XINYANG MAOJIAN GROUP LIMITED
信陽毛尖集團有限公司

(formerly known as China Zenith Chemical Group Limited 中國天化工集團有限公司)

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

(Stock Code: 362)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

The heat and power division will continue contributing a stable return to the Group and the shareholders of the Company.

The Group has decided to recognise a one-off written-off on the idle production lines of the Polyvinyl-Chloride segment, the Vinyl Acetate segment and the Calcium Carbide segment, respectively.

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 2019 (the "Year") together with the comparative figures for the previous year as follows:

Consolidated Income Statement

for the year ended 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	4	**323,048**	367,632
Cost of sales		**(256,306)**	(299,216)
Gross profit		**66,742**	68,416
Gain on bargaining purchase on acquisition of a subsidiary		**—**	27,491
Other income	5	**55,358**	50,844
Gain on fair value of financial assets at fair value through profit or loss, net		**4,904**	—
Selling and distribution costs		**(20,055)**	(18,064)
Administrative expenses		**(163,072)**	(191,577)
Other operating expenses		**(75,493)**	(60,421)
Written-off/impairment of fixed assets		**(409,817)**	(4,218)
Deficits on property revaluation		**(64,073)**	(15,758)
Share of loss of joint venture		**(682)**	—
Loss from operations		**(606,188)**	(143,287)
Finance costs	7	**(92,627)**	(82,594)
Loss before tax		**(698,815)**	(225,881)
Income tax credit	8	**1,233**	7,267
Loss for the year	9	**(697,582)**	(218,614)
Attributable to:			
Owners of the Company		**(667,369)**	(199,324)
Non-controlling interests		**(30,213)**	(19,290)
		(697,582)	(218,614)
Loss per share			
— Basic	11	**HK(54.19) cents**	HK(17.98) cents
— Diluted	11	**HK(54.19) cents**	HK(17.98) cents

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2019

	2019 *HK$'000*	2018 *HK$'000*
Loss for the year	**(697,582)**	(218,614)
Other comprehensive income after tax:		
Item that will not be reclassified to profit or loss:		
Deficits on property revaluation	**(56,227)**	(36,232)
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(121,940)**	40,615
Other comprehensive income for the year, net of tax	**(178,167)**	4,383
Total comprehensive income for the year	**(875,749)**	(214,231)
Attributable to:		
Owners of the Company	**(846,423)**	(197,753)
Non-controlling interests	**(29,326)**	(16,478)
	(875,749)	(214,231)

Consolidated Statement of Financial Position

at 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Fixed assets		**1,699,586**	2,480,315
Prepaid land lease payments		**308,288**	325,861
Investment in a joint venture		**2,787**	3,614
Other intangible assets		**3,868**	9,267
		2,014,529	2,819,057
Current assets			
Inventories		**40,485**	28,231
Trade receivables	*12*	**42,862**	6,748
Prepayments, deposits and other receivables		**161,038**	258,574
Financial assets at fair value through profit or loss		**743**	1,939
Bank and cash balances		**7,185**	62,240
		252,313	357,732
TOTAL ASSETS		**2,266,842**	3,176,789
Capital and reserves			
Share capital	*14*	**133,243**	111,043
Reserves		**667,878**	1,472,759
Equity attributable to owners of the Company		**801,121**	1,583,802
Non-controlling interests		**63,787**	93,113
Total equity		**864,908**	1,676,915

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Bank loans		**21,403**	24,259
Bonds payable		**895,111**	820,458
Other payables		**208,799**	251,313
Deferred tax liabilities		**102**	17,542
		1,125,415	1,113,572
Current liabilities			
Trade payables	*13*	**58,555**	100,171
Other payables and accruals		**126,010**	159,276
Other loans		**28,263**	53,339
Bank loans		**52,440**	73,516
Bonds payable		**11,250**	—
		276,518	386,302
Total liabilities		**1,401,933**	1,499,874
TOTAL EQUITY AND LIABILITIES		**2,266,841**	3,176,789
Net current liabilities		**(24,205)**	(28,570)
Total assets less current liabilities		**1,990,324**	2,790,487

Notes:

1. BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain buildings and investments which are carried at their fair values.

2. GOING CONCERN BASIS

As at 30 June 2019 the Group had net current liabilities of approximately HK$24,205,000 (2018: HK$28,570,000) and incurred a loss of HK$697,582,000 (2018: HK$218,614,000) from operations during 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 June 2019 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 of the Company have taken the following measures:

— On 9 September 2019, the Company entered in a loan agreement with a financial institution to borrow an amount of HK$35,000,000. The loan is secured by the property of the Group in Hong Kong, interest bearing at 18% p.a. and repayable in one year.

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

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial instruments
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"
HKFRS 15	Revenue from contracts with customers and the related amendments
Amendments to HKAS 40	Transfers of investment property
HK(lFRIC)-Int 22	Foreign currency transactions and advance consideration
Annual improvements 2014–2016 cycle	Amendments to HKFRS 1 and HKAS 28

Except as described below, the application of the new and revised standards has had no material impact on the consolidated financial statements.

Application of HKFRS 9

HKFRS 9 and the amendments to HKFRS 9 have replaced HKAS 39 *Financial Instruments Recognition and Measurement*. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 July 2018) on a retrospective basis based on the facts and circumstances and business models that existed as at 1 July 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity as of July 2018.

(i) *Classification and measurement of financial assets*

In general, HKFRS 9 categories financial assets into the following three classification categories:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); and
- fair value through profit or loss (FVTPL).

These classification categories are different from those set out in HKAS 39 which included held to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Details about the Group's accounting policies for its financial assets and financial liabilities are disclosed in the consolidated financial statements. The Group did not designate or de-designate any financial asset at FVTPL at 1 July 2018.

The following table shows a reconciliation from how the Group's financial assets existed as of 1 July 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

	Old classification under HKAS 39	**New classification under HKFRS 9**	**Carry amount under HKAS 39**	**Remeasurement**	**Carrying amount under HKFRS 9**
			HK'000	*HK'000*	*HK'000*
Trade receivable	Loan and receivables	Amortised cost	6,748	(12)	6,736
Other receivable	Loan and receivables	Amortised cost	77,440	(9,951)	67,489

Notes: The amount represented additional impairment loss based on the new expected loss model under HKFRS 9.

(ii) ***Impairment***

HKFRS 9 has introduced the "expected credit loss model" to replace the "incurred loss" model under HKAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected credit loss model" to the following types of financial assets:

- financial assets that are subsequently measured at amortised cost (including cash and cash equivalents, account receivables and loans receivables); and
- contract assets as defined in HKFRS 15.

The following table is a reconciliation that shows how the closing loss allowance as at 30 June 2018 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 July 2018 determined in accordance with HKFRS 9:

	HK$'000
Additional loss allowance as a result of the application of "expected credit loss model" under HKFRS 9	
— Trade receivables	12
— Other receivables	9,951
Loss allowance recognised as at 1 July 2018	9,963

(iii) ***Effect on the Group's retained earnings as of 1 July 2018***

The following table shows the impact of the application of HKFRS 9 on the Group's retained earnings and other equity components as of 1 July 2018:

	Decrease in the Group's retained profit
	HK$'000
Recognition of additional expected credit loss recognised	
— Trade receivables	12
— Other receivables	9,951
	9,963

Application of HKFRS 15

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 July 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Heat supply services;
- Electricity supplying services;
- Sales of calcium carbide; and
- Facilities construction services.

4. 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.

	2019	2018
	HK$'000	*HK$'000*
Heat supplying services	**160,189**	166,432
Electricity supplying services	**12,456**	18,530
Sales of calcium carbide	**75,844**	74,661
Facilities construction services	**73,897**	108,009
Others	**662**	—
	323,048	367,632

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Conveyance service income	**4,219**	8,185
Gain on disposal of prepaid land lease payments	**—**	7,085
Gain on disposal of fixed assets	**—**	430
Gain on settlement of other loan	**14,796**	—
Government grants *(Note)*	**6,342**	3,609
Bank interest income	**13**	14
Other interest income	**1,888**	1,248
Property management service income	**16,718**	16,036
Reversal of trade receivables	**3,496**	3,684
Reversal of prepayment, deposit and other receivables	**4,893**	6,311
Write off of other payables due to deregistration	**—**	3,327
Realised gain on financial assets through profit or loss	**269**	705
Sundry income	**2,724**	210
	55,358	50,844

Note: 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. SEGMENT INFORMATION

The Group has five reportable segments as follows:

Polyvinyl-chloride	—	manufacture and sale of polyvinyl-chloride;
Vinyl acetate	—	manufacture and sale of vinyl acetate;
Heat and power	—	generation and supply of heat and power;
Calcium carbide	—	manufacture and sale of calcium carbide; and
Construction services	—	construct 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, impairment of goodwill and corporate administrative expenses. Segment assets do not include bank and cash balances, financial assets at fair value through profit or loss and corporate assets. Segment liabilities do not include bank loans, bonds payable, bond interest payable, other loans and other payables and accruals for general administrative use.

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

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

	Heat and power *HK$'000*	**Calcium carbide** *HK$'000*	**Construction services** *HK$'000*	**Polyvinyl-chloride** *HK$'000*	**Vinyl acetate** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Year ended 30 June 2019							
Revenue from external customers	172,645	75,844	73,897	—	—	662	323,048
Segment profit/(loss)	20,174	(398,218)	3,252	(129,202)	(57,509)	—	(561,503)
Gain on fair value of financial assets at fair value through profit or loss, net	—	—	—	—	—	4,904	4,904
Corporate administrative expenses	—	—	—	—	—	(140,983)	(140,983)
Consolidated loss for the year							(697,582)
Interest revenue	—	3	—	—	—	10	13
Interest expense	3,830	4,353	2,306	—	826	81,312	92,627
Depreciation and amortisation	12,147	82,781	5,151	13,055	12,322	1,421	126,877
Other material items of income and expense:							
Government grants	6,342	—	—	—	—	—	6,342
Income tax credit	—	—	1,233	—	—	—	1,233
Other material non-cash items:							
Provision/(reversal) of allowance for receivables, net							
— trade receivables	7,211	(3,497)	—	—	—	—	3,714
— prepayment and other receivables	—	(3,637)	—	(606)	—	(650)	(4,893)
Written-off of fixed assets	—	288,200	—	92,076	29,541	—	409,817
Deficits on property revaluation	—	28,725	—	21,476	13,872	—	64,073
Additions to segment non-current assets	9,505	8,686	52	—	—	—	18,243
As at 30 June 2019							
Consolidated total assets	662,121	1,171,049	121,606	57,685	40,889	213,492	2,266,842
Consolidated total liabilities	142,951	208,206	2,589	12,707	21,691	1,013,789	1,401,933

	Heat and power *HK$'000*	Calcium carbide *HK$'000*	Construction services *HK$'000*	Polyvinyl-chloride *HK$'000*	Vinyl acetate *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Year ended 30 June 2018							
Revenue from external customers	184,962	74,661	108,009	—	—	—	367,632
Segment profit/(loss)	30,796	(107,175)	16,013	(21,615)	(31,415)	—	(113,396)
Corporate administrative expenses	—	—	—	—	—	(105,218)	(105,218)
Consolidated loss for the year							(218,614)
Interest revenue	—	14	—	—	—	—	14
Interest expense	3,756	4,499	1,164	—	2,598	70,577	82,594
Gain on bargaining purchase on acquisition of subsidiary	—	—	27,491	—	—	—	27,491
Depreciation and amortisation	11,007	76,579	29,422	13,457	12,223	2,683	145,371
Other material items of income and expense:							
Government grants	3,609	—	—	—	—	—	3,609
Gain on disposal of prepaid land lease payment	—	7,085	—	—	—	—	7,085
Income tax credit	—	—	7,267	—	—	—	7,267
Other material non-cash items:							
Reversal of allowance for receivables							
— trade receivables	(3,568)	—	—	—	(116)	—	(3,684)
— other receivables	—	(5,341)	—	—	(910)	(60)	(6,311)
Impairment of fixed assets	—	4,218	—	—	—	—	4,218
Deficits on property revaluation	—	—	—	—	15,758	—	15,758
Additions to segment non-current assets	17,221	7,868	—	—	—	—	25,089
As at 30 June 2018							
Consolidated total assets	814,200	1,730,251	169,525	193,531	98,025	171,257	3,176,789
Consolidated total liabilities	145,540	275,619	59,449	14,751	30,030	974,485	1,499,874

The Group's revenue is derived from customers based in the People's Republic of China (the "PRC") and accordingly, no geographical information is presented.

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans	**6,838**	6,256
Interest on other loans — wholly repayable within five years	**5,079**	6,616
Interest on bonds payable — not wholly repayable in five years	**80,710**	69,722
Total borrowing costs	**92,627**	82,594

8. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
Current tax		
— PRC Enterprise Income tax	**34**	69
— Hong Kong Profits tax	**—**	—
Deferred tax credit	**(1,267)**	(7,336)
	(1,233)	(7,267)

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2018: 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 (2018: 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.

9. LOSS FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**1,480**	1,480
Provision/(reversal) of allowance for receivables, net		
— trade receivables	**3,714**	(3,684)
— prepayment and other receivables	**(4,893)**	(6,311)
Amortisation of other intangible assets (included in administrative expenses)	**5,067**	29,436
Cost of inventories sold	**200,734**	198,785
Depreciation of fixed assets	**115,282**	109,376
Loss on disposal of fixed assets	**—**	44
Minimum lease payments under operating leases for land and buildings	**9,739**	9,158
Factory overhead incurred during suspension of production *(note)*	**75,493**	60,421
Revaluation deficits on buildings	**64,073**	15,758
Staff costs (excluding directors' emoluments):		
Wages, salaries and benefits in kind	**23,966**	31,313
Employee share option benefits	**3,454**	10,269
Retirement benefits scheme contributions	**6,879**	7,334

Cost of inventories sold includes staff costs and depreciation of approximately HK$12,475,000 (2018: HK$12,244,000) and HK$6,398,000 (2018: HK$5,522,000) respectively, which are included in the amounts disclosed separately above.

Note: During the years ended 30 June 2019 and 2018, factory overhead was incurred during the temporary suspension of the production line of Polyvinyl-chloride segment, Vinyl acetate segment, Calcium carbide segment due to a substantial decrease in profit margin.

10. DIVIDEND

The directors do not recommend the payment of dividend for the year ended 30 June 2019 (2018: Nil).

11. 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$667,369,000 (2018: loss of HK$199,324,000) and the weighted average number of ordinary shares of 1,231,598,662 (2018: 1,108,743,867) 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 did not assume the exercise of the outstanding share options as these options were anti-diluted during the year of 2019 and 2018.

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**55,455**	168,656
Impairment	**(12,593)**	(161,908)
	42,862	6,748

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 180 days (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**17,239**	77
31 to 60 days	**393**	6,660
61 to 90 days	**1,630**	11
91 to 120 days	**1,006**	—
121 to 150 days	**934**	—
151 to 180 days	**21,359**	—
181 to 365 days	**301**	—
	42,862	6,748

As at 30 June 2019, an allowance of approximately HK$12,593,000 (2018: HK$161,908,000) was made for estimated irrecoverable trade receivables.

The reconciliation of allowance for trade receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**161,908**	160,832
Provision/(reversal) of allowance, net	**3,714**	(3,684)
Adoption of HKFRS 9	**12**	—
Expected credit loss	**3,301**	—
Written off	**(149,412)**	—
Exchange differences	**(6,930)**	4,760
At end of year	**12,593**	161,908

As of 30 June 2019, trade receivables of approximately HK$301,000 (2018: HK$11,000) were past due but not impaired. These mainly relate to an independent customer for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
Overdue:		
Up to 90 days	**301**	11

The Group's trade receivables are denominated in RMB.

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days (2018: 30 to 120 days) from its suppliers.

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**8,437**	3,499
31 to 60 days	**7,178**	15
61 to 90 days	**2,486**	8,328
91 to 120 days	**5,910**	10,348
121 to 365 days	**26,091**	36,118
Over 365 days	**8,453**	41,863
	58,555	100,171

The Group's trade payables are denominated in RMB.

14. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,332,427,319 (2018: 1,110,427,319) ordinary shares of HK$0.10 each	**133,243**	111,043

	Number of ordinary shares issued	Par value
	'000	*HK$'000*
At 1 July 2017	1,078,087	107,809
Exercise of share options *(Note 1)*	32,340	3,234
At 30 June 2018 and 1 July 2018	1,110,427	111,043
Issue of new shares under a subscription agreement *(Note 2)*	220,000	22,000
Exercise of share options *(Note 3)*	2,000	200
At 30 June 2019	1,332,427	133,243

Note 1: On 20 July 2017, the subscription rights attaching to 32,340,000 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.31 per share, resulting in the issue of 32,340,000 shares of HK$0.1 each for the total cash consideration of approximately HK$10,025,000 was used for general working capital.

Note 2: On 5 October 2018, the Company entered into a private placing agreement with the substantial shareholder of the Company for the placing of an aggregate 220,000,000 new ordinary shares of the Company at a placing price of HK$0.315 per share. The gross proceeds raised amounted to approximately HK$69,300,000 (the net proceeds will be approximately HK$68,800,000) and resulted in the new increase in share capital and share premium of approximately HK$22,000,000 and HK$47,300,000 respectively. The placing was completed on 10 December 2018. Details of the placing were set out in the Company's announcements dated 5 October 2018, 15 November 2018, 30 November 2018 and 10 December 2018 respectively.

Note 3: On 1 April 2019, the subscription rights attaching to 2,000,000 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK$0.345 per share, resulting in the issue of 2,000,000 shares of HK$0.1 each for the total cash consideration of approximately HK$690,000 which was used for general working capital.

15. 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 Better Day Power Limited ("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, the Heilongjiang High Court had adjudged that Mudanjiang BD Power was liable to compensate the Plaintiff of approximately RMB36,700,000. Upon the end of the financial year, 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.

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:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of its consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and its consolidated cash flows for the Year in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the financial statements, which indicates that as of 30 June 2019, the Group had net current liabilities of approximately HK$24,205,000, this event or condition, along with other matters as set forth in Note 2 of the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Year, following the outbreak of the Sino-US trade war and the devaluation of RMB, the economy of the People Republic of China (the "PRC") had been negatively impacted. The Group suffered from this and as a result, recorded a loss of approximately HK$698 million. The loss was mainly derived from the one-off written-off of idle production lines in Mudanjiang, which have been suspended for a few years already.

During the Year, revenue of the Group amounted to approximately HK$323 million (2018: approximately HK$368 million), representing a decrease of approximately 12% compared with that of the last financial year. Loss attributable to the owners of the Company amounted to approximately HK$667 million (2018: approximately HK$199 million), representing an increase of 235% compared with that of the last financial year.

The decrease in the Group's revenue was mainly derived from the decrease in heat supply in the industrial sector of the heat and power division and the decrease in the number of construction projects in relation to the construction services division.

The Group's selling and distribution costs for the Year was approximately HK$20 million (2018: approximately HK$18 million), representing an increase of approximately 11% compared with that of the last financial year. The increase in selling and distribution costs was mainly due to the expenditure on the newly set up fee collection station for the residential heat supplying area during the Year.

The Group's administrative expenses for the Year was approximately HK$163 million (2018: approximately HK$192 million), representing a decrease of approximately 15% compared with that of the last financial year. In the last financial year, the amortisation on construction contract of approximately HK$26 million derived from the acquisition of Mudanjiang Jinyang Municipal Engineering Company Limited ("Jinyang Engineering") was included under administrative expenses. Since the amortisation was a one-off item and did not recur during the Year, the Group's administrative expenses significantly decreased during the Year.

The Group's other operating expenses for the Year was approximately HK$75 million (2018: approximately HK$60 million), representing an increase of approximately 25% compared with that of the last financial year. The increase in other operating expenses resulted from the suspension of Heihe Longjiang Chemical Co. Ltd. ("HLCCL") since March 2019.

The Group has recognised a written-off of approximately HK$410 million during the Year (2018: impairment of approximately HK$4 million) on the property, plant and equipment of the idle production plants in Mudanjiang. In light of the global economic environment and industrial policy in the PRC, the management considers that the coal-related business in Mudanjiang will not resume in the foreseeable future. Thus, a written-off was made on the idle production plants.

Heat and power division

During the Year, the heat and power segment recorded a revenue of approximately HK$173 million (2018: approximately HK$185 million) from external customers, representing a decrease of approximately 6% compared with that of the last financial year. Income from residential supply of heat for the Year was approximately HK$160 million (2018: approximately HK$166 million), representing a decrease of approximately 4% when compared with that of the last financial year. The decrease was mainly due to the devaluation of RMB. Segment profit of approximately HK$20 million was attained compared with a segment profit of approximately HK$31 million for the last financial year.

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

Coal related chemical production division included the calcium carbide segment (the "CC segment"), the polyvinyl-chloride segment (the "PVC segment") and the vinyl acetate segment (the "VA segment").

During the Year, the CC segment recorded a revenue of approximately HK$76 million (2018: approximately HK$75 million) from external customers, representing an increase of approximately 1% compared with that of the last financial year. The segment loss of the CC segment was approximately HK$398 million (2018: approximately HK$107 million), representing an increase of approximately 272% compared with that of the last financial year. The increase in segment loss for the CC segment was mainly due to the one-off written-off on the idle production line.

The segment losses of the PVC segment and the VA segment were approximately HK$129 million (2018: approximately HK$22 million) and approximately HK$58 million (2018: approximately HK$31 million), representing an increase of approximately 486% and approximately 87%, respectively, compared with that of the last financial year. The increase in segment losses were mainly due to the one-off written-off on the idle production lines.

Due to the current market environment, the management is not optimistic to resume the idle production lines in Mudanjiang for the foreseeable future. Thus, a one-off written-off was recognised for each of the CC segment, the PVC segment and the VA segment during the Year.

Construction services division

During the Year, the construction services division recorded a revenue and a segment profit of approximately HK$74 million (2018: approximately HK$108 million) and approximately HK$3 million (2018: approximately HK$16 million), respectively. Due to the downturn of the PRC economy, the demand for infrastructure construction was slowing down which caused a significant drop in both revenue and segment profit.

PROSPECT

During the Year, following the outbreak of the Sino-US trade war and the devaluation of RMB, the industrial sector of the PRC had been significantly affected. The Group was facing the challenge of the continuous low market pricing of final products in the industrial market.

Heat and Power division

During the Year, the residential heat supplying area maintained as 4,000,000 square meters. After the reporting period for the Year, the Group had entered into several residential heat supplying contacts. The Group expects that the residential heat supplying area will be increased by 500,000 square meters by the end of the next financial year. The management also targets to expand the residential heat supplying area to approximately 10 million square meters over the next 3 years. Although the coal price remained at its peak during the Year, the residential heat supplying area contributed a stable return to the Group. The management strongly believes that the heat and power division will continue to be the growth driver of the Group.

Coal-related chemical production division

Heihe

HLCCL had suspended the production of calcium carbide since March 2019, due to the continuous low pricing in the final products of calcium carbide resulting in a gross loss in production. To avoid the further deterioration of the financial performance of the Group, the management had suspended its operations. The management is also exploring the opportunity to transform the plant and equipment into another product — high carbon ferromanganese. The transformation is still in the preliminary stage and the cost of transformation will be minimal. The Group believes that the transformation of the plant and equipment would benefit the Group and its shareholders as a whole.

Mudanjiang

Due to the current market environment, the management is not optimistic to resume the plant and equipment in Mudanjiang for the foreseeable future. Thus, a one-off written-off was recognised for the plant and equipment for each of the CC segment, the PVC segment and the VA segment for the Year.

Construction services division

In the last financial year, the acquisition of Jinyang Engineering had contributed a remarkable result for the Group due to its external construction contracts. However, due to the weakening of the economic environment in relation to the infrastructure industry in the PRC, the revenue of this segment significantly decreased. Despite this, Jinyang Engineering will continue providing support to the Group to help expand its heat supply network, including the construction of heat exchange stations and facilities and pipeline networks.

Tea division

Following the outbreak of the Sino-US trade war, commodity products had been greatly impacted, which caused the tea division to suffer a loss during the Year.

Nonetheless, on 20 January 2019, the Company entered into a cooperation framework agreement (the "Framework Agreement") with Xinyang Maojian Investment Development Company Limited* (信陽毛尖投資發展有限公司), an independent third party. The management considers that the entering into of the Framework Agreement would enable both parties to leverage on their respective strengths, resources and know-how to build a stable and mutually beneficial strategic relationship for the development of tea industry related projects. For details, please refer to the announcement of the Company dated 26 March 2019.

Appointment as window company of Mudanjiang City Government

On 25 August 2015, the Mudanjiang City Government appointed the Company as its Hong Kong based agent and foreign window company representing it in the negotiation of matters concerning the city government's listing of domestic enterprises and projects, fund raising exercise and transfer of equity interest. The Company was honored the appointment due to its contribution to the local economy and good relationship with the Mudanjiang City Government. The appointment has no fixed term and is intended to be a high level initiative for the promotion of commercial and capital market activities. The duty of the Company was not set out in the appointment letter, nor has the Company performed any particular task, function or role as the local government's agent and window company since being appointed.

Capital Structure, Liquidity and Financial Resources

Capital structure

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

Liquidity and Financial Ratios

As at 30 June 2019, the Group had total assets of approximately HK$2,266.8 million (2018: approximately HK$3,176.8 million), which were financed by current liabilities of approximately HK$276.5 million (2018: approximately HK$386.3 million), non-current liabilities of approximately HK$1,125.4 million (2018: approximately HK$1,113.6 million), non-controlling interests of approximately HK$63.8 million (2018: approximately HK$93.1 million) and shareholders' equity of approximately HK$801.1 million (2018: approximately HK$1,583.8 million).

As at 30 June 2019, the current assets of the Group amounted to approximately HK$252.3 million (2018: approximately HK$357.7 million), comprising inventories of approximately HK$40.5 million (2018: approximately HK$28.2 million), trade receivables of approximately HK$42.9 million (2018: approximately HK$6.8 million), prepayments, deposits and other receivables of approximately HK$161.0 million (2018: approximately HK$258.6 million), financial assets at fair value through profit or loss of approximately HK$0.7 million (2018: approximately HK$1.9 million), cash and cash equivalents of approximately HK$7.2 million (2018: approximately HK$62.2 million). As at 30 June 2019, 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 0.9 (2018: approximately 0.9), approximately 0.8 (2018: approximately 0.9), approximately 61.8% (2018: approximately 47.2%) and approximately 175.0% (2018: approximately 94.7%), respectively. The higher gearing ratio was mainly attributable to the one-off written-off on the idle production lines in Mudanjiang, 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 net current liabilities position as at 30 June 2019, 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.

Equity funding

On 5 October 2018, the Company and Mr. Sha Tao ("Mr. Sha"), entered into a subscription agreement for the subscription of 220,000,000 new shares of the Company ("Shares") of HK$0.1 each, at the subscription price of HK$0.315 per Share (the "Subscription"). The Subscription was completed on 10 December 2018. The gross proceeds and net proceeds were approximately HK$69.3 million and approximately HK$68.8 million, respectively. Details of the Subscription were disclosed in the circular of the Company dated 15 November 2018 and the announcements of the Company dated 5 October 2018, 30 November 2018 and 10 December 2018, respectively.

The intended and actual use of proceeds from the Subscription up to 30 June 2019 and the date of this announcement are set out as follows:

Purpose or use of proceeds	**Intended allocation of proceeds** *(approximately HK$ million)*	**Actual use of proceeds as at the 30 June 2019** *(approximately HK$ million)*	**Actual use of proceeds as at the date of this announcement** *(approximately HK$ million)*
For repayment of bank loans and bonds payable	68.8	52.3	68.8

Non-equity funding

Bank loans

As at 30 June 2019, the bank loans of the Group amounted to approximately HK$73.8 million (2018: approximately HK$97.8 million). Based on the agreed repayment schedule set out in the loan agreements, bank loans of approximately HK$52.4 million (2018: approximately HK$73.5 million) were repayable within 12 months, of which HK$2.6 million was denominated in Hong Kong dollars and approximately HK$49.8 million was denominated in RMB (2018: approximately HK$2.4 million was denominated in Hong Kong dollars and approximately HK$71.1 million was denominated in RMB, respectively).

Bonds

As at 30 June 2019, the aggregate amount of bonds payable was approximately HK$906 million (2018: approximately HK$820 million). The net proceeds raised from the placing of bonds were applied to enhance the working capital of the Group.

Significant investment held by the Company

As at 30 June 2019, the Company did not have any significant investments except for the financial assets at fair value through profit or loss of 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$0.1 million.

Charges on the Group's assets

As at 30 June 2019, bank loans and other loans of approximately HK$73.8 million (2018: approximately HK$38.1 million) and approximately HK$28.3 million (2018: approximately HK$53.3 million), respectively, were secured by charges over the Group's certain fixed assets, land held under finance leases and prepaid land lease payments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 5 January 2018, Prosper Path Limited (a wholly-owned subsidiary of the Company) (the "Purchaser") entered into a share transfer agreement (the "Share Agreement") with Dragon Wise Group Limited (a non wholly-owned company of Mr. Sha) (the "Vendor") to acquire 100% of the entire issued share capital (the "Sale Shares") of Xinyang Maojian at a total consideration (the "Consideration") of HK$85,800,000 (the "Acquisition"). On 11 June 2018, the Purchaser and the Vendor entered into a supplemental agreement (the "Supplemental Agreement" together with the Share Agreement, the "Existing Agreements"), pursuant to which the Purchaser and the Vendor agreed to amend certain terms of the Share Agreement. The Consideration will be satisfied by way of allotment and issue of 220,000,000 new Shares (the "Consideration Shares" and each a "Consideration Share") to the Vendor or its nominee(s) at an issue price of HK$0.39 per Consideration Share. Pursuant to the Existing Agreements, the Consideration Shares will not be allotted and issued to the Vendor unless and until the guaranteed financial performance (the "Guaranteed Financial Performance") is met by Xinyang Maojian and its subsidiaries (the "Target Group"), and the Purchaser shall in accordance with the Existing Agreements, procure the Company to allot and issue the Consideration Shares to the Vendor. The Acquisition was completed on 4 October 2018.

Pursuant to the Existing Agreements, in the event that any of the Guaranteed Financial Performance is not met after completion of the Acquisition, the Purchaser shall exercise an irrevocable and unconditional put option in relation to the Sale Shares within seven Business Days after the provision of the Target Company's audited accounts to the Vendor at an exercise price of HK$1.

As the accumulated audited loss after tax of the Target Group for the Year was approximately RMB4,165,000, the Guaranteed Financial Performance for the Year (i.e. not less than profit of RMB8,500,000) could not be met, which was mainly due to the impact caused by the outbreak of the Sino-US trade war that has caused the commodity products of the tea industry to be severely affected during the Year. As the circumstances were out of the control of the Vendor, as at the date of this announcement, the Board is currently considering its alternatives and no conclusion has been drawn yet. Further announcement(s) will be made by the Company as and when appropriate.

Details of the Acquisition were disclosed in the circular of the Company dated 23 July 2018 and the announcements of the Company dated 5 January 2018, 11 June 2018 and 15 August 2018, respectively.

LAPSE OF PLACING AGREEMENT

On 19 September 2018, the Company and a placing agent entered into a placing agreement (the "Placing Agreement") in relation to the placing of up to an aggregate of 220,000,000 new Shares (the "Placing Shares" and each a "Placing Share") to not less than six Placees at a price of HK$0.315 per Placing Share during the placing period (the "Placing of Shares"). Assuming all the Placing Shares are successfully placed by the Placing Agreement, the aggregate gross proceeds from the Placing will be approximately HK$69,300,000. The net proceeds from the Placing of Shares (after deduction of placing commission and other costs and expenses) was estimated to be approximately HK$68,500,000, representing a net issue price of approximately HK$0.311 per Placing Share. The net proceeds from the Placing of Shares were intended to be used for the repayment of bank loans and bonds payable. The Placing of Shares did not proceed on or before 3 October 2018 (being the expiry date of the placing period) and lapsed accordingly.

Details of the Placing of Shares were set out in the announcements of the Company dated 19 September 2018 and 3 October 2018, respectively.

DISPOSAL OF SHARES BY THE SINGLE LARGEST SHAREHOLDER

The Company was informed by Mr. Chan Yuen Tung ("Mr. Chan"), the then single largest shareholder of the Company and Mr. Sha, the then second single largest shareholder of the Company, that on 16 April 2019, Mr. Chan and Mr. Sha entered into a conditional sale and purchase agreement (the "SPA") pursuant to which Mr. Chan agreed to sell and Mr. Sha agreed to purchase 146,000,000 Shares, representing approximately 10.97% of the total issued Shares as at the date of the announcement of the Company dated 16 April 2019 (the "Disposal Announcement"), at a price of HK$0.915 per Share (the "Disposal").

The Company was further informed that the closing of the SPA is conditional upon the fulfillment of certain conditions precedent on or before 15 December 2019 (or such other date agreed by the parties to the SPA), including in particular, the entering into of a placing agreement by Mr. Chan to appoint a securities broker licensed to carry out Type 1 (dealing in securities) activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as placing agent, to place on a fully underwritten basis to placees independent of and not parties acting in concert with Mr. Sha, the remaining 200,479,861 Shares held by Mr. Chan (the "Placing") other than the Shares to be disposed of under the SPA. Pursuant to the SPA, completion of the Disposal and the Placing shall take place simultaneously.

Details of the Disposal was set out in the Disposal Announcement.

EVENT AFTER REPORTING PERIOD

Save as disclosed under the paragraph headed "Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures", the Group had no significant events after 30 June 2019.

CONTINGENT LIABILITIES

As at 30 June 2019, except as disclosed in Note 15 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 2019.

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 2019, the Group had 678 full time employees in the PRC and Hong Kong. The Group recognises the importance of human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance-related commissions.

During the Year, 110,000,000 share options of the Company (the "Share Options") were granted to the senior management of the Hong Kong and PRC subsidiaries of the Company. As at 30 June 2019, there were 172,680,000 Share Options outstanding. These comprise of 10,780,000 Share Options with exercisable period up to 16 July 2020 at the exercise price of HK$0.31 per Share, 51,900,000 Share Options with exercisable period up to 25 July 2020 at the exercise price of HK0.345 per Share and 110,000,000 Share Options with exercisable period up to 23 December 2021 at the exercise price of HK$0.325 per Share.

DIVIDEND

The Directors do not recommend the payment of dividend for the Year.

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.

AUDIT COMMITTEE REVIEW

The audit committee of the Company had 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 2019 have been agreed by the Group's auditor, 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.

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 (the "Stock Exchange"), 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.

CHANGE OF COMPANY NAME

Subsequent to the passing of the special resolution approving the proposed change of company name by the shareholders of the Company at the special general meeting of the Company held on 18 August 2018, the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda on 6 September 2018, certifying the change of primary name of the Company from "China Zenith Chemical Group Limited" to "Xinyang Maojian Group Limited" and the change of secondary name of the Company from "中國天化工集團有限公司" to "信陽毛尖集團有限公司". The Registrar of Companies in Hong Kong issued the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company on 31 October 2018, confirming the registration of the Company's new English and Chinese names of "Xinyang Maojian Group Limited" and "信陽毛尖集團有限公司", respectively, in Hong Kong under Part 16 of the Companies Ordinance.

With effect from 9:00 a.m. on 8 November 2018, the stock short name changed from "C ZENITH CHEM" to "XINYANG MAOJIAN" in English and from "中國天化工" to "信陽毛尖" in Chinese for the purpose of trading in the Shares on the Stock Exchange. The stock code of the Company on the Stock Exchange remained unchanged as "362". The corporate website address of the Company changed from chinazenith.com.hk to xinyangmaojian.com.hk with effect from 8 November 2018.

Details of the change of name of the Company were set out in the circular of the Company dated 23 July 2018 and the announcements of the Company dated 8 January 2018, 11 June 2018, 15 August 2018 and 2 November 2018, respectively.

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

Hong Kong, 30 September 2019

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