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 UNAUDITED FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xinyang Maojian Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2020 (the "**Year**") together with the comparative figures for the previous year. The auditing process for the final results has not been completed yet, as explained in the section headed "Audit Committee Review" of this announcement.

Consolidated Statement of Profit or Loss
for the year ended 30 June 2020

	Notes	(Unaudited) 2020 HK$'000	(Audited) 2019 HK$'000
Revenue	4	**194,337**	323,048
Cost of sales		**(181,083)**	(256,306)
Gross profit		**13,254**	66,742
Other income and other gains or losses	5	**6,707**	55,358
(Losses)/gains on fair value of financial assets at fair value through profit or loss, net		**(65)**	4,904
Selling and distribution costs		**(14,866)**	(20,055)
Administrative expenses		**(96,658)**	(163,072)
Other operating expenses		**(95,840)**	(75,493)
Written-off/impairment of fixed assets		**–**	(409,817)
Deficits on property revaluation		**–**	(64,073)
Share of losses of joint ventures		**(2,020)**	(682)
Loss from operations		**(189,488)**	(606,188)
Finance costs	6	**(110,944)**	(92,627)
Loss before tax		**(300,432)**	(698,815)
Income tax credit	7	**–**	1,233
Loss for the year	8	**(300,432)**	(697,582)
Attributable to:			
Owners of the Company		**(289,319)**	(667,369)
Non-controlling interests		**(11,113)**	(30,213)
		(300,432)	(697,582)
Loss per share			
– Basic	10	**HK(21.66) cents**	HK(54.19) cents
– Diluted	10	**HK(21.66) cents**	HK(54.19) cents

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2020

	(Unaudited) 2020 HK$'000	(Audited) 2019 HK$'000
Loss for the year	**(300,432)**	(697,582)
Other comprehensive income after tax:		
Item that will not be reclassified to profit or loss:		
Gains/(losses) on property revaluation	**3,929**	(56,227)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(57,311)**	(121,940)
Other comprehensive income for the year, net of tax	**(53,382)**	(178,167)
Total comprehensive income for the year	**(353,814)**	(875,749)
Attributable to:		
Owners of the Company	**(344,177)**	(846,423)
Non-controlling interests	**(9,637)**	(29,326)
	(353,814)	(875,749)

Consolidated Statement of Financial Position
at 30 June 2020

	Notes	**(Unaudited) 2020** *HK$'000*	(Audited) 2019 *HK$'000*
Non-current assets			
Fixed assets		**1,593,536**	1,699,586
Right-of-use assets		**297,376**	–
Prepaid land lease payments		**–**	308,288
Investments in joint ventures		**8,971**	2,787
Other intangible assets		**3,868**	3,868
		1,903,751	2,014,529
Current assets			
Inventories		**10,917**	40,485
Trade receivables	11	**27,300**	42,862
Prepayments, deposits and other receivables		**145,967**	161,038
Financial assets at fair value through profit or loss		**678**	743
Bank and cash balances		**8,143**	7,185
		193,005	252,313
TOTAL ASSETS		**2,096,756**	2,266,842
Capital and reserves			
Share capital	12	**133,993**	133,243
Reserves		**325,389**	667,879
Equity attributable to owners of the Company		**459,382**	801,122
Non-controlling interests		**54,150**	63,787
Total equity		**513,532**	864,909

	Notes	(Unaudited) **2020** ***HK$'000***	(Audited) 2019 *HK$'000*
Non-current liabilities			
Bank loans		**18,777**	21,403
Bonds payable		**975,627**	895,111
Other payables		**190,889**	208,799
Lease liabilities		**3,758**	–
Deferred tax liabilities		**102**	102
		1,189,153	1,125,415
Current liabilities			
Trade payables	13	**55,393**	58,555
Other payables and accruals		**209,819**	126,010
Other loans		**65,716**	28,263
Bank loans		**48,527**	52,440
Bonds payable		**12,641**	11,250
Lease liabilities		**1,975**	–
		394,071	276,518
Total liabilities		**1,583,224**	1,401,933
TOTAL EQUITY AND LIABILITIES		**2,096,756**	2,266,842
Net current liabilities		**(201,066)**	(24,205)
Total assets less current liabilities		**1,702,685**	1,990,324

Notes:

1. BASIS OF PREPARATION

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

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.

2. GOING CONCERN BASIS

As at 30 June 2020, the Group had net current liabilities of approximately HK$201,066,000 (2019: HK$24,205,000) and incurred a loss of HK$300,432,000 (2019: HK$697,582,000) 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 2021 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 24 August 2020, the Company entered into an extension agreement with a financial institution to extend an other loan which amounted to 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.

– On 3 August 2020, the Company and a strategic partner entered into a memorandum of understanding, pursuant to which the strategic partner had expressed its intention to subscribe for convertible bonds to be issued by the Company at an initial conversion price of HK$0.52 per conversion share and the number of conversion shares shall not exceed 260,000,000.

– On 4 September 2020, the Group entered in a sales and purchase agreement with Mr. Lv Wangsheng ("**Mr. Lv**"), an independent third party, to dispose of 40% of the equity interest in Mudanjiang Better-Day Power Limited ("**Mudanjiang BD Power**"), an indirect wholly-owned subsidiary of the Company. The consideration of the Disposal was RMB70,000,000.

– The Group had several idle right-of-use assets located in Mudanjiang City, Heilongjiang Province, the PRC with a total carrying amount of approximately HK$106,478,000. These right-of-use assets are available to be disposed of, which have a total market value of approximately HK$237,439,000 with reference to the estimated market approach analysis of the right-of-use assets carried out by an independent third-party valuer, in the event the Group requires further financing.

– 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.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 July 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 July 2019.

As at 1 July 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. The adoption of HKFRS 16 did not have any impact to the Group's retained earnings as at 1 July 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

The Group elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

	At 1 July 2019
	HK$'000
Operating lease commitments disclosed as at 30 June 2019	2,164
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(2,164)
Lease liabilities as at 1 July 2019	–

The carrying amount of right-of-use assets for own use as at 1 July 2019 comprises the following:

	Right-of-use assets
	HK$'000
Reclassified from prepaid land lease payments *(Note)*	308,288

Note: Upfront payments for leasehold lands in the PRC and assets under finance leases in Hong Kong for own used properties were classified as prepaid land lease payments as at 30 June 2019. Upon application of HKFRS 16, the prepaid land lease payments amounting to approximately HK$308,288,000 were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 July 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Prepaid land lease payments	308,288	(308,288)	–
Right-of-use assets	–	308,288	308,288

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	COVID-19 Related Rent Concessions[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[5]

1 Effective for annual periods beginning on or after 1 July 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 July 2020.

5 Effective for annual periods beginning on or after 1 July 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 July 2020.

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

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.

	2020	2019
	HK$'000	*HK$'000*
Heat supplying services	**163,463**	160,189
Electricity supplying services	**13,598**	12,456
Sales of calcium carbide	**–**	75,844
Sales of lime powder	**16,760**	–
Facilities construction services	**376**	73,897
Others	**140**	662
	194,337	323,048

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	2020	2019
	HK$'000	*HK$'000*
Conveyance service income	**6,469**	4,219
Gains on disposal of prepaid land lease payments	**3,871**	–
Gain on settlement of other loan	**–**	14,796
Government grants *(Note)*	**554**	6,342
Loss on disposal of subsidiaries	**(5,505)**	–
Loss on disposal of a joint venture	**(2,124)**	–
Bank interest income	**4**	13
Other interest income	**2,040**	1,888
Property management service income	**–**	16,718
Reversal of trade receivables	**–**	3,496
Reversal of prepayment, deposit and other receivables	**–**	4,893
Sundry income	**1,398**	2,993
	6,707	55,358

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. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans	**3,296**	6,838
Interest on other loans – wholly repayable within five years	**8,689**	5,079
Interest on bonds payable – not wholly repayable in five years	**98,606**	80,710
Interest on lease liabilities	**353**	–
Total borrowing costs	**110,944**	92,627

7. INCOME TAX CREDIT

	2020	2019
	HK$'000	*HK$'000*
Current tax		
– PRC Enterprise Income tax	**–**	34
– Hong Kong Profits tax	**–**	–
Deferred tax credit	**–**	(1,267)
	–	(1,233)

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 (2019: 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 (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**1,200**	1,480
Provision/(reversal) of allowance for receivables, net		
– trade receivables	**–**	3,714
– prepayment and other receivables	**14,403**	(4,893)
Amortisation of other intangible assets		
(included in administrative expenses)	**–**	5,067
Cost of inventories sold	**164,967**	200,734
Depreciation of fixed assets	**73,401**	115,282
Depreciation of right-of-use assets	**8,457**	–
Amortisation of prepaid land lease payments	**–**	6,528
Minimum lease payments under operating leases		
for land and buildings	**–**	3,211
Expenses relating to short-term leases	**1,633**	–
Factory overhead incurred during suspension of production *(note)*	**65,232**	75,493
Revaluation deficits on buildings	**–**	64,073
Staff costs (excluding directors' emoluments):		
Wages, salaries and benefits in kind	**20,019**	25,917
Employee share option benefits	**–**	3,454
Redundancy cost	**3,363**	–
Retirement benefits scheme contributions	**5,894**	7,880

Cost of inventories sold includes staff costs and depreciation of approximately HK$9,052,000 (2019: HK$12,475,000) and HK$6,161,000 (2019: HK$6,398,000) respectively, which are included in the amounts disclosed separately above.

Note: During the years ended 30 June 2020 and 2019, factory overhead was incurred during the temporary suspension of the production line of Polyvinyl-chloride segment, Vinyl acetate segment and 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 2020 (2019: 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$289,319,000 (2019: HK$667,369,000) and the weighted average number of ordinary shares of 1,335,781,000 (2019: 1,231,598,662) 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 year of 2020 and 2019.

11. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**39,447**	55,455
Less: allowance for credit loss	**(12,147)**	(12,593)
	27,300	42,862

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 180 days (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**396**	17,239
31 to 60 days	**194**	393
61 to 90 days	**556**	1,630
91 to 120 days	**793**	1,006
121 to 150 days	**619**	934
151 to 180 days	**553**	21,359
181 to 365 days	**17,834**	301
Over 365 days	**6,355**	–
	27,300	42,862

The Group's trade receivables are denominated in RMB.

12. SHARE CAPITAL

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
1,339,927,319 (2019: 1,332,427,319) ordinary shares of HK$0.10 each	**133,993**	133,243

	Number of ordinary shares issued	**Par value**
	'000	*HK$'000*
At 1 July 2018	1,110,427	111,043
Issue of new shares under a subscription agreement *(Note (a))*	220,000	22,000
Exercise of share options *(Note (b))*	2,000	200
At 30 June 2019 and 1 July 2019	1,332,427	133,243
Exercise of share options *(Note (c))*	7,500	750
At 30 June 2020	1,339,927	133,993

Note (a): 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 (b): 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$0.9 million, which was used for general working capital.

Note (c): On 28 November 2019, 16 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.

13. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 120 days (2019: 30 to 120 days) from its suppliers.

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**7,317**	8,437
31 to 60 days	**5,640**	7,178
61 to 90 days	**1,395**	2,486
91 to 120 days	**304**	5,910
121 to 365 days	**17,165**	26,091
Over 365 days	**23,572**	8,453
At end of year	**55,393**	58,555

The Group's trade payables are denominated in RMB.

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 RMB36,700,000. Upon the end of the year ended 30 June 2020, 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

Disposal of 40% Equity Interests in a Subsidiary

On 4 September 2020, Mudanjiang Longtuo New Energy Co., Ltd.* (牡丹江龍拓新能源有限公司) ("**Mudanjiang New Energy**"), an indirect wholly-owned subsidiary of the Company) entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with Mr. Lv, an independent third party, to dispose of 40% of the equity interest (the "**Disposal**") in 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 eighteen months after the date of signing of the Equity Transfer Agreement) (the "**Final Payment**"). Up to the date of this announcement, consideration amounting to RMB25 million has been settled.

Pursuant to the Equity Transfer Agreement, the parties have 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 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 will hold, indirectly through Mudanjiang New Energy, 60% of the equity interest in Mudanjiang BD Power and Mudanjiang BD Power will remain as a subsidiary of the Company. As at the date of this Announcement, the Disposal had not been completed yet.

The Directors considered that the Disposal would allow the Group to realise part of its investment in Mudanjiang BD Power, thereby improving the Group's liquidity and generate additional cash inflow, which would enhance the Group's ability to invest in other future potential investment opportunities.

Details of the Disposal were disclosed in the announcement of the Company dated 4 September 2020.

Memorandum of Understanding in relation to Possible Issue of Convertible Bonds

On 3 August 2020, the Company and a strategic partner (the "**Strategic Partner**") entered into a memorandum of understanding (the "**Convertible Bonds MOU**"), pursuant to which the Strategic Partner had expressed its intention to subscribe for convertible bonds to be issued by the Company at an initial conversion price of HK$0.52 per conversion share and the number of conversion shares shall not exceed 260,000,000 (the "**Convertible Bonds Subscription**"). The parties to the Convertible Bonds MOU shall endeavour to negotiate, finalise and enter into a formal subscription agreement in relation to the Convertible Bonds Subscription within sixty (60) days from the date of the Convertible Bonds MOU. As at the date of this announcement, no formal subscription agreement has been entered into yet.

Details of the Convertible Bonds MOU were disclosed in the announcement of the Company dated 3 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Year, following the outbreak of the 2019 Novel Coronavirus ("**COVID-19**") since January 2020, 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$300 million. Despite the continuous improvement in the core businesses of the Group, the production capacity of the coal-related chemical production division during the Year has still not yet been fully utilised, which incurred idle operating costs.

During the Year, revenue of the Group amounted to approximately HK$194 million (2019: approximately HK$323 million), representing a decrease of approximately 40% compared with that of the last financial year. Loss attributable to the owners of the Company amounted to approximately HK$289 million (2019: approximately HK$667 million), representing a decrease of 57% compared with that of the last financial year.

The decrease in the Group's revenue was mainly derived from the decrease in revenue of the calcium carbide segment (the "**CC segment**") 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$15 million (2019: approximately HK$20 million), representing a decrease of approximately 25% compared with that of the last financial year. The decrease in selling and distribution costs was mainly due to the temporary closure of fee collection stations of the heat and power division as a result of the outbreak of COVID-19 during the Year.

The Group's administrative expenses for the Year was approximately HK$97 million (2019: approximately HK$163 million), representing a decrease of approximately 40% compared with that of the last financial year. The decrease in administrative expenses was mainly due to the scale down in the coal-related chemical production division during the Year.

The Group's other operating expenses for the Year was approximately HK$96 million (2019: approximately HK$75 million), representing an increase of approximately 27% compared with that of the last financial year. The increase in other operating expenses was due to the suspension of the plant and equipment of Heihe Longjiang Chemical Limited ("**HLCCL**") during the Year.

Heat and power division

During the Year, the heat and power segment recorded a revenue of approximately HK$177 million (2019: approximately HK$173 million) from external customers, representing an increase of approximately 2% compared with that of the last financial year. Income from supply of heat for the Year was approximately HK$163 million (2019: approximately HK$160 million), representing a slight increase of approximately 2% when compared with that of the last financial year. The slight increase was mainly due to the devaluation of RMB. Segment profit for the Year was approximately HK$12 million (2019: approximately HK$20 million), representing a decrease of approximately 40% compared with that of the last financial year. The decrease in segment profit was mainly due to the absence of other income as a result of the outbreak of COVID-19.

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 included 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$17 million (2019: approximately HK$76 million) from external customers, representing a decrease of approximately 78% 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 line provider, a semi-final product of calcium carbide, remained in operation during the Year. Further, no revenue was recorded for the PVC segment and the VA segment during the Year, respectively (2019: nil and nil).

The above financial performances of this business division were a result of the outbreak of COVID-19, as explained in the section headed "Coal-related chemical production division" under "Prospect" of this announcement.

Construction services division

During the Year, the construction services division recorded a revenue and a segment loss of approximately HK$0.4 million (2019: approximately HK$74 million) and approximately HK$61 million (2019: segment profit approximately HK$3 million), respectively. This business division recorded a significant drop in revenue and a segment loss during the Year due to (i) the seasonal suspension of construction activities during winter in the North East of the PRC; (ii) as a result of the outbreak of COVID-19, travelling restrictions were imposed in Mudanjiang City and the Group's construction services had been suspended; and (iii) despite the suspension of construction services, the Group had incurred additional maintenance and repairment costs as a result of severe weather conditions during the first half of 2020.

Tea division

During the Year, having considered the future and financial performance of this business division, the Group decided to terminate the operation of its tea division by exercising its put option and disposing of Xinyang Maojian International Holding Limited ("**Xinyang International**"). For further details of the disposal, please refer to the paragraph headed "Connected transaction in relation to the exercise of the put option and termination of the share transfer agreement and the supplemental agreement" of this announcement.

PROSPECT

The global economy is facing an unprecedented situation due to the outbreak of COVID-19 since early January 2020, and the pandemic has adversely impacted various industries and reduced economic activities globally.

Heat and power division

During the Year, although the Group's residential heat supplying area did not increase by 500,000 square meters as expected, this business division was not severally impacted by COVID-19 and the residential heat supplying area was maintained at 4,000,000 square meters. The management will aim to continue expanding its residential heat supplying area in the future, and believes that the heat and power division will continue to be the growth driver of the Group.

Coal-related chemical production division

During the Year, the management had planned to transform the plant and equipment of HLCCL in Heihe, Heilongjiang Province, from calcium carbide into another product – high carbon ferromanganese. However, as the Heilongjiang Province had been seriously affected by COVID-19 in the past few months, most of the construction work in the area had been suspended, leading to the schedule of the transformation being postponed. The management believes that the transformation of the plant and equipment of HLCCL will resume in 2021, and will benefit the Group and its shareholders as a whole.

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 during the first half of 2020. 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 minimize the impact by the outbreak of COVID-19 as much as possible.

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 and non-equity funding.

Liquidity and Financial Ratios

As at 30 June 2020, the Group had total assets of approximately HK$2,097 million (2019: approximately HK$2,267 million), which were financed by current liabilities of approximately HK$394 million (2019: approximately HK$277 million), non-current liabilities of approximately HK$1,189 million (2019: approximately HK$1,125 million), non-controlling interests of approximately HK$54 million (2019: approximately HK$64 million) and shareholders' equity of approximately HK$459 million (2019: approximately HK$801 million).

As at 30 June 2020, the current assets of the Group amounted to approximately HK$193 million (2019: approximately HK$252 million), comprising inventories of approximately HK$11 million (2019: approximately HK$40 million), trade receivables of approximately HK$27 million (2019: approximately HK$43 million), prepayments, deposits and other receivables of approximately HK$146 million (2019: approximately HK$161 million), financial assets at fair value through profit or loss of approximately HK$1 million (2019: approximately HK$1 million), cash and cash equivalents of approximately HK$8 million (2019: approximately HK$7 million). As at 30 June 2020, 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 0.5 (2019: approximately 0.9), approximately 0.5 (2019: approximately 0.8), approximately 75% (2019: approximately 62%) and approximately 345% (2019: approximately 175%), 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 2020, 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 2020, the bank loans of the Group amounted to approximately HK$67 million (2019: approximately HK$74 million). Based on the agreed repayment schedule set out in the loan agreements, bank loans of approximately HK$49 million (2019: approximately HK$52 million) were repayable within 12 months, of which HK$3 million was denominated in Hong Kong dollars and approximately HK$46 million was denominated in RMB (2019: approximately HK$3 million was denominated in Hong Kong dollars and approximately HK$49 million was denominated in RMB, respectively).

Bonds

As at 30 June 2020, the aggregate amount of bonds payable was approximately HK$988 million (2019: approximately HK$906 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 2020, 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 (2019: 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 (2019: fair value gain of approximately HK$5 million).

Charges on the Group's assets

As at 30 June 2020, bank loans and other loans of approximately HK$67 million (2019: approximately HK$74 million) and approximately HK$66 million (2019: approximately HK$28 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

Connected transaction in relation to the exercise of the put option and termination of the share transfer agreement and the supplemental agreement

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

Pursuant to the Existing Agreements, in the event that any of the Guaranteed Financial Performance was not met after completion of the Acquisition, Prosper Path shall exercise an irrevocable and unconditional put option (the "**Put Option**") in relation to the Sale Shares within seven business days after the provision of Xinyang International's audited accounts to Dragon Wise at an exercise price of HK$1.

As the accumulated audited loss after tax of Xinyang International for the year ended 30 June 2019 (the "**Relevant Period**") was approximately RMB4,165,000, the Guaranteed Financial Performance for the Relevant Period (i.e. not less than profit of RMB8,500,000) could not be met.

On 12 February 2020, Prosper Path and Dragon Wise entered into a termination agreement (the "**Termination Agreement**"), pursuant to which the parties have agreed, among others, (i) to terminate the Existing Agreements and the transactions contemplated thereunder; (ii) to waive the term which required the Put Option be exercised by Prosper Path within seven business days after the provision of the relevant audited accounts to Dragon Wise (the "**Waiver**"); and (iii) that Prosper Path shall exercise the Put Option to dispose of Xinyang International to Dragon Wise.

Details of the Acquisition (including the Termination Agreement) 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, 15 August 2018, 12 February 2020 and 8 April 2020, respectively.

AGREEMENT IN RELATION TO POSSIBLE ACQUISITION IN NOVEMBER 2019

On 18 November 2019, the Company entered into an agreement (the "**Xinyang Maojian Agreement**") with Xinyang Maojian Holdings Co. Ltd.* (信陽毛尖控股有限公司) (the "**Xinyang Maojian Vendor**") pursuant to which the parties agreed to enter into a further agreement (the "**Definitive Agreement**") in which the Company would acquire and the Xinyang Maojian Vendor would sell some or all of its assets as set out in the Xinyang Maojian Agreement (the "**November Possible Acquisition**"). The major assets owned by the Xinyang Maojian Vendor include, among other things, (i) production place advantageous to Xinyang tea, (ii) multiple well-known trademarks and brands of tea products, (iii) interests in the Xinyang International Tea City* (信陽國際茶城), and (iv) interests in the Luyu Tea Culture Park* (陸羽文化園) and the Tea Industrial Park* (茶工業園). The parties agreed that the consideration would be paid by way of a combination of cash consideration, bills payable, convertible bonds and/or consideration shares. The amount and method of payment of the consideration shall be determined after arm's length negotiation between the Company and the Xinyang Maojian Vendor, subject to the terms and conditions to be set out in the Definitive Agreement.

Given that the assets to be acquired and as set out in the Xinyang Maojian Agreement were in line with the Group's development of its tea division prior to the entering into of the Termination Agreement, the management considered that the November Possible Acquisition and the entering into of the Definitive Agreement could enhance, further expand and create synergy effect to the Group's tea division.

Details of the November Possible Acquisition were disclosed in the announcement of the Company dated 18 November 2019.

LAPSE OF MEMORANDUM OF UNDERSTANDING IN RELATION TO POSSIBLE ACQUISITION IN JANUARY 2020

On 23 January 2020, the Company entered into a memorandum of understanding (the "**January MOU**") with two vendors (the "**MOU Vendors**"), pursuant to which the Company would acquire and the MOU Vendors would sell the entire equity interest (the "**January Possible Acquisition**") of My Cloud Technology (Shenzhen) Co. Ltd (the "**MOU Target Company**"). The MOU Target Company is principally engaged in the development of mobile internet integrated platform and it offers concessionary prices and quality services to attract users to use the platform for consumption on the one hand, and allows the merchants to make better offers with higher users' access on the other hand, thereby enhancing the platform value with the match of supply and demand. The management considered that the January Possible Acquisition, if materialised, would enable the Group to leverage on the MOU Target Company's background and expertise to further explore favourable businesses and new development opportunities in the area of software and information technology and would enable the Group to benefit from the competitive advantages of the MOU Target Company. Since the parties to the January MOU were unable to reach an agreement on the terms of the formal agreement, the January MOU had lapsed on 10 August 2020.

Details of the January Possible Acquisition were disclosed in the announcements of the Company dated 23 January 2020, 24 January 2020 and 10 August 2020, respectively.

LAPSE OF DISPOSAL OF SHARES BY THE SINGLE LARGEST SHAREHOLDER IN APRIL 2019

The Company was informed by Mr. Chan Yuen Tung ("**Mr. Chan**"), the 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

* *For identification purpose only*

purchase agreement (the "**April 2019 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 "**2019 Shareholder Disposal Announcement**"), at a price of HK$0.915 per Share (the "**2019 Shareholder Disposal**").

The Company was further informed that the closing of the April 2019 SPA was conditional upon the fulfillment of certain conditions precedent on or before 15 December 2019 (or such other date agreed by the parties to the April 2019 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 April 2019 SPA. Pursuant to the April 2019 SPA, completion of the Disposal and the Placing shall take place simultaneously.

On or around 12 February 2020, the Company was informed by Mr. Chan that as the conditions precedent of the April 2019 SPA had not been satisfied, pursuant to the terms of the April 2019 SPA, the April 2019 SPA had lapsed and was of no further effect and neither party to the April 2019 SPA shall have any claim against each other, save for any rights or obligations which may accrue prior to the lapse of the April 2019 SPA.

Details of the 2019 Shareholder Disposal (including the subsequent lapse of the April 2019 SPA) were disclosed in the 2019 Shareholder Disposal Announcement and the announcement of the Company dated 12 February 2020.

STRATEGIC INVESTMENT FRAMEWORK AGREEMENT

On 13 February 2020, the Company entered into a strategic investment framework agreement (the "**Framework Agreement**") with SB Green Investment Fund Limited ("**SB Green**", an indirect non wholly-owned company of Mr. Sha).

Pursuant to the Framework Agreement, SB Green agreed to cooperate with the Company and commit to make strategic investments in the Company to support the Company's development of new economic businesses that meet the requirements of green sustainable development, subject to compliance with the Hong Kong capital market regulations and certain conditions. Based on the different stages of cooperation, it is expected that SB Green will make strategic investment of not less than US$50,000,000 to the Company based on the market situation and use of capital at the relevant time, including but not limited to debt and equity investments, such as subscription and issuance of notes, bonds, convertible bonds, and/or share placements. The management was of the view that both parties would leverage on their respective advantages, resources and expertise to build a stable and mutually-beneficial strategic cooperation relationship. The entering into of the Framework Agreement was in line with the development strategies of the Company as a whole, which would enable the Company to seize any potential business and investment opportunities, and was in the interests of the Company and its shareholders.

Details of the Framework Agreement were set out in the announcement of the Company dated 13 February 2020.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed under the paragraph headed "Memorandum of Understanding in relation to Possible Acquisition in January 2020" and note 15 of the financial statements, the Group also had the following significant event after June 2020.

Disposal of Shares by the Single Largest Shareholder in August 2020

The Company was informed by Mr. Chan, the single largest shareholder of the Company, and Mr. Shie, Thomas ("**Mr. Shie**"), that on 19 August 2020, Mr. Chan and Mr. Shie entered into an unconditional sale and purchase agreement (the "**August 2020 SPA**"), pursuant to which Mr. Chan agreed to sell and Mr. Shie agreed to purchase 382,000,000 Shares, representing approximately 28.28% of the total issued Shares as at the date of the announcement of the Company dated 19 August 2020 (the "**2020 Shareholder Disposal Announcement**"), at a price of HK$0.72 per Share (the "**2020 Shareholder Disposal**"). Pursuant to the August 2020 SPA, completion of the 2020 Shareholder Disposal would take place within 90 days of the date of the August 2020 SPA. As at the date of this announcement, the 2020 Shareholder Disposal had not been completed yet.

Details of the 2020 Shareholder Disposal were disclosed in the 2020 Shareholder Disposal Announcement.

CONTINGENT LIABILITIES

As at 30 June 2020, 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 2020.

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 2020, the Group had 596 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 2020, there were 165,180,000 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 102,500,000 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.

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 26 March 2020, proposed to change the English name of the Company to "China New Economy Group Holdings Limited" from "Xinyang Maojian Group Limited" and the secondary name of the Company to "中國新經濟集團控股有限公司" 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 announcements of the Company dated 26 March 2020 and 15 May 2020, respectively.

AUDIT COMMITTEE REVIEW

The auditing process for the final results of the Group for the Year has not been completed due to the outbreak of COVID-19 and the corresponding restriction on travel and mandatory quarantine measures imposed by the PRC authorities. The unaudited consolidated results contained herein have not been agreed by the auditors of the Company (the "**Auditors**") as required under Rule 13.49(2) of the Listing Rules. The audited consolidated results announcement of the Company for the Year will be made once the auditing process is completed pursuant to the Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants and other applicable laws and regulations.

Nonetheless, the Board currently expects that the Auditors' report to be issued shall contain a paragraph relating to "Material Uncertainty Related to Going Concern". However, the Auditors are not yet in a position to conclude whether there will be any modification in the opinion included in the Auditors' report in this regard. The Board considers that it is appropriate to prepare the consolidated results on a going concern basis, taking into account the facts and assumptions as disclosed in note 2 of the financial statements.

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

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will make further announcement(s) relating to, among others, (i) the audited consolidated results of the Group for the Year as agreed by the Auditors and material differences (if any) as compared with the unaudited consolidated results contained herein; and (ii) the date of the forthcoming annual general meeting of the Company and the closure of register of members to determine the entitlement of shareholders of the Company to attend and vote at that meeting. In addition, the Company will make further announcement(s) when there are any material updates in the auditing process, if necessary.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2020 Annual Report of the Company containing all the financial and other related information of the Company required by the Listing Rules will be available on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.xinyangmaojian.com.hk and will be despatched to the shareholders of the Company and available on the above websites in due course.

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

The financial information contained herein in respect of the final results of the Group has not been audited and has not been agreed with the Auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 September 2020

As at the date of this announcement, the executive Directors are Ms. Chan Yuk Foebe, Mr. Gao Ran, 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.