolidated statements of income. Monetary assets and liabilities denominated in foreign currency are translated at the functional currency rate of exchange ruling at the balance sheet date. Any differences are taken to profit or loss as a gain or loss on foreign currency translation in the statements of income.

In accordance with ASC 830, Foreign Currency Matters, the Company translated the assets and liabilities into US\$ using the rate of exchange prevailing at the applicable balance sheet date and the statements of income and cash flows are translated at an average rate during the reporting period. Adjustments resulting from the translation are recorded in shareholders' equity as part of accumulated other comprehensive income.

**Revenue Recognition**

Revenue principally represents organic compound sale revenue. Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities and is recorded net of value added tax ("VAT"). Consistent with the criteria of ASC 605 "Revenue Recognition" ("ASC 605"), the Company recognizes revenue when the following four revenue recognition criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been provided, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

Revenue from the sale of goods is recognized upon delivery when the significant risks and rewards of ownership of goods have transferred to the buyer, continuing managerial involvement usually associated with ownership and effective control have ceased and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

### **Borrowing Costs**

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to assets under construction. Borrowing costs on general borrowings are capitalised by applying a capitalization rate to construction or expenditures that are financed by general borrowings. Borrowing costs on general financing during the years ended June 30, 2017, 2016 and 2015 were capitalized at a rate of 4.9%, 5.2% and 7.11% respectively.

### **Leases**

The Company accounts for its leases under the provisions of ASC 840, Leases. Certain of the Company's operating leases provide for minimum annual payments that change over the life of the lease. The aggregate minimum annual payments are expensed on the straight-line basis over the minimum lease term. The Company recognizes a deferred rent liability for minimum step rents when the amount of rent expense exceeds the actual lease payments and it reduces the deferred rent liability when the actual lease payments exceeds the amount of straight-line rent expense. Rent holidays and tenant improvement allowances for store remodels are amortized on the straight-line basis over the initial term of the lease and any option period that is reasonably assured of being exercised.

### **Restricted Cash**

Restricted cash are cash deposited in fixed deposit accounts maintained in the PRC and Hong Kong for the purpose of securing bank borrowings.

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Trade Receivables**

Trade receivables are recorded at the invoiced amount and do not bear interest. The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated risks by performing credit checks and actively pursuing past due accounts. An allowance for doubtful accounts is established and determined based on managements' assessment of known requirements, aging of receivables, payment history, the customer's current credit worthiness and the economic environment.

**Inventories**

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the monthly average cost method, except for materials-in-transit. The cost of finished goods comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes costs of idle plant and abnormal waste. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. The cost of an item of property, plant and equipment initially recognized includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating the manner intended by management. Significant additions or improvements extending useful lives of assets are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:



Buildings	10 or 20 years
Machinery	10 or 20 years
Vehicles	4 years
Plant and equipment	3 to 5 years
Software	5 years

Construction in progress represents buildings and related premises under construction, which is stated at actual construction cost less any impairment loss.

Construction in progress is transferred to the respective category of property and equipment when completed and ready for its intended use.

Costs of repairs and maintenance are expensed as incurred and asset improvements are capitalized. The cost and related accumulated depreciation and amortization of assets disposed of or retired are removed from the accounts, and any resulting gain or loss is reflected in the consolidated income statements.

### **Land Use Rights**

According to the laws of the PRC, the government owns all the land in the PRC. Companies or individuals are authorized to possess and use the land only through the land use rights granted by the government. The land use rights represent cost of the rights to use the land in respect of properties located in the PRC. Land use rights are carried at cost and amortized on a straight-line basis over the period of rights of 50 to 52 years.

### **Long-lived Assets**

The Company reviews long-lived assets for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Long-lived assets are reviewed for recoverability at the lowest level in which there are identifiable cash flows, usually at the store level. The carrying amount of a long-lived asset is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset. If the asset is determined not to be recoverable, then it is considered to be impaired and the impairment to be recognized is the amount by which the carrying amount of the asset exceeds the fair value of the asset, determined using discounted cash flow valuation techniques, as defined in ASC 360, Property, Plant, and Equipment.

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Long-lived Assets (Continued)**

The Company determined the sum of the undiscounted cash flows expected to result from the use of the asset by projecting future revenue and operating expense for each store under consideration for impairment. The estimates of future cash flows involve management judgment and are based upon assumptions about expected future operating performance. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance and economic conditions.

The Company's evaluation resulted in no long-lived asset impairment charges during the years ended June 30, 2017, 2016 and 2015.

**Goodwill**

The Company allocates goodwill to reporting units based on the reporting unit expected to benefit from the business combination. The Company evaluates their reporting units on an annual basis and, if necessary, reassigns goodwill using a relative fair value allocation approach. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The Company first assesses qualitative factors to determine whether it is more likely than not that goodwill is impaired. If the more likely than not threshold is met, we perform a quantitative

impairment test. The Company's evaluation resulted in goodwill impairment charges of nil, nil and nil respectively during the years ended June 30, 2017, 2016 and 2015.

### **Accrual and Disclosure of Loss Contingencies**

We determine whether to disclose or accrue for loss contingencies based on an assessment of whether the risk of loss is remote, reasonably possible or probable, and whether it can be reasonably estimated. We analyze, if any, our litigation and regulatory matters based on available information to assess the potential liabilities. Our assessment is developed based on an analysis of possible outcomes under various strategies. We accrue for loss contingencies when such amounts are probable and reasonably estimable. If a contingent liability is only reasonably possible, we will disclose the potential range of the loss, if estimable. We record losses related to contingencies in cost of operations or selling, general and administrative expenses, depending on the nature of the underlying transaction leading to the loss contingency.

### **Convertible bonds**

Convertible bonds are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities. On issuance of convertible foreign currency bonds, the proceeds from convertible bonds issued are allocated to the liability component presented on the balance sheet. The liability component including the conversion option is recognised initially at its fair value, determined using the Binomial Valuation Model. It is subsequently carried at its fair value with fair value changes recognised in profit or loss. When the conversion option is exercised, the carrying amount of the liability component is derecognised with a corresponding recognition of share capital.

### **Retirement Benefit Plans**

Full time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Company to make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Company accounts the mandated defined contribution plan under the vested benefit obligations approach based on the guidance of ASC 715, Compensation-Retirement Benefits.

**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Retained Earnings - Appropriated**

The income of the Company's PRC subsidiaries is distributable to their shareholder after transfer to reserves as required by relevant PRC laws and regulations and the subsidiary's Articles of Association. As stipulated by the relevant laws and regulations in the PRC, these PRC subsidiaries are required to maintain reserves which are non-distributable to shareholders. Appropriations to the reserves are approved by the respective boards of directors.

Reserves include statutory reserves and discretionary reserves. Statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of shareholders, provided that the balance after such conversion is not less than 25% of the registered capital. The appropriation to the statutory reserves must not be less than 10% of net profit after taxation. Such appropriation may cease to apply if the balance of the fund is equal to 50% of the entity's registered capital.

**Advertising Expenses**

Advertising expenses are expensed as incurred. The advertising expenses were not material for the years ended June 30, 2017, 2016 and 2015.

**Income Taxes**

The Company follows ASC 740, Income Taxes, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences

Explanation of Responses:

between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company adopted ASC 740-10-25, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax position. The Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of ASC 740-10-25.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of bank deposits with original maturities of three months or less, which are unrestricted as to withdrawal and use the Company maintained accounts at banks. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, may exceed the U.S. Federal depository insurance coverage of \$250,000, or other limits of protection if held in financial institutions outside of the U.S., such as Government securities coverage of HK\$500,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

### **Share Based Payment**

Goods and services received or acquired in an equity-settled share based payment transaction, which do not qualify for recognition as assets, are recognized as expenses with a corresponding increase in equity. The Company measures the goods and services received at fair value of the goods and services received, unless that fair value cannot be estimated reliably.

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Comprehensive Income**

The Company has adopted FASB Accounting Standard Codification Topic 220 (“ASC 220”) “Comprehensive income” (formerly known as SFAS No. 130, “Reporting Comprehensive Income”), which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. Accumulated other comprehensive income represents the accumulated balance of foreign currency translation adjustments of the Company.

**Fair Value Measurements**

ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company holds. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuation based on quoted prices in markets that are not active for which all significant inputs are observable, either directly or indirectly.

·Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Company adopted ASC 820, Fair Value Measurements and Disclosures, on January 1, 2008 for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis (at least annually). ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Company has also adopted ASC 820, on January 1, 2009 for non-financial assets and non-financial liabilities, as these items are not recognized at fair value on a recurring basis. The adoption of ASC 820 for all financial assets and liabilities and non-financial assets and non-financial liabilities did not have any impact on the Company's consolidated financial statements.

Financial instruments include cash, accounts receivable, prepayments and other receivables, short-term borrowings from banks, accounts payable and accrued expenses and other payables. The carrying amounts of cash, accounts receivable, prepayments and other receivables, short-term loans, accounts payable and accrued expenses approximate their fair value due to the short-term maturities of these instruments. See Note 17 regarding the fair value of the Company's warrants, which are classified as Level 3 liabilities in the fair value hierarchy.

The fair values of the convertible bonds are determined using Binomial Valuation Model.

The fair values of current financial assets and liabilities carried at amortized cost approximate their carrying amounts.

### **Commitments and contingencies**

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters, including, among others, government investigations and tax matters. In accordance with ASC No. 450 Subtopic 20, "Loss Contingencies", the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated.

### **Recently Issued Accounting Guidance**

The Company has considered all new accounting pronouncements and has concluded that there are no new pronouncements that may have a material impact on results of operations, financial condition, or cash flows, based on current information.



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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 3 - Going concern**

As shown in the accompanying consolidated financial statements, the Company has generated a net loss of \$28,427,244 and an accumulated deficit of \$35,389,829 as of June 30, 2017. The Company also experienced insufficient cash flows from operations and will be required continuous financial support from the shareholders. The Company will need to raise capital to fund its operations until it is able to generate sufficient revenue to support the future development. Moreover, the Company may be continuously raising capital through the sale of debt and equity securities.

The Company's ability to achieve these objectives cannot be determined at this stage. If the Company is unsuccessful in its endeavors, it may be forced to cease operations. These consolidated financial statements do not include any adjustments that might result from this uncertainty which may include adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is involved in various legal actions during the year ended June 30, 2017. As of June 30, 2017, the Company was involved in 7 lawsuits in China, of which the Company was plaintiff in relation to 2 trade business disputes, and the Company was defendant in relation to 5 financial loan disputes. The 2 trade business disputes with an aggregated claim of \$285,818 have been adjudicated by the Court in favor of the Company to collect delinquent balances and interest from its customers. 3 out of 5 financial loan disputes with an aggregated balance of \$3,575,673 have been adjudicated by the Court against the Company, 1 financial loan dispute with an aggregated indemnity balance of \$4,417,765 have been ruled by the Court and the remaining one with an aggregated indemnity balance \$3,499,219 was still under trial.

These factors have raised substantial doubt about the Company's ability to continue as a going concern. There can be no assurances that the Company will be able to obtain adequate financing or achieve profitability. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Note 4 - Concentration of Credit Risk**

Explanation of Responses:

The Company maintains cash in bank deposit accounts in PRC and Hong Kong. The Company performs ongoing evaluations of this institution to limit its concentration risk exposure.

The Company sells organic compound principally in the PRC. Because of this, the Company is subject to regional risks, such as the economy, regional financial conditions and unemployment, weather conditions, power outages, and other natural disasters specific to the region in which the Company operates.

Details of major customers accounting for 10% or more of the Company's sales or trade receivables are as follows:

	Sales		Trade receivables	
	2017	2016	2017	2016
Customer A	11.22%	6.46 %	6.46 %	21.83 %
Customer B	4.13 %	11.61 %	24.36 %	0.00 %
Customer C	15.21 %	0.00 %	10.16 %	0.00 %
Customer D	5.83 %	29.52 %	31.08 %	12.31 %

Details of suppliers accounting for 10% or more of the Company's purchases or trade payables are as follows:

	Purchases		Trade payables	
	2017	2016	2017	2016
Supplier A	33.77%	18.50%	0.00 %	9.67 %
Supplier B	37.93%	46.00%	10.35 %	38.70 %
Supplier C	0.00 %	0.00 %	53.03 %	27.76 %
Supplier D	21.09%	0.00 %	0.00 %	0.00 %

**Note 5 - Trade and Other Receivables**

	2017	2016
Trade receivables	\$48,106,207	\$57,978,341
Less: Allowance for doubtful accounts	(27,112,258)	(7,852,062 )
Trade receivables – net	20,993,949	50,126,279
Notes receivable	616,710	438,314
Other receivables	55,684,639	53,799,508
Prepayments and deposits	4,032,693	11,864,800
	\$ 81,327,991	\$ 116,228,901

**DELTA TECHNOLOGY HOLDINGS LIMITED****Notes to Consolidated Financial Statements****FOR THE YEARS ENDED June 30, 2017, 2016 and 2015****Note 5 - Trade and Other Receivables (Continued)**

Age analysis of trade and other receivables:

	2017	2016
Within 3 months	\$8,235,786	\$11,693,858
From 3 to 6 months	2,852,716	13,267,620
Past due over 6 months	70,239,489	91,267,423
	\$81,327,991	\$116,228,901

**Note 6 - Inventories**

	2017	2016
Finished goods	\$1,513,895	\$1,960,063
Raw materials	3,768,842	3,920,818
	\$5,282,737	\$5,880,881

The cost of inventories recognized as an expense and included in cost of sales amounts to \$43,990,515, \$44,722,232 and \$151,232,213 for the year ended June 30, 2017, 2016 and 2015, respectively.

**Note 7 - Property, Plant and Equipment**

	2017	2016
Buildings	\$12,863,535	\$13,108,283
Machinery	55,256,545	57,207,298
Vehicles	277,176	329,540
Plant and equipment	4,443,682	4,454,496
Software	81,471	83,221
Construction in progress	926,379	484,552
	73,848,788	75,667,390

Explanation of Responses:

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Less: Accumulated depreciation	(27,240,599)	(24,602,825)
Property, plant and equipment, net	\$46,608,189	\$51,064,565

Borrowing costs capitalized during the years ended June 30, 2017, 2016 and 2015 were \$nil, \$nil and \$nil respectively.

Buildings with net book value of approximately \$238,342, \$258,922 and \$379,902 were used as collateral of short term bank borrowings for the years ended June 30, 2017, 2016 and 2015, respectively.

The depreciation expenses for the years ended June 30, 2017, 2016 and 2015 were \$3,760,619, \$5,883,313 and \$6,452,324, respectively.

The impairment losses recognized on plant and equipment which were no more use for future production for the years ended June 30, 2017, 2016 and 2015 were \$nil, \$2,599,980 and \$nil, respectively.

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**DELTA TECHNOLOGY HOLDINGS LIMITED****Notes to Consolidated Financial Statements****FOR THE YEARS ENDED June 30, 2017, 2016 and 2015****Note 8 - Land Use Rights**

	2017	2016
Land use rights	\$2,497,728	\$2,551,395
Less: Accumulated amortization	(465,181 )	(425,730 )
Land use rights - net	\$2,032,547	\$2,125,665

Land use rights with net book value of approximately \$1,595,295, \$1,667,055 and \$1,898,402 were used as collateral of short term bank borrowings for the years ended June 30, 2017, 2016 and 2015, respectively.

The Company has disposed land use rights during the period, the consideration received was \$452,955 and the net land use rights disposal was \$447,366. The Company has recorded a gain on disposal of \$5,589 for the year ended June 30, 2016.

The amortization expenses for the years ended June 30, 2017, 2016 and 2015 were \$48,406, \$67,131 and \$79,353, respectively.

Twelve months ending June 30,	
2018	\$48,406
2019	48,406
2020	48,406
2021	48,406
2022	48,406
Thereafter	1,790,517
Total	\$2,032,547

**Note 9 - Trade and Other Payables**

2017	2016
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Notes payable	\$-	\$30,135
Trade payables	10,203,538	17,869,460
Accruals	271,535	432,030
Other taxes payable	1,336,007	1,367,037
Other payables	1,320,136	1,495,737
	\$13,131,216	\$21,194,399

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**DELTA TECHNOLOGY HOLDINGS LIMITED****Notes to Consolidated Financial Statements****FOR THE YEARS ENDED June 30, 2017, 2016 and 2015****Note 10 - Bank Borrowings**

The Bank borrowing as of June 30, 2017 and 2016 were \$66,414,123 and \$68,313,619 respectively.

The following is a summary of the Company's bank borrowings as of June 30, 2017 and 2016:

<b>Bank name</b>	<b>2017</b>	<b>2016</b>
Dantu High Credit Cooperatives	\$7,036,021	\$7,398,144
Danyang Branch of China Construction Bank	3,309,750	3,417,886
Bank of Danyang Jiangsu Branch	3,731,894	3,887,416
Zhenjiang Branch of Shanghai Pudong Development Bank	5,826,474	5,996,866
Huaxia Bank Zhenjiang Branch	5,900,080	6,027,001
Minsheng Bank Zhenjiang Branch	3,453,224	3,540,863
Industrial and Commercial Bank of China Dantu District Branch	12,200,195	12,506,027
CITIC Bank Zhenjiang Branch	5,826,474	5,951,663
China Merchants Bank Danyang Branch	19,130,011	19,587,753
	\$66,414,123	\$68,313,619

The interest expenses for the years ended June 30, 2017, 2016 and 2015 were \$3,254,991, \$3,710,945 and \$5,295,616, respectively.

Bank borrowings with secured by:

- (1) Plant and machinery with net book value of approximately \$5,343,614, \$6,234,328 and \$7,163,056 were used as collateral of short term bank borrowings for the years ended June 30, 2017, 2016 and 2015, respectively.



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- (2) Buildings with net book value of approximately \$238,342, \$258,922 and \$379,902 were used as collateral of short term bank borrowings for the years ended June 30, 2017, 2016 and 2015, respectively. (note 7)
- (3) Land use rights with net book value of approximately \$1,595,295, \$1,667,055 and \$1,898,402 were used as collateral of short term bank borrowings for the years ended June 30, 2017, 2016 and 2015, respectively. (note 8)
- (4) The bank borrowings are guaranteed by a number of unrelated parties, and Mr. Chao Xin, our Chief Executive Officer, Chairman and a shareholder of the Company.
- (5) The bank borrowing of China Merchants Bank Danyang branch were pledged by a building which owned by a former subsidiary, Jiangsu Zhengxin New Material Development Co Ltd.

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 11 - Dividends Payable**

On September 13, 2014, the directors of Delta approved a resolution for a cash dividends distribution of \$35,000,000. According to the resolution, the dividends are to be distributed to the Shareholders, Mr. Yan Hong, Mr. Shen Lei and Mr. Chao Xin in accordance with their respective percentage shareholdings in Delta, as to \$392,000 to Mr. Yan Hong; as to \$392,000 to Mr. Shen Lei; and as to \$34,216,000 to Mr. Chao Xin. As at June 30, 2017, the dividends were not paid. The directors of Delta are reviewing the cash position of the Company periodically to decide when to pay for the dividend.

On July 20, 2017, each of the Dividend Recipients executed a Deed Poll and Undertaking to unconditionally and irrevocably waive his right and entitlement to the dividend and undertake not to take any action against Delta in connection therewith. The said waivers were accepted and approved by the board of directors of Delta on July 20, 2017.

**Note 12 - Income Taxes**

The income tax provision consisted of the following:

	2017	2016	2015
Current income tax expense	\$ -	\$(776,109)	\$2,876,710
Deferred taxation	-	(26,518)	852,528
	\$ -	\$(802,627)	\$3,729,238

The difference between the income tax expenses and the expected income tax computed at statutory Enterprise Income Tax rate (“EIT”) of the PRC was as follows:

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	2017	2016	2015
Income (loss) before income taxes	\$(28,427,244)	\$(7,558,230)	\$5,135,757
Income tax computed at statutory EIT rate (25%)	(7,106,811 )	(1,889,558)	1,283,939
Effect of different tax rates available to different jurisdictions	-	-	123,830
Non-deductible expenses	6,290,595	1,086,931	1,976,633
Change in valuation allowance and others	816,216	-	344,836
Income tax expenses	\$-	\$(802,627 )	\$3,729,238

Deferred income taxes are recognized for tax consequences in future years of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements at each year-end and tax loss carryforwards. Deferred income tax was measured using the enacted income tax rates for the periods in which they are expected to be reversed. The tax effects of temporary differences that give rise to the following approximate deferred tax assets and liabilities as of June 30, 2017 and 2016 are presented below:

	2017	2016
Current portion:		
Operating loss carryforward	\$207,868	\$207,868
Accrued receivable	402,605	483,896
Corporation Income Tax in accordance with the PRC State Administration of Taxation	(633,409)	(667,851)
Net deferred tax (liabilities) assets	\$(22,936 )	\$23,913

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**DELTA TECHNOLOGY HOLDINGS LIMITED****Notes to Consolidated Financial Statements****FOR THE YEARS ENDED June 30, 2017, 2016 and 2015****Note 13 - Earnings Per Share**

The Company calculates earnings per share in accordance with ASC 260, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share are computed using the weighted average number of shares outstanding during the fiscal year. Potentially dilutive common shares consist of convertible bonds (using the if-converted method) and exercisable warrants. The following table sets forth the computation of basic and diluted net income per common share:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Numerator:			
Net (loss) income attributable to ordinary shareholders for computing net income per ordinary share – basic	\$(28,427,244)	\$(6,755,603 )	\$ 1,406,519
(Gain) loss on valuation of warrants	(531,099 )	(6,856,682 )	7,906,529
Net (loss) income attributable to ordinary shareholders for computing net income per ordinary share – diluted	\$(28,958,343)	\$(13,612,285)	\$9,313,048
Denominator:			
Weighted average number of shares used in calculating net income per ordinary share – basic	9,914,313	9,323,108	6,462,577
Weighted average number of shares used in calculating net income per ordinary share – diluted	9,914,313	9,323,108	6,462,577

The 6,175,570 warrants were not included in the computation of diluted earnings per share as their effects would have been anti-dilutive since the average share price for the year ended June 30, 2017 was lower than the warrants exercise price.

Net (loss) income per ordinary share - basic	\$(2.87)	\$(1.46)	\$1.44
Net (loss) income per ordinary share - diluted	\$(2.92)	\$(1.46)	\$1.44

**Note 14 – Operating Lease**

Explanation of Responses:

The Company did not have any operating lease as of June 30, 2017 and 2016.

**Note 15 –Related Party Transactions**

In addition to the information disclosed elsewhere in the financial statements, the following transaction took place between the Company and related parties at terms agreed between the parties:

Guarantees in favor of the Company's bank borrowings were received from Mr. Chao Xin, our Chief Executive Officer, Chairman and a shareholder for the years ended June 30, 2017, 2016 and 2015.

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 16 – Disposal of wholly owned subsidiary**

On January 6, 2016, Mr. Yang Yi and Jiangsu Logistics entered into a sale and purchase agreement, pursuant to which the entire equity interest of Jiangsu Logistics was sold to Mr. Yang Yi at a consideration of approximately \$1,505,140 (RMB10 million). Delta had recorded a gain on disposal of \$435,488 for the year ended June 30, 2016.

The disposal was completed on 20 March 2016.

Assets and liabilities at the date of disposal:

Cash and cash equivalents	\$779
Trade and other receivables	1,019,345
Property, plant and equipment	156,722
Trade and other payable	(88,917 )
Tax payables	(18,277 )
Net liabilities	\$(1,069,652)
Consideration received	1,505,140
Gain on disposal	\$435,488

On March 28, 2015, Zhenjiang Xinshun Chemical Trading Company Ltd and Jiangsu Delta entered into a sale and purchase agreement, pursuant to which the entire equity interest of Jiangsu Zhengxin R&D was sold to Zhenjiang Xinshun at a consideration of \$10,518,189 (RMB64.555 million).

Delta had recorded a gain on disposal of \$1,178,093 for the year ended June 30, 2015.

The disposal was completed on 12 March 2015.

Assets and liabilities at the date of disposal:

Cash and cash equivalents	\$4,154
Trade and other receivables	1,012,013
Property, plant and equipment	9,297,970
Land use right	2,850,240
Trade and other payables	(13,879,652)
Net liabilities	\$(715,275 )
Consideration received	10,518,189
Less: Amount required repaying to Danyang Beijiata	(10,055,371)
Gain on disposal	\$1,178,093

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 17 - Warrants**

On December 21, 2012, the company issued 4,000,000 public warrants to the shareholder in connection with the Public Offering. Each class A share will be entitled to one public warrant. Each public warrant entitles the holders to purchase from the Company one ordinary shares at an exercise price of \$10.00 commencing on the later of (a) December 18, 2013 and (b) the consolidation of each series of the Company's ordinary shares into one class of ordinary shares and will expire on the earlier of December 18, 2017 and the date of the Company's dissolution and liquidation of the Trust Account, unless such public warrant are earlier redeemed.

The public warrants may be redeemed by the Company at a price of \$0.01 per public warrant in whole but not in part upon 30 days prior written notice after the public warrants become exercisable, only in the event that the last sale price of the ordinary shares is at least \$15.00 per share for any 20 trading days within a 30 trading days period ending on the third business day prior to the date on which notice of redemption is given. In the event that there is no effective registration statement or prospectus covering the ordinary shares issuable upon exercise of the public warrants, holders of the public warrants may elect to exercise them on a cashless basis by paying the exercise price by surrendering their public warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of shares underlying the redeemable warrants, multiplied by the difference between the exercise price of the public warrants and the "fair market value" by (y) the fair market value. The "fair market value" means the average reported last sale price of our ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the public warrants notice is sent to the warrant agent. The Company would receive additional proceeds to the extent the redeemable warrants are exercised on a cashless basis.

In connection with the Private Placement, on December 21, 2012, the founders (CIS Acquisition Holding Co Ltd) and certain of their designees purchased 4,500,000 warrants (the "Placement Warrants") at a price of \$0.75 per warrants for an aggregate purchase price of \$3,375,000. The Placement warrants are identical to the public warrants, except that the Placement warrants are (i) subject to certain transfer restrictions described below, (ii) cannot be redeemed by the Company, and (iii) may be exercised during the applicable exercise period, on a for cash or cashless basis, at any time after the consolidation of each series of the Company's ordinary shares into one class of ordinary shares after consummation of an Acquisition Transaction or post-acquisition tender offer, as the case may be, even if there is not an effective registration statement relating to the shares underlying the Placement warrants, so long as such warrants are held by the founders or their designees, or their affiliates. Notwithstanding the foregoing, if the Placement warrants are held by the holders other than the founders or their permitted transferees, the Placement warrants will only be exercisable by the holders on the same basis as the public warrants included in the units being sold in the



Public offering.

As of June 30, 2017, there were 6,175,570 Public warrants outstanding. The Company has referring to the market price of Public warrants to valuation for all the outstanding warrants as at June 30, 2017. The fair value of the Public warrants is \$518,748.

#### **Note 18 – Commitments**

	<b>2017</b>	<b>2016</b>
Capital expenditures contracted for are analyzed as follows:		
Contracted but not provided for:		
Property, plant and equipment	\$ -	\$2,644,636

#### **Note 19 – Legal Proceeding**

As of June 30, 2017, the Company was involved in seven legal actions in China. Among these seven legal actions, two were trade business disputes, in which the Company was the plaintiff. The other five actions were financial loan disputes, in which the Company was the defendant. The two trade business disputes, involving an aggregated claim of \$285,818, have been adjudicated by the Court in favor of the Company to collect delinquent balances and interest from its customers. Three out of the five financial loan disputes, involving an aggregated balance of \$3,575,673, have been adjudicated by the Court against the Company. One of these financial loan disputes with an aggregated indemnity balance of \$4,417,765 has been ruled by the Court and the remaining one with an aggregated indemnity balance \$3,499,219 is still under trial.

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**DELTA TECHNOLOGY HOLDINGS LIMITED**

**Notes to Consolidated Financial Statements**

**FOR THE YEARS ENDED June 30, 2017, 2016 and 2015**

**Note 20 - Subsequent Event**

On September 13, 2014, the directors of Delta Advanced Materials Limited (“Delta”), our wholly-owned Hong Kong subsidiary, approved a resolution for a cash dividends distribution of \$35,000,000 to Mr. Yan Hong, Mr. Shen Lei and Mr. Chao Xin (together, the “Dividend Recipients”) in accordance with their respective percentage shareholdings in Delta as follows: (i) \$392,000 to Mr. Yan Hong; (ii) \$392,000 to Mr. Shen Lei; and (iii) \$34,216,000 to Mr. Chao Xin. The dividends have not been paid.

On July 20, 2017, each of the Dividend Recipients executed a Deed Poll and Undertaking to unconditionally and irrevocably waive his right and entitlement to the dividend and undertake not to take any action against Delta in connection therewith. The said waivers were accepted and approved by the board of directors of Delta on July 20, 2017.

On July 26, 2017, the financial loan dispute of which the Company was defendant with an aggregated indemnity balance \$3,499,219 was adjudicated by the Court. The Company was requested to repay the aggregated delinquent balances of \$3,499,219 to Danyang branch of China Construction Bank. The repayment has not yet settled as of November 15, 2017.

Except for the above, there were no events or transactions other than those disclosed in this report, if any, that would require recognition or disclosure in our financial statements for the year ended June 30, 2017.

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