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XINYANG MAOJIAN GROUP LIMITED
信 陽 毛 尖 集 團 有 限 公 司

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

ANNOUNCEMENT OF (1) AUDITED FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021 (2) DELAY IN DESPATCH OF THE 2021 ANNUAL REPORT AND (3) RESUMPTION OF TRADING

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xinyang Maojian Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2021 (the "**Year**") together with the comparative figures for the previous year.

Consolidated Statement of Profit or Loss
for the year ended 30 June 2021

	Notes	**2021** **HK$'000**	2020 HK$'000 (Restated)
Revenue	4	**229,021**	194,337
Cost of sales		**(179,127)**	(184,498)
Gross profit		**49,894**	9,839
Other income and other gains or losses	5	**(119,129)**	(92,513)
Losses on fair value of financial assets at fair value through profit or loss, net		**(2,988)**	(65)
Selling and distribution costs		**(27,117)**	(14,866)
Administrative expenses		**(106,509)**	(65,380)
Other operating expenses		**(122,598)**	(89,856)
Share of result of joint ventures		**266**	(2,020)
Loss on deconsolidation of a subsidiary	16	**(4,394)**	–
Loss from operations		**(332,575)**	(254,861)
Finance costs	6	**(126,121)**	(110,944)
Loss before tax		**(458,696)**	(365,805)
Income tax expense	7	**(890)**	–
Loss for the year	8	**(459,586)**	(365,805)
Attributable to:			
Owners of the Company		**(450,353)**	(354,886)
Non-controlling interests		**(9,233)**	(10,919)
		(459,586)	(365,805)
Loss per share			
– Basic	10	**HK(31.29) cents**	HK(26.57) cents
– Diluted	10	**HK(31.29) cents**	HK(26.57) cents

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2021

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(459,586)**	(365,805)
Other comprehensive income after tax:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**50,139**	(54,087)
Share of other comprehensive income of joint ventures	**871**	(94)
Other comprehensive income for the year, net of tax	**51,010**	(54,181)
Total comprehensive income for the year	**(408,576)**	(419,986)
Attributable to:		
Owners of the Company	**(405,020)**	(406,702)
Non-controlling interests	**(3,556)**	(13,284)
	(408,576)	(419,986)

Consolidated Statement of Financial Position
at 30 June 2021

	Notes	2021 HK$'000	2020 HK$'000 (Restated)	2019 HK$'000 (Restated)
Non-current assets				
Fixed assets		**1,455,539**	1,450,695	1,615,670
Right-of-use assets		**280,173**	297,376	–
Prepaid land lease payments		**–**	–	308,288
Investments in joint ventures		**10,108**	8,971	2,787
Intangible assets		**–**	–	3,868
		1,745,820	1,757,042	1,930,613
Current assets				
Inventories		**5,735**	7,538	40,485
Trade receivables	11	**23,020**	27,300	42,862
Prepayments, deposits and other receivables		**105,096**	130,282	161,038
Amount due from the Deconsolidated Subsidiary		**32,000**	–	–
Financial assets at fair value through profit or loss		**564**	678	743
Bank and cash balances		**46,775**	8,143	7,185
		213,190	173,941	252,313
Non-current asset held for sale		**112,343**	–	–
		325,533	173,941	252,313
Total assets		**2,071,353**	1,930,983	2,182,926
Capital and reserves				
Share capital	12	**160,371**	133,993	133,243
Reserves		**(130,807)**	168,569	573,584
Equity attributable to owners of the Company		**29,564**	302,562	706,827
Non-controlling interests		**59,145**	60,984	74,268
Total equity		**88,709**	363,546	781,095

	Notes	2021 HK$'000	2020 HK$'000 (Restated)	2019 HK$'000 (Restated)
Non-current liabilities				
Bank loans		**16,281**	18,777	21,403
Bonds payable		**635,596**	975,627	895,111
Convertible bonds		**45,339**	–	–
Other payables		**–**	175,204	208,799
Lease liabilities		**1,483**	3,758	–
		698,699	1,173,366	1,125,313
Current liabilities				
Trade payables	13	**52,077**	55,393	58,555
Tax payable		**878**	–	–
Other payables and accruals		**666,966**	209,819	126,010
Other loans		**38,608**	65,716	28,263
Bank loans		**72,953**	48,527	52,440
Bonds payable		**450,188**	12,641	11,250
Lease liabilities		**2,275**	1,975	–
		1,283,945	394,071	276,518
Total liabilities		**1,982,644**	1,567,437	1,401,831
Total equity and liabilities		**2,071,353**	1,930,983	2,182,926
Net current liabilities		**(958,412)**	(220,130)	(24,205)
Total assets less current liabilities		**787,408**	1,536,912	1,906,408
Net assets		**88,709**	363,546	781,095

Notes:

1. GENERAL INFORMATION

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

The address of its principal place of business is Room 4007, 40th Floor, China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

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

(a) Going concern

As at 30 June 2021, the Group had net current liabilities of approximately HK$958,412,000 (2020: HK$220,130,000) and incurred a loss of HK$456,892,000 (2020: HK$365,805,000) for the year then ended. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the Directors have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to achieve profitable and positive cash flows from operations in immediate and long terms. The Directors have prepared cash flow forecasts for the period up to 30 June 2022 after taking into account of the measures below. In order to strengthen the Group's capital base and maintain sufficient financing necessary for future business development, the Directors have taken the following measures:

– On 5 October 2021, the Board passed resolutions to, inter alia, extend the maturity date of the 7.5% coupon bonds of the Company in the aggregate principal amount of approximately HK$276 million (the "**Bonds**"); and the Bonds shall bear interest at the rate of 7.5% per annum from 11 September 2021 to 10 September 2025; and such interest shall accrue and be paid, together with the principal amount of the Bonds, on the new maturity date, being 10 September 2025;

– Apart from the Bonds, the Company is in the process of negotiating for a settlement of a bond payable to several bondholders in the amount of HK$100 million. In the event that a settlement is reached between the Company and bondholders, the Company expects the relevant bond payable in the amount of HK$100 million to be deferred or discounted;

– Other loans of the Company of HK$35 million out of HK$39 million for the year ended 30 June 2021 has been refinanced in August 2021;

– Included in other payables and accruals, the deposits of HK$30 million was non-refundable and represented the deposit received from the disposal of 40% equity interest in Mudanjiang Better-Day Power Limited;

– Heihe Longjiang Chemical Limited ("**HLCCL**"), a company indirectly owned as to 90% by the Company, will receive the gross proceeds of approximately HK$187 million in connection with the sale of land use rights of certain lands in the PRC held by HLCCL to Heihe Longhe Investment Management Limited* (黑河龍合投資管理有限責任公司), an independent third party. As at the date of this announcement, the said sale of land had not been completed;

– The Company is in the process of negotiating for a settlement with the counterparty in a litigation case and in the event that a settlement can be reached between the Company and the counterparty, there will be an excess in litigation provision of the Company in the amount of HK$71 million; and

– The Group will apply cost cutting measures to reduce administrative expenses and cash outflows for the next twelve months.

Based on the above measures, the Directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(b) Change in accounting policy for buildings

In accordance with HKAS 16 *Property, Plant and Equipment*, the Group's buildings classified as fixed assets can be accounted for using either the cost model or the revaluation model as their measurement basis after their initial recognition. The Group has accounted for these buildings using the revaluation model in previous years' consolidated financial statements.

In the preparation of the consolidated financial statements of the Group for the current financial year, the directors of the Company have reassessed the continuing relevance of the adoption of the revaluation model as the measurement basis of the buildings for the purposes of the consolidated financial statements. Taking into consideration the needs of users of the consolidated financial statements for comparability of financial information of the Group with those of the industry peers and the findings of the directors that the cost model is the commonly adopted measurement basis for buildings classified as fixed assets in the published consolidated financial statements of listed companies in Hong Kong engaged in similar industries as the Group, the directors have determined that the adoption of the cost model as the measurement basis for the buildings would result in the published consolidated financial statements of the Group providing more relevant financial information to users of the consolidated financial statements of the Group about the effects of transactions, other events and conditions on the Group's consolidated financial position and financial performance.

In addition, the Group's buildings classified as fixed assets are not expected to be sold in the normal course of business, but instead, the future economic benefits embodied in the properties will be recovered principally through use in the Group's operations. Hence in the opinion of the directors of the Company, the change to the use of the cost model, from the revaluation model, as the measurement basis for the buildings will not result in the consolidated financial statements of the Group providing financial information which is of lesser relevance in this respect.

Accordingly, the directors have determined to change the Group's accounting policy for the measurement basis of its buildings classified as fixed assets by changing from the revaluation model to the cost model. With effect from the current financial year, these buildings are stated at cost less accumulated depreciation and any impairment losses at the end of each financial reporting period. The change in accounting policy has been applied retrospectively. As a result, the Group's buildings classified as fixed assets are accounted for as if the cost model has been adopted since their initial recognition. Comparative figures have been restated accordingly.

The effects of change in accounting policy described above on the Group's financial performance for the year ended 30 June 2020 are as follows:

	2020
	HK$'000
Consolidate statement of profit or loss:	
Decrease in depreciation	4,586
Decrease in impairment of fixed assets	14,234
Decrease in loss for the year	18,820
Decrease in loss for the year attributable to:	
Owners of the Company	18,285
Non-controlling interests	535
Decrease in loss per share	
– Basic	1.37 cent
– Diluted	1.37 cent
Consolidated statement of comprehensive income	
Decrease in loss for the year	18,820
Decrease in gain on property revaluation	(3,929)
Decrease in exchange differences on translating foreign operations	3,278
Decrease in share of other comprehensive income of joint ventures	(94)
Decrease in total comprehensive expense for the year	18,075
(Increase)/Decrease in total comprehensive expense for the year attributable to:	
Owners of the Company	21,384
Non-controlling interests	(3,309)

	As originally stated *HK$'000*	Adjustments *HK$'000*	As restated *HK$'000*
Consolidated statement of profit or loss for the year ended 30 June 2020			
Depreciation of fixed assets	(73,404)	4,586	(68,818)
Impairment of fixed assets	(77,000)	14,234	(62,766)
Loss for the year	(384,625)	18,820	(365,805)
Loss for the year attributable to:			
Owners of the Company	(373,171)	18,285	(354,886)
Non-controlling interests	(11,454)	535	(10,919)
Loss per share			
– Basic	(27.94) cents	1.37 cent	(26.57) cent
– Diluted	(27.94) cents	1.37 cent	(26.57) cent
Consolidated statement of comprehensive income for the year ended 30 June 2020			
Loss for the year	(384,625)	18,820	(365,805)
Gain on property revaluation	3,929	(3,929)	–
Exchange differences on translating foreign operations	(57,365)	3,278	(54,087)
Share of other comprehensive income of joint ventures	–	(94)	(94)
Total comprehensive expenses for the year	(438,061)	18,075	(419,986)
Total comprehensive expenses for the year attributable to:			
Owners of the Company	(428,086)	21,384	(406,702)
Non-controlling interests	(9,975)	(3,309)	(13,284)

The effects of change in accounting policy described above on the Group's financial positions as at 30 June 2020 and 1 July 2019 are as follows:

	30 June 2020	1 July 2019
	HK$'000	*HK$'000*
Consolidated statement of financial position		
Decrease in property, plant and equipment	(65,841)	(83,916)
Decrease in deferred tax liabilities	102	102
Effects on net assets	(65,739)	(83,814)
Decrease in reserves	(87,904)	(94,295)
Increase in non-controlling interests	7,172	10,481
Effects on total equity	(80,732)	(83,814)

	As originally stated	Adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position as at 30 June 2020			
Fixed assets	1,516,536	(65,841)	1,450,695
Deferred tax liabilities	(102)	102	–
Effects on net assets		(65,739)	
Fixed assets revaluation reserve	13,943	(13,943)	–
Exchange reserve	51,760	17,170	68,930
Retained profits	164,025	(76,138)	87,887
Non-controlling interest	53,812	7,172	60,984
Effects on total equity		(65,739)	
Consolidated statement of financial position as at 1 July 2019			
Fixed assets	1,699,586	(83,916)	1,615,670
Deferred tax liabilities	(102)	102	–
Effects on net assets		(83,814)	
Fixed assets revaluation reserve	10,562	(10,562)	–
Exchange reserve	110,056	10,588	120,644
Retained profits	535,186	(94,321)	440,865
Non-controlling interest	63,787	10,481	74,268
Effects on total equity		(83,814)	

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 July 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

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

A number of new and amended standards have been published that are not mandatory for reporting period beginning on 1 July 2020 and have not been early adopted by the Group:

HKFRS 17	Insurance Contracts and the related Amendments[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 July 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective for annual periods beginning on or after a date to be determined

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

3. REVENUE

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

	2021	2020
	HK$'000	*HK$'000*
Heat supplying services	**181,855**	163,463
Electricity supplying services	**15,755**	13,598
Sales of lime powder	**23,424**	16,760
Facilities construction services	**–**	376
Sales of wine	**7,987**	–
Commission income	**–**	140
	229,021	194,337

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

- Heat and power – generation and supply of heat and power;
- Calcium carbide – manufacture and sale of calcium carbide and lime powder; and
- Construction services – construction and monitor of public facilities construction.

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

Segment profits or losses do not include fair value loss on financial assets at fair value through profit or loss, share of result of a joint venture and corporate administrative expenses. Segment assets do not include bank and cash balances, financial assets at fair value through profit or loss, investment in a joint venture and corporate assets. Segment liabilities do not include bank loans, bonds payable, convertible bonds payable, bond interest payable, other loans and other payables and accruals for general administrative use.

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

	Heat and power *HK$'000*	**Calcium carbide** *HK$'000*	**Construction services** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Year ended 30 June 2021					
Revenue from external customers	**197,610**	**23,424**	**–**	**7,987**	**229,021**
Segment loss	**(101,383)**	**(77,905)**	**(92,781)**	**(14,309)**	**(216,268)**
Losses on fair value of financial assets at fair value through profit or loss, net					**(2,988)**
Corporate administrative expenses					**(237,636)**
Consolidated loss for the year					**(456,892)**

	Heat and power *HK$'000*	Calcium carbide *HK$'000*	Construction services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Year ended 30 June 2020 (Restated)					
Revenue from external customers	177,061	16,760	376	140	194,337
Segment loss	(52,383)	(113,947)	(60,961)	(7,217)	(234,508)
Losses on fair value of financial assets at fair value through profit or loss, net					(65)
Corporate administrative expenses					(131,232)
Consolidated loss for the year					(365,805)

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Conveyance service income *(Note (a))*	**2,333**	6,469
Gains on disposal of right-of-use assets	**–**	3,871
Gains on disposal of fixed assets	**335**	–
Government grants *(Note (b))*	**3,074**	554
Loss on disposal of subsidiaries	**–**	(5,505)
Loss on disposal of a joint venture	**–**	(2,124)
Bank interest income	**7**	4
Other interest income	**944**	2,040
Provision of allowance for receivables, net		
– trade receivables	**67,257**	–
– prepayment, deposit and other receivables	**(192,180)**	(13,759)
Written-off of trade receivables	**–**	(22,050)
Impairment of fixed assets	**–**	(62,766)
Impairment of right-of-use assets	**(1,522)**	–
Sundry income	**623**	753
	(119,129)	(92,513)

Notes:

(a) Conveyance service income represents the income from provision of the service for connecting the transition of steam to corporate customers.

(b) Government grants for the years were received as incentive for capital expenditure and subsidy for operating costs. There are no unfulfilled conditions or contingencies attached to the grants.

6. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on bank loans	**1,825**	3,296
Interest on other loans – wholly repayable within five years	**9,919**	8,689
Interest on bonds payable – not wholly repayable in five years	**109,321**	98,606
Interest on convertible bonds	**4,397**	–
Interest on lease liabilities	**659**	353
Total borrowing costs	**126,121**	110,944

7. INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Current tax		
– PRC Enterprise Income tax	**855**	–
– Hong Kong Profits tax	**35**	–
	890	–

Provision for Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the year (2020: Nil).

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

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC enterprise income tax at a rate of 25% during the year (2020: 25%).

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

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

8. LOSS FOR THE YEAR

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

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Auditor's remuneration	**1,200**	1,513
Cost of inventories sold	**179,127**	164,967
(Reversal)/Provision of inventories	**(2,226)**	26,629
Depreciation of fixed assets	**72,516**	68,818
Depreciation of right-of-use assets	**9,102**	8,457
Factory overhead incurred during suspension of production *(note)*	**20,220**	65,232
Impairment of intangible assets	**–**	3,778
Staff costs (excluding directors' emoluments):		
Wages, salaries and benefits in kind	**25,667**	20,019
Employee share option benefits	**9,237**	–
Redundancy cost	**–**	3,363
Retirement benefits scheme contributions	**4,520**	5,894

Cost of inventories sold includes staff costs and depreciation of approximately HK$9,761,000 (2020: HK$9,052,000) and HK$6,150,000 (2020: HK$6,380,000) respectively, which are included in the amounts disclosed separately above.

Note: During the years ended 30 June 2021 and 2020, factory overhead was incurred during the temporary suspension of the production line of Calcium carbide segment due to a substantial decrease in profit margin.

9. DIVIDEND

The Directors do not recommend the payment of dividend for the year ended 30 June 2021 (2020: Nil).

10. LOSS PER SHARE

Basic loss per share

Calculation of basic loss per share attributable to the owners of the Company is based on the loss for the year attributable to the owners of the Company of approximately HK$449,376,000 (2020 (restated): HK$354,886,000) and the weighted average number of ordinary shares of 1,439,332,000 (2020: 1,335,781,000) in issue during the year.

Diluted loss per share

The computation of diluted loss per share for the years did not assume the exercise of outstanding share options of the Company since these options were anti-diluted during the years ended 30 June 2021 and 2020.

11. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**74,018**	39,447
Less: allowance for credit loss	**(50,998)**	(12,147)
	23,020	27,300

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 180 days (2020: 60 to 180 days). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

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

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**1,252**	396
31 to 60 days	**1,226**	194
61 to 90 days	**2,944**	556
91 to 120 days	**1,592**	793
121 to 150 days	**1,623**	619
151 to 180 days	**3,812**	553
181 to 365 days	**10,571**	17,834
Over 365 days	**–**	6,355
	23,020	27,300

The Group's trade receivables are denominated in RMB.

12. SHARE CAPITAL

	2021	2020
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,603,707,319 (2020: 1,339,927,319) ordinary shares of HK$0.10 each	**160,371**	133,993

	Number of ordinary shares issued	**Par value**
	'000	*HK$'000*
At 1 July 2019	1,332,427	133,243
Exercise of share options *(Note (a))*	7,500	750
At 30 June 2020 and 1 July 2020	1,339,927	133,993
Exercise of share options *(Note (b))*	71,280	7,128
Conversion of convertible bonds *(Note (c))*	92,500	9,250
Placing of shares *(Note (d))*	100,000	10,000
At 30 June 2021	1,603,707	160,371

Notes:

(a) On 28 November 2019, 10 March 2020 and 27 April 2020, the subscription rights attaching to 7,500,000 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.325 per share, resulting in the issue of 7,500,000 shares of HK$0.1 each for the total cash consideration of approximately HK$2.4 million, which was used for general working capital.

(b) On 26 April 2021, 6 July 2020, 5 August 2020, 26 August 2020, 7 September 2020, 8 October 2020, 8 October 2020 and 10 November 2020, the subscription rights attaching to 71,280,000 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.325, HK$0.345 and HK$0.38 per shares, resulting in the issue of 71,280,000 shares of HK$0.1 each for the total cash consideration of approximately HK$24.1 million, which was used for general working capital.

(c) On 23 December 2020 and 16 February 2021, a total of 92,500,000 shares were issued upon conversion of convertible bonds.

(d) On 10 June 2021, a total of 100,000,000 shares were issued under general mandate pursuant to the subscription agreement dated 1 June 2021. The proceed of approximately HK$29.2 million was used for working capital for resumption of production of the Company.

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days (2020: 30 to 120 days) from its suppliers.

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

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**22,421**	7,317
31 to 60 days	**279**	5,640
61 to 90 days	**513**	1,395
91 to 120 days	**3,910**	304
121 to 365 days	**5,976**	17,165
Over 365 days	**33,135**	23,572
At end of year	**66,234**	55,393

14. CONTINGENT LIABILITIES

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

Mudanjiang BD Power had contracted the Plaintiff to construct certain coal-powered electricity generating facilities at the business address of Mudanjiang BD Power (the "**Contract**"). Owing to the alleged delay in the progress of the construction, the Plaintiff claimed (i) the payment of the contract sum in the amount of approximately RMB42,700,000 and the interest thereon; (ii) the grant of the first priority right to receive payment from Mudanjiang BD Power in respect of the subject construction project under the Contract; (iii) damages in the sum of approximately RMB13,300,000 for alleged termination of the Contract; and (iv) the legal fees arising from this legal case. The Company has been seeking legal advice in respect of the Writ on the dispute in the payment for the Contract since December 2012. According to the management of Mudanjiang BD Power, the construction work had been slowed down because the financial resources available for the project development were tied up by unfavourable business operations since 2009.

During the year ended 30 June 2019, the Heilongjiang High Court had adjudged that Mudanjiang BD Power was liable to compensate the Plaintiff of approximately RMB61,400,000. Upon the end of the year ended 30 June 2021, Mudanjiang BD Power was negotiating with the Plaintiff to continue the construction of the coal-powered electricity generating facilities. Once performance of the Contract was resumed under the mutual agreement between Mudanjiang BD Power and the Plaintiff, part of the damages granted may be absorbed in the cost of construction.

The management has made sufficient provision for this legal claim and believes that a favorable settlement could be reached with the Plaintiff.

15. EVENTS AFTER THE REPORTING PERIOD

Extension of maturity date of the bonds

On 11 September 2013, Anglo Chinese Securities, Limited (the "**Placing Agent**") and the Company entered into a Placing Agreement pursuant to which the Placing Agent has agreed to endeavour to procure placees to subscribe for 7.5% coupon prepaid bonds of the Company in an aggregate principal amount of up to HK$400,000,000 maturing on 10 September 2021 (the "**Bonds**").

Pursuant to the special resolutions of the holders of the Bonds and the resolutions of the Board, each duly passed on 5 October 2021, the maturity date of the Bonds was extended from 10 September 2021 to 10 September 2025; and the Bonds shall bear interest at the rate of 7.5% per annum from 11 September 2021 to 10 September 2025; and such interest shall accrue and be paid, together with the principal amount of the Bonds, on the new maturity date, being 10 September 2025.

16. DECONSOLIDATION OF A SUBSIDIARY

During the year ended 30 June 2021, the Group acquired 70% equity interest in Aevitas Wines Limited (the "**Deconsolidated Subsidiary**"), a company incorporated in Hong Kong and principally engaged in trading and sourcing of wine and related accessories (the "**Acquisition**").

Since May 2021, the sole director of the Deconsolidated Subsidiary, being the vendor of the Acquisition and held 30% equity interest in the Deconsolidated Subsidiary after the Acquisition, did not cooperate with the management of the Group to maintain the appropriate internal control over the Deconsolidated Subsidiary and provide all books and records of the Deconsolidated Subsidiary. In preparing the Group's consolidated financial statements for the year ended 30 June 2021, despite various communications with the sole director of the Deconsolidated Subsidiary, the directors of the Company was unable to obtain sufficient and appropriate books and records regarding to the financial statements of the Deconsolidated Subsidiary. The directors of the Company considered that the Company was unable to exercise effective control over the Deconsolidated Subsidiary despite various efforts made by the directors of the Company to resolve the matters. Accordingly, the directors of the Company resolved that it was impracticable to consolidate the financial information of the Deconsolidated Subsidiary. Under this circumstance, the financial results, assets and liabilities have been deconsolidated from the Group with effective from 30 June 2021 (the "**Deconsolidation**"). The Deconsolidation had resulted in a loss of approximately HK$4.4 million.

Subsequent to 30 June 2021, the Company has entered into the sale and purchase agreement with the sole director of the Deconsolidated Subsidiary to dispose of the Deconsolidated Subsidiary with cash consideration of HK$3.8 million.

For the preparation of the consolidated financial statements for the year ended 30 June 2021, the Group had consolidated the financial results, assets and liabilities of the Deconsolidated Subsidiary from the date of incorporation of the respective Deconsolidated Subsidiary up to 30 June 2021 based on an unaudited management information received.

The following is the financial information of the Deconsolidated Subsidiaries as at 30 June 2021:

	HK$'000
Goodwill	10,679
Inventories	854
Trade receivables	1,459
Prepayments, deposits and other receivables	45,243
Bank and cash balances	510
Amount due to the Company	(32,000)
Other payables and accruals	(238)
Other loans	(18,807)
Bank loans	(6,000)
Net assets of the Deconsolidated Subsidiary	1,700
Non-controlling interest	2,694
Loss on Deconsolidation	4,394

Transactions had been carried out by the Deconsolidated Subsidiary for the year ended 30 June 2021 are as follow:

	HK$'000
Revenue	7,987
Cost of sales	(2,045)
Gross profit	5,942
Other income and other gains or losses	(4,443)
Selling and distribution costs	(12)
Administrative expenses	(7,127)
Loss from operations	(5,640)
Finance costs	(48)
Loss before tax	(5,688)
Income tax expense	(35)
Loss for the year	(5,723)

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by Elite Partners CPA Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the Year:

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

Basis for disclaimer of opinion

(a) Uncertainties relating to going concern

As described in Note 2 to the consolidated financial statements, the Group incurred net loss of approximately HK$459.6 million for the year ended 30 June 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$958.4 million. As at 30 June 2021, the Group had bank loans and bonds payable amounted to approximately HK$89.2 million and HK$1,085.8 million respectively, out of which approximately HK$63.8 million and HK$8.8 million respectively had been overdue and had not been settled by the Group. No waiver was granted by the respective lenders during the year and up to the date when these consolidated financial statements were authorised for issue.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay, renew or extend existing borrowings and other liabilities upon their maturities, through cash flows from operations and continuing support from the Group's finance providers and creditors. The appropriateness of preparation of the consolidated financial statements on the going concern basis highly depends on whether the assumptions taken into account by the directors of the Company in the going concern assessment as disclosed in Note 2 to the consolidated financial statements are reasonable and whether the plans and measures can be implemented successfully. Up to the date of this announcement, we were unable to obtain sufficient supporting bases from the management for their underlying assumptions on going concern as set out in Note 2 to the consolidated financial statements to satisfy ourselves that they were reasonable and supportable. Hence we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. Should the Group fails to achieve the intended effects resulting from the plans and measures as mentioned in Note 2 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(b) Deconsolidation of a subsidiary

During the year ended 30 June 2021, the Group acquired 70% equity interest in Aevitas Wines Limited (the "**Deconsolidated Subsidiary**"), a company incorporated in Hong Kong and principally engaged in trading and sourcing of wine and related accessories (the "**Acquisition**").

Since May 2021, the sole director of the Deconsolidated Subsidiary, being the vendor of the Acquisition and held 30% equity interest in the Deconsolidated Subsidiary after the Acquisition, did not cooperate with the management of the Group to maintain the appropriate internal control over the Deconsolidated Subsidiary and provide all books and records of the Deconsolidated Subsidiary. In preparing the Group's consolidated financial statements for the year ended 30 June 2021, despite various communications with the sole director of the Deconsolidated Subsidiary, the directors of the Company was unable to obtain sufficient and appropriate books and records regarding to the financial statements of the Deconsolidated Subsidiary. The directors of the Company considered that the Company was unable to exercise effective control over the Deconsolidated Subsidiary despite various efforts made by the directors of the Company to resolve the matters. Accordingly, the directors of the Company resolved that it was impracticable to consolidate the financial information of the Deconsolidated Subsidiary. Under this circumstance, the financial results, assets and liabilities have been deconsolidated from the Group with effective from 30 June 2021 (the "**Deconsolidation**"). The Deconsolidation had resulted in a loss of approximately HK$4.4 million.

Subsequent to 30 June 2021, the Company has entered into the sale and purchase agreement with the sole director of the Deconsolidated Subsidiary to dispose of the Deconsolidated Subsidiary with cash consideration of HK$3.8 million.

Given these circumstances, we have not been provided with sufficient documentary evidence on the Deconsolidated Subsidiary, accordingly there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Deconsolidation were appropriate and the Company had lost control of Deconsolidated Subsidiary since 30 June 2021. We were also unable to perform satisfactory audit procedures to assess as to whether the disclosure for the Acquisition and the recoverability of amount due from the Deconsolidated Subsidiary in the consolidated financial statements of the Group for the year ended 30 June 2021 are free from material misstatement.

Any adjustments that might have been found to be necessary in respect of the above would have an effect on the Group's net assets as at 30 June 2021 and the financial performance and cash flows of the Group for the year ended 30 June 2021 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Deconsolidated Subsidiary.

The Board's Response to the Disclaimer Opinion

Based on the above, the Board is of the view that the issues giving rise to the Deconsolidation would have effect on the Group's consolidated financial statements for the year ended 30 June 2022 as the disposal of Deconsolidated Subsidiary is expected to be completed in December 2021. A qualified opinion regarding the corresponding figures and consequential effect arising from the Deconsolidation will be contained in the consolidated financial statements of the Company for the year ending 30 June 2022 if the disposal of the Deconsolidated Subsidiary is completed in the financial year ending 30 June 2022.

The audit committee of the Company concurs with the views of the Board that the Deconsolidation should have effect on the Group's consolidated financial statements in the coming financial year end as the disposal of Deconsolidated Subsidiary is expected to be completed in December 2021. A qualified opinion regarding the corresponding figures and consequential effect arising from the Deconsolidation will be contained in the consolidated financial statements of the Company for the year ending 30 June 2022 if the disposal of the Deconsolidated Subsidiary is completed in the financial year ending 30 June 2022.

The Board has obtained the understanding with the auditor of the Company that the Company considers itself to have addressed the issues giving rise to the disclaimer of opinion in the consolidated financial statement for the year ended 30 June 2021 and barring unforeseen circumstances, a disclaimer of opinion in respect of the same issues should no longer be required to be included in the consolidated financial statements for the year ending 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, revenue of the Group amounted to approximately HK$229 million (2020: approximately HK$194 million), representing an increase of approximately 18% compared with that of the last financial year. Loss attributable to the owners of the Company amounted to approximately HK$450 million (2020: approximately HK$355 million), representing an increase of 27% compared with that of the last financial year.

The increase in the Group's revenue was mainly derived from the increase in revenue of the heat and power segment.

The Group's selling and distribution costs for the Year was approximately HK$27 million (2020: approximately HK$15 million), representing an increase of approximately 80% compared with that of the last financial year. The increase in selling and distribution costs was mainly due to the resumption of fee collection stations of the heat and power division which was temporary closed last year as a result of the outbreak of COVID-19.

The Group's administrative expenses for the Year was approximately HK$107 million (2020: approximately HK$65 million), representing an increase of approximately 65% compared with that of the last financial year. The increase in administrative expenses was mainly due to the resumption of calcium carbide production during the Year.

The Group's other operating expenses for the Year was approximately HK$123 million (2020: approximately HK$90 million), representing an increase of approximately 37% compared with that of the last financial year. The increase in other operating expenses was due to the further provision for several litigation claims during the Year.

Heat and power division

During the Year, the heat and power segment recorded a revenue of approximately HK$198 million (2020: approximately HK$177 million) from external customers, representing an increase of approximately 12% compared with that of the last financial year. Income from supply of heat for the Year was approximately HK$182 million (2020: approximately HK$163 million), representing an increase of approximately 12% when compared with that of the last financial year. The increase was mainly due to the increase in exchange rate and slight increase in heat supply area. Segment loss for the Year was approximately HK$150 million (2020: segment loss of approximately HK$66 million), representing an increase of approximately 127% compared with that of the last financial year. The increase in segment loss was mainly due to further provision for litigation claims.

Apart from the expansion of the residential heat supplying area, the management of the Group had also closely monitored the operation to reduce coal and energy consumption and avoid wastage so as to increase the profit from our heat and power generating facilities.

Coal-related chemical production division

The coal-related chemical production division includes the calcium carbide segement (the "**CC segment**"), the polyvinyl-chloride segment and the vinyl acetate segment.

During the Year, the CC segment recorded a revenue of approximately HK$23 million (2020: approximately HK$17 million) from external customers, representing an increase of approximately 35% compared with that of the last financial year. Despite the suspension of the production line for the production of calcium carbide, revenue was generated as the production line for the production of lime powder, a semi-final product of calcium carbide, remained in operation during the Year.

Construction services division

During the Year, the construction services division did not recorded any revenue (2020: approximately HK$0.4 million) and a segment loss of approximately HK$91.9 million (2020: segment loss of approximately HK$61 million), respectively. This business division did not recorded any revenue and recorded a significant segment loss during the Year was due to (i) the outbreak of COVID-19, travelling restrictions were imposed in Mudanjiang City and the Group's construction services had been suspended; and (ii) an impairment loss on prepayment to constructor of approximately HK$84 million were provided as a result of the suspension of construction activities.

PROSPECT

Although the COVID-19 pandemic still has impact on the PRC economies and market price of coal is at its peak, the Board overcome several barriers to resume the production of calcium carbide in Heihe Longjiang Chemical Co., Ltd. ("**Longjiang Chemical**"), a subsidiary of the Company. The Board believes that Longjiang Chemical would be the growth driver of the Group in the forthcoming years.

Coal-related chemical production division

During the year, Longjiang Chemical has officially commenced the production of calcium carbide in late June 2021. Longjiang Chemical has two calcium carbide production line with a designed annual production capacity of 100,000 tonnes and could achieve 130,000 tonnes under smooth operation.

Research, development, renovation and investment in Longjiang Chemical over the past few years have made its current production more efficient with lower energy consumption, which together with the relatively cheap, yet stable and environmentally-friendly hydropower imported from Russia that accords with the carbon neutrality related policies the state vigorously promotes, will give the Company a competitive advantage.

Despite the increase in market selling price of raw coal and other material cost, the increase in market selling price of calcium carbide has been outweighed by the increase in its production cost. The current market selling price of calcium carbide is approximately RMB8,000 per tonne and the management believes that the current situation is sustainable and is likely to be improved in the future. Thus, the management expects the profit margin will reach a record high figure.

The management will closely monitor the situation and will consider to resume the lower stream operation as well as the Polyvinyl-chloride and Vinyl acetate production lines.

Heat and power division

During the Year, the Group's residential heat supplying area was maintained at around 4,000,000 square meters. Due to the increasing trend of the raw coal price recently, the profitability of the heat and power division has been seriously affected. The management will closely monitor the situation.

Construction services division

Due to the impact of the outbreak of COVID-19, Mudanjiang Jinyang Municipal Engineering Company Limited ("**Jinyang Engineering**") had suspended all its construction services since last year. As agreed between Jinyang Engineering and its subcontractors, the construction period for the heat exchange stations and facilities and pipelines networks will be extended, and without additional costs incurred by the Group. The management will closely monitor the situation and will not rule out the possibility to dispose the construction services division.

FINANCIAL REVIEW

Capital Structure, Liquidity and Financial Resources

Capital structure

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

Liquidity and Financial Ratios

As at 30 June 2021, the Group had total assets of approximately HK$2,071 million (2020: approximately HK$1,931 million), which were financed by current liabilities of approximately HK$1,284 million (2020: approximately HK$394 million), non-current liabilities of approximately HK$699 million (2020: approximately HK$1,173 million), non-controlling interests of approximately HK$59 million (2020: approximately HK$61 million) and shareholders' equity of approximately HK$30 million (2020: approximately HK$303 million).

As at 30 June 2021, the current assets of the Group amounted to approximately HK$326 million (2020: approximately HK$174 million), comprising inventories of approximately HK$6 million (2020: approximately HK$8 million), trade receivables of approximately HK$23 million (2020: approximately HK$27 million), prepayments, deposits and other receivables of approximately HK$137 million (2020: approximately HK$130 million), financial assets at fair value through profit or loss of approximately HK$1 million (2020: approximately HK$1 million), and cash and cash equivalents of approximately HK$47 million (2020: approximately HK$8 million). As at 30 June 2021, the Group's current ratio (current assets/current liabilities), quick ratio (current assets – inventory)/current liabilities), gearing ratio (total debts/total assets) and debts to equity ratio (total debts/shareholders' equity) of the Group were approximately 0.3 (2020: approximately 0.4), approximately 0.2 (2020: approximately 0.4), approximately 96% (2020: approximately 81%) and approximately 2,235% (2020: approximately 431%), respectively. The higher gearing ratio was mainly attributable to the depreciation in the plant and equipment of HLCCL and Jinyang Engineering's suspension of its construction services, whilst the total debts of the Group remained stable. Throughout the Year, the management had taken several measures to improve the liquidity position and financial position of the Group.

Although the Group was in a net current liabilities position as at 30 June 2021, the management has closely monitored the Group's liquidity position and has taken appropriate measures to ensure it had sufficient resources to meet its financial obligations.

Non-equity funding

Bank loans

As at 30 June 2021, the bank loans of the Group amounted to approximately HK$89 million (2020: approximately HK$67 million). Based on the agreed repayment schedule set out in the loan agreements, bank loans of approximately HK$73 million (2020: approximately HK$49 million) were repayable within 12 months, of which HK$3 million was denominated in Hong Kong dollars and approximately HK$70 million was denominated in RMB (2020: approximately HK$3 million was denominated in Hong Kong dollars and approximately HK$46 million was denominated in RMB, respectively).

Bonds

As at 30 June 2021, the aggregate amount of bonds payable was approximately HK$1,086 million (2020: approximately HK$988 million). The net proceeds raised from the placing of bonds were applied to enhance the working capital of the Group.

Equity funding

On 13 November 2020, the Company completed the issue of the zero-coupon convertible bond due 2023 in the principal amount of HK$100,000,000 (the "**Convertible Bonds**") to six individual and corporate subscribers. The conversion price of the Convertible Bonds is HK$0.4 per conversion share. The closing price of the shares of the Company (the "**Shares**") on 13 November 2020 was HK$0.36. The Company received total net proceeds from the issue of the Convertible Bonds of approximately HK$97,360,000 and intends to use the same as (i) development of new businesses; (ii) repayment of other payables; and (iii) general working capital to strengthen the financial position of the Group.

Details of the issue of the Convertible Bonds were disclosed in the announcements of the Company dated 28 October 2020, 4 November 2020 and 13 November 2020.

On 1 June 2021, Mr. Chan Yuen Tung ("**Mr. Chan**") engaged a placing agent to place 100,000,000 existing Shares at the placing price of HK$0.3 per placing Share to not less than six placees (the "**Placing**"). On the same date, Mr. Chan agreed to, conditional upon completion of the Placing, subscribe for 100,000,000 new Shares at the subscription price of HK$0.3 per subscription Share (the "**Top-up Subscription**"). The closing price of the Shares on 1 June 2021 was HK$0.32. The aggregate nominal value of the new Shares allotted and issued under the Top-up Subscription was HK$10,000,000. The Placing and the Subscription took place on 3 June 2021 and 10 June 2021, respectively, and the Company received total net proceeds from the Subscription of approximately HK$29,200,000 and thus, the net price of the subscription Share was approximately HK$0.292. The Company intends to use the same for working capital for resumption of production of the Company.

Details of the Placing and Top-up Subscription were disclosed in the announcements of the Company dated 1 June 2021 and 11 June 2021.

Significant investment held by the Company

As at 30 June 2021, the Company did not have any significant investments, except for the financial assets at fair value through profit or loss of approximately HK$0.6 million (2020: approximately HK$0.7 million). During the Year, the Company had recorded a fair value loss on financial assets at fair value through profit or loss of approximately HK$3 million (2020: fair value loss of approximately HK$0.1 million).

Charges on the Group's assets

As at 30 June 2021, bank loans and other loans of approximately HK$89 million (2020: approximately HK$67 million) and approximately HK$39 million (2020: approximately HK$66 million), respectively, were secured by charges over the Group's certain fixed assets and right-of-use assets.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Discloseable transaction in relation to the disposal of 40% equity interests in a subsidiary

On 4 September 2020, Mudanjiang Longtuo New Energy Co., Ltd. ("**Mudanjiang New Energy**", an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Mr. Lv Wangsheng ("**Mr. Lv**"), an independent third party, to dispose of 40% of the equity interest (the "**Disposal**") in Mudanjiang Better-Day Power Limited ("**Mudanjiang BD Power**"). Subject to the terms and conditions of the Equity Transfer Agreement, the consideration of the Disposal was RMB70 million, which shall be settled as follows: (i) RMB7 million shall be paid on the date of signing of the Equity Transfer Agreement (the "**First Payment**"); (ii) RMB18 million shall be paid on or prior to 14 September 2020; (iii) RMB20 million shall be paid on or prior to 31 December 2020; and (iv) the remaining RMB25 million shall be paid on or prior to 4 March 2022 (being 18 months after the date of signing of the Equity Transfer Agreement) (the "**Final Payment**").

The Board had considered, among others, the following factors in relation to the consideration of the Disposal: (1) the profitability of Mudanjiang New Energy was on a downward trend, given the continuous high market prices of the raw coal during the past few years; (2) the Disposal would allow the Group to generate additional cash inflow and improve its liquidity, which will enhance the Group's ability to invest in other future potential investment opportunities; (3) given that the P/E ratio of the Disposal (calculated by dividing the consideration of the Disposal by the average profit after tax of Mudanjiang New Energy for the three years ended 30 June 2020) was approximately 9.25, which was relatively high when compared to other listed companies in similar industries, the Disposal was made at a premium already; and (4) given that for the year ended 30 June 2020 ("**FY2020**"), Mudanjiang New Energy had purchased approximately 100,000 tonnes of raw coal, the total cost savings made as a result of the Change in Business Strategy (as defined below) are estimated to be approximately RMB6.6 million per year going forward.

Despite that the estimated total cost savings based on figures from FY2020 would not outweigh the net loss on the Disposal (being approximately HK$38 million), in view of the fact that, (i) the total cost savings would increase the profitability of the heat and electricity supply business in the long run; (ii) Mr. Lv would contribute to the operations of Mudanjiang New Energy; and (iii) it had been very difficult raising additional funds under the current economic situation, the Directors therefore considered the basis of consideration and the consideration of RMB70 million in relation to the Disposal to be fair and reasonable.

Pursuant to the Equity Transfer Agreement, the parties had agreed that during the period between the First Payment and the Final Payment, Mr. Lv may divide the transfer of the 40% of the equity interest in Mudanjiang BD Power into a maximum of three transactions (each a "**Transaction**", and collectively, the "**Transactions**"), with the percentage of equity interest to be transferred for each Transaction to be further agreed between the parties. The completion date of each Transaction shall take place on which the relevant business registration filing requirements are completed, and the Disposal shall take place when the Transactions have been completed. Upon completion of the Disposal, the Group would hold, indirectly through Mudanjiang New Energy, 60% of the equity interest in Mudanjiang BD Power and Mudanjiang BD Power would remain as a subsidiary of the Company. As at the date of this announcement, the Disposal had not been completed yet and the Group had received RMB25 million from the Purchaser.

The heat and power business, in which Mudanjiang BD Power is the operating subsidiary, is one of the core businesses of the Group.

The Group plans to increase the profitability of the heat and power business by purchasing raw coal during the summer season, which would be at a lower cost, instead of during the peak season of the heat supplying period (i.e. from October to February), which had been the Group's usual practice (the "**Change in Business Strategy**"). Nonetheless, in order to do so, the Group had to increase its current general working capital, which would be provided through the Disposal. In light of this, the Disposal would allow the Group to realise part of its investment in Mudanjiang BD Power and the increase in profitability of Mudanjiang BD Power as a result of the decrease in coal costs and the increase in the Group's general working capital would thereby enhance the Group's ability to invest in other future potential investment opportunities.

The Company was of the view that the arrangement pursuant to the Equity Transfer Agreement was fair and reasonable and in the interests of the Company and its shareholders as a whole because, among others, (i) the injection of liquidity into the general working capital of Mudanjiang BD Power indirectly allowed the Group to purchase raw coal during the low season instead of the peak season; (ii) the injection of liquidity into Mudanjiang BD Power through equity transfer via a shareholder's loan extended to Mudanjiang BD Power, to which Mudanjiang BD Power is obligated to repay the loan (being the amount of general working capital extended to Mudanjiang BD Power) to the Group irrespective of the future profitability of Mudanjiang BD Power, as opposed to the subscription for new equity by Mr. Lv, to which the subscription proceeds would remain with Mudanjiang BD Power, protects the interests of the Company and its shareholders; and (iii) the appointment of Mr. Lv as a director of Mudanjiang BD Power is beneficial to the operations of Mudanjiang BD Power because Mr. Lv is well-connected in Mudanjiang and would therefore assist in the expansion and profitability of the operations of Mudanjiang BD Power in Mudanjiang.

Details of the Disposal were disclosed in the announcements of the Company dated 4 September 2020 and 19 October 2020, respectively.

Major transaction in relation to disposal of lands

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

As the Lands had been left idle by the Group for a long time and in view of the consideration to be received from the Land Disposal by the Group, the Directors considered that the Land Disposal was a good opportunity for the Group to generate cash inflow, improve its liquidity and reduce the carrying cost of the idle lands.

The gross proceeds generated from the Land Disposal would be RMB156,440,000 (equivalent to approximately HK$185,500,000) and the Company intended to use the proceeds for, among others, (i) repayment of debts; (ii) tax payment in relation to the Land Disposal; and (iii) general working capital of the Group.

As at the date of this announcement, the Land Disposal had not been completed.

Details of the Land Disposal were disclosed in the announcements of the Company dated 28 December 2020, 19 January 2021 and 22 March 2021 and the circular of the Company dated 25 February 2021.

Proposed discloseable transaction in relation to the acquisition of Beijing Wine and the subsequent termination of the acquisition

On 2 February 2021, Mudanjiang Longjin Wine Co., Ltd.* (牡丹江龍晉酒業有限公司) (an indirect wholly-owned subsidiary of the Company) ("**Mudanjiang Wine**") and three individuals who are independent third parties (the "**Vendors**") entered into an agreement (the "**Acquisition Agreement**"), pursuant to which Mudanjiang Wine agreed to purchase the entire equity interest in Beijing Yaolai Longwei Wine Co., Ltd.* (北京耀萊龍微酒業有限公司) ("**Beijing Wine**") for a consideration of HK$80 million. Upon completion, the consideration shall be settled as to (i) HK$5 million payable in cash; and (ii) the remaining balance of HK$75 million by the issue of a promissory note in the principal amount of HK$75 million by the Company to the Vendors.

On 18 May 2021, as a result of the anticipated difficulty in fulfilling all of the conditions precedent to the Acquisition Agreement, the Acquisition Agreement was terminated according to its terms and none of the parties to the Acquisition Agreement shall have any claim against the others for costs, damages, compensation or otherwise.

Details of the proposed acquisition of Beijing Wine and the subsequent termination of the Acquisition Agreement were disclosed in the announcements of the Company dated 2 February 2021 and 18 May 2021.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 15 of the financial statements, the Group also had the following significant event after June 2021.

Disposal of Shares by the Single Largest Shareholder in August 2021

The Company was informed by Mr. Chan, the single largest shareholder of the Company, and Beijing Gaoya Investment Management Limited* (北京高雅投資管理有限公司) ("**Gaoya Investment**") that on 31 August 2021, Mr. Chan as the vendor and Gaoya Investment as the purchaser entered into a memorandum of understanding (the "**MOU**"), pursuant to which Mr. Chan intended to sell and Gaoya Investment intended to purchase 382,000,000 shares in the Company ("**Shares**"), representing approximately 23.82% and 21.54% of the total issued share capital of the Company as at the date of the MOU and this announcement, respectively, at a preliminary selling price of HK$0.81 per share (the "**Disposal**"). Both parties agreed to sign a definitive subscription agreement within 60 days of the execution of the MOU and the terms and conditions of the Subscription Shares shall be subject to the terms of the definitive subscription agreement.

Details of the Disposal were disclosed in the announcement of the Company dated 31 August 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, save as disclosed in note 14 of the financial statements, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

Although most of the Group's operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations, despite of the devaluation of RMB during the Year. The Directors also consider that there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the Year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument as at 30 June 2021.

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

NUMBER AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 632 full time employees in the PRC and Hong Kong. The Group recognises the importance of human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance-related commissions.

The Company also operated a share option scheme (the "**Scheme**") for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group. The Scheme was proposed by the Board on 29 November 2012 and approved by its shareholders on 20 December 2012. As at 30 June 2021, there were 171,500,000 Share options outstanding. These comprise of 55,000,000 Share options with exercisable period up to 23 December 2021 at the exercise price of HK$0.325 per Share and 116,500,000 Share options with exercisable period up to 2 November 2023 at the exercise price of HK$0.38 per Share.

DIVIDEND

The Directors do not recommend the payment of dividend for the Year (2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

THE CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has, throughout the Year, complied with the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation as summarised below:

Code Provision A.2.1

The code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the Year, the roles of Chairman and Chief Executive Officer were performed by the same individual, Ms. Chan Yuk Foebe, and were not separated. The Board meets regularly to consider issues related to corporate matters affecting operations of the Group and considers that this deviation will not impair the balance of power and authority of the Board and the Company's management and thus, the Board believes the current structure will enable effective planning and implementation of corporate strategies and decisions of the Group. Notwithstanding the above, the Board will review the current structure from time to time and shall make necessary amendments at the appropriate time.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PROPOSED CHANGE OF COMPANY NAME

On 5 July 2021, the Board proposed to change the English name of the Company to "China Zenith Chemical Group Limited" from "Xinyang Maojian Group Limited" and the Chinese secondary name of the Company to "中國天化工集團有限公司" from "信陽毛尖集團有限公司" (the "**Proposed Name Change**"). As at the date of this announcement, the Board has not yet been able to determine the date of convening the special general meeting and the arrangements thereof. Details of the Proposed Name Change were disclosed in the announcement of the Company dated 5 July 2021.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed the audited consolidated results of the Group for the Year.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 June 2021 have been agreed by the auditor of the Company, Elite Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Elite Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Elite Partners CPA Limited on this announcement.

DELAY IN DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Pursuant to Rule 13.46 of the Listing Rules, the Company is required to send to every shareholder a copy of its annual report including its annual accounts not more than four months after the end of the financial year to which such annual accounts relate, being not later than 31 October 2021 in respect of the financial year ended 30 June 2021.

As a result of the delay in the finalisation of the audited consolidated results of the Group for the Year, the Company will not be able to despatch the annual report of the Company for the year ended 30 June 2021 (the "**2021 Annual Report**") by 31 October 2021.

The Company will be endeavour to despatch the 2021 Annual Report to the shareholders of the Company as soon as possible which is now expected to be no later than 30 November 2021 and will make further announcement(s) as and when appropriate, to inform shareholders of the Company regarding the despatch of the 2021 Annual Report.

RESUMPTION OF TRADING

Pursuant to Rule 13.50 of the Listing Rules and at the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 4 October 2021. In light of the publication of this announcement, an application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 1 November 2021.

* *The English translation is for reference of those official names in Chinese only.*

By Order of the Board
Xinyang Maojian Group Limited
Chan Yuk Foebe
Chairman and Chief Executive Officer

Hong Kong, 31 October 2021

As at the date of this announcement, Ms. Chan Yuk Foebe, Mr. Gao Ran, Mr. Law Tze Ping Eric and Mr. Yu Defa are the executive Directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.