



**CECEP COSTIN NEW MATERIALS GROUP LIMITED
(IN PROVISIONAL LIQUIDATION)**

中國節能海東青新材料集團有限公司 (臨時清盤中)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2228)

Interim Report 2017

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CORPORATE INFORMATION

Executive Director	Ms. YANG Jian Hui (<i>appointed on 1 August 2018</i>) Mr. CHIM Wai Kong (<i>resigned on 11 January 2017</i>) Mr. CHIM Wai Shing Jackson (<i>resigned on 11 January 2017</i>) Mr. XUE Mangmang (<i>resigned on 30 November 2017</i>) Mr. WANG Li (<i>resigned on 31 July 2018</i>) Mr. XU Zhou (<i>resigned on 31 July 2018</i>) Mr. YANG Yong Hui (<i>resigned on 1 August 2018</i>)
Non-Executive Directors	Mr. YANG Yi Hua (<i>resigned on 6 June 2016</i>) Mr. MA Yun (<i>resigned on 1 August 2018</i>) Mr. ZENG Wu (<i>resigned on 1 August 2018</i>)
Independent Non-Executive Directors	Mr. FAN Tak Wah (<i>appointed on 6 August 2018</i>) Mr. HO Kin Cheong Kelvin (<i>appointed on 6 August 2018</i>) Mr. WONG Siu Hong (<i>resigned 9 July 2018</i>) Mr. FENG Xue Ben (<i>resigned 10 July 2018</i>) Mr. XU Qing Hua (<i>resigned 14 July 2018</i>)
Joint Provisional Liquidators	Mr. Man Chun SO (<i>appointed on 14 November 2017</i>) Mr. Yat Kit JONG (<i>appointed on 14 November 2017</i>) Mr. Simon CONWAY (<i>appointed on 14 November 2017</i>)
Authorised Representatives	Mr. CHAN Kwok Yuen Elvis (<i>terminated on 28 February 2018</i>)
Company Secretary	Mr. CHAN Kwok Yuen Elvis (<i>terminated on 28 February 2018</i>)
Auditor	Baker Tilly Hong Kong Limited Certified Public Accounts (<i>appointed on 21 December 2018</i>)
Principal Share Registrar and Transfer Office	Appleby Trust (Cayman) Limited Clifton House, 75 Fort Street P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands

CORPORATE INFORMATION

Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Registered Office	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205
Principal Place of Business In Hong Kong	22/F, Prince's Building Central, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

The current board (the “Board”) of directors (the “Directors”) note that the historical information in respect of the Company that is available to them may not be complete and sufficient to establish an accurate and reliable review of the historical transactions, trading and financial position and may contain significant errors. Given the findings of the forensic accounting firm in respect of the alleged misappropriation of funds of a subsidiary of the Company by a former executive director and co-chairman of the Company (the “Misappropriation”), and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the Directors believe that it is almost impossible, and not practicable, to verify the financial information as reported in the Group’s unaudited consolidated financial statements for the six months ended 30 June 2017.

Subject to the above, set out below are the management discussion and analysis of the Group’s results of operations and financial conditions for the six months ended 30 June 2017. Such information is principally extracted from the unaudited consolidated financial statements of the Company and its subsidiaries to provide information relating to the financial conditions and results of operations of the Group for the six months ended 30 June 2017.

BUSINESS REVIEW

The Group is an investment holding company which principally engaged in the manufacture and sale of non-woven fabrics and other types of non-woven materials prior to the suspension of trading in shares. The Company operated its business through four segments. The non-woven materials segment was engaged in the manufacture and sale of non-woven fabrics and other types of non-woven materials. The recycled chemical fibers segment was engaged in the manufacture and sale of chemical fibers produced from recycled materials. The thermal resistant filtration materials segment was engaged in the manufacture and sale of thermal resistant filtration materials. The tapioca chips trading segment was engaged in the import and export of tapioca chips.

Suspension of trading in shares and the resumption status

Trading in the shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended with effect from 3:17 p.m. on 15 August 2016.

On 22 August 2016, the Company announced the Misappropriation by Mr. Chim Wai Kong and Mr. Chim Wai Kong admitted that he had misappropriated certain funds of such PRC subsidiary but refused to disclose further details. As a result of the Misappropriation, the Board was unable to ascertain whether the Group would be able to meet its payment obligations, such as the repayment of bank loans or interest accrued when due.

On 14 December 2016, the Stock Exchange placed the Company in the first delisting stage under Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the Stock Exchange considered, inter alia, that the Company was unable to maintain a sufficient level of operations or assets required under Rule 13.24 to support a continued listing.

MANAGEMENT DISCUSSION AND ANALYSIS

As no resumption proposal was submitted before the expiry date of the first delisting stage, the Stock Exchange placed the Company into the second delisting stage commencing on 26 June 2017 and expiring on 25 December 2017.

On 2 November 2017, Industrial and Commercial Bank of China (Asia) Limited served a winding up petition and a summons for the appointment of joint provisional liquidators. The summons was heard on 14 November 2017 and the Grand Court of the Cayman Islands (the “Grand Court”) made an order appointing Mr. Man Chun So, Mr. Yat Kit Jong and Mr. Simon Conway, all of PricewaterhouseCoopers, as the joint provisional liquidators of the Company (the “Provisional Liquidators”) pursuant to Section 104(1) of the Companies Law.

No resumption proposal was submitted before the expiry date of the second delisting stage. The Stock Exchange has placed the Company into the third delisting stage commencing on 24 January 2018 and expiring on 23 July 2018. According to the letter from the Stock Exchange dated 12 January 2018, the Company was required to submit a viable resumption proposal to address the following resumption conditions:

- (a) demonstrate sufficient operations or assets under Rule 13.24 of the Listing Rules;
- (b) conduct an appropriate investigation on the Misappropriation by Mr. Chim Wai Kong and disclose the findings of the investigation, assess the impact on the Company’s financial and operational positions, and take appropriate remedial actions;
- (c) have the winding up petitions against the Company (and its subsidiaries), where applicable, withdrawn or dismissed and the Provisional Liquidators discharged;
- (d) demonstrate that there is no reasonable regulatory concern about management integrity;
- (e) publish all outstanding financial results and address any audit qualifications; and
- (f) inform the market about all material information of the Company.

On 9 July 2018, the Company submitted a resumption proposal (the “Resumption Proposal”) to the Stock Exchange in support of the resumption of trading on the Stock Exchange (the “Resumption”). The foundation of the Resumption Proposal was a restructuring agreement which includes the proposed acquisition by the Company of a target group of companies with a focus on the leasing of the residential, commercial, retail and hotel properties in prime areas located in Hong Kong and Taiwan (the “Target Group”). The acquisition constitutes a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

The Resumption Proposal also sets out detailed plans on satisfying the resumption conditions, including:

- (i) proposed acquisition of the Target Group which would satisfy Rule 13.24. Rule 13.24 requires an issuer to carry out directly or indirectly a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the issuer's securities. On Resumption, the Company will meet the requirements of Rule 13.24 as to operations (proven by the track record profits) and assets (proven by the net assets and their nature);
- (ii) the Company has submitted to the Stock Exchange an investigation report on 13 November 2017 and an announcement dated 24 July 2018 was published to disclose the key investigation findings about the Misappropriation. An internal control consultant will be appointed to review the internal control procedures of the Company and the Target Group, which will become the only operating subsidiaries of the Company upon Resumption;
- (iii) on approval from the creditors of the creditors schemes and completion of all the transactions contemplated in the Resumption Proposal, the Provisional Liquidators will apply to the courts in the Cayman Islands and Hong Kong for the winding up petitions against the Company and its subsidiaries to be discharged before resumption; and
- (iv) all existing Directors of the Company will resign prior to Resumption, and new Directors who are intended to meet the requirements under the Listing Rules will be appointed.

On 21 September 2018, the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 28 February 2019. A new listing application relating to the Resumption Proposal was submitted to the Stock Exchange on 28 February 2019.

Proposed Restructuring

On 16 May 2018, the Company, Pyrrho Management Limited ("Pyrrho") and the Provisional Liquidators (collectively the "Parties") entered into a restructuring framework agreement entered into between the Company and Pyrrho on 16 May 2018 (as supplemented by the supplemental agreement entered into on 26 February 2019) in respect of, among other things, the proposed restructuring (the "Restructuring Agreement"). Pursuant to the Restructuring Agreement, the Company shall implement the proposed restructuring, which includes, among other things, (i) the capital reorganisation; (ii) the acquisition; (iii) the whitewash waiver; (iv) the open offer; and (v) the creditors schemes.

On 28 February 2019, a new listing application relating to the Resumption Proposal was submitted to the Stock Exchange. As of the date of this results announcement, the Stock Exchange and the Securities and Future Commission (the "SFC") are in the process of reviewing the new listing application.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall results

On the basis of incomplete books and records and the books and records available to the Company and Directors, and other factors as disclosed above, for the six months ended 30 June 2017, the Group recorded no revenue, as compared to revenue of approximately RMB646.5 million (equivalent to approximately HK\$775.8 million) for the six months ended 30 June 2016. The Group recorded net loss for the six months ended 30 June 2017 of approximately RMB13.6 million (equivalent to approximately HK\$16.3 million), as compared to the Group's net profit of approximately RMB119.7 million (equivalent to approximately HK\$143.6 million) for the six months ended 30 June 2016.

Liquidity and financial resources

Financial Resources

As at 30 June 2017, the Group reported bank and cash balances of approximately RMB5.0 million (equivalent to approximately HK\$6.0 million), which increased by 178% as compared to approximately RMB1.8 million (equivalent to approximately HK\$2.2 million) as at 31 December 2016. As at 30 June 2017, the Group's current ratio (current assets to current liabilities) was approximately 4.8%, which decreased by 54.3% as compared to 10.5% as at 31 December 2016.

Indebtedness and Banking Facilities

As at 30 June 2017, the Group reported bank loans of approximately RMB154.5 million (equivalent to approximately HK\$185.4 million), which decreased by 3.0% as compared to RMB159.2 million (equivalent to approximately HK\$191.0 million) as at 31 December 2016.

As the gearing ratio was calculated based on the division of the total amount of bank borrowings and other loans by total equity attributable to owners of the Company, the Group's gearing ratio as at 30 June 2017 could not be determined due to deficit of equity attributable to owners of the Company.

Assets and Liabilities

As at 30 June 2017, the Group's total assets was approximately RMB7.7 million (equivalent to approximately HK\$9.2 million), which decreased by 55.0% as compared to approximately RMB17.1 million (equivalent to approximately HK\$20.5 million) as at 31 December 2016.

As at 30 June 2017, the Group's total liabilities was approximately RMB162.0 million (equivalent to approximately HK\$194.4 million), which decreased by 0.9% as compared to approximately RMB163.5 million (equivalent to approximately HK\$196.2 million) as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

As at 30 June 2017, there were 2,329,266,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the six months ended 30 June 2017.

Commitments

Based on the information to the extent available to the Company, as at 30 June 2017, the Group appeared to have no significant outstanding contracted capital commitments.

Charges on Group Assets

There is insufficient information available to the Company to ascertain whether there were any charged assets at the Group level as at 30 June 2017.

Significant Investments and Acquisition

Based on the information to the extent available to the Directors, the Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the six months ended 30 June 2017.

Reserves

As at 30 June 2017, the Group had a deficit in reserves of approximately RMB350.7 million (equivalent to approximately HK\$420.9 million), which increased by 2.3% as compared to a deficit in reserves of approximately RMB342.7 million (equivalent to approximately HK\$411.2 million) as at 31 December 2016.

Contingent Liabilities

As at 30 June 2017, the Company had contingent liabilities in respect of corporate guarantees to the extent of RMB112.9 million (equivalent to approximately HK\$135.5 million) given for the general banking facilities granted to an unconsolidated subsidiary, which increased by 3.9% as compared to approximately RMB116.4 million (equivalent to approximately HK\$139.7 million) as at 31 December 2016. Due to limited books of account and records available to the Company, the amount of drawdown by the unconsolidated subsidiary under such facilities is not known to the Company.

Dividends

Based on the information to the extent available to the Directors, no dividend was declared for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Purchase, Sale or Redemption of Listed Securities of the Company

Due to the limitation of the incomplete books and records and the information available to the Directors, the Directors were unable to ascertain whether the Company has any purchase, sale or redemption of listed securities for the six months ended 30 June 2017.

Remuneration policies and share option scheme

Based on the information to the extent available to the Directors, remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. During the six months ended 30 June 2017, no share option was granted.

PROSPECTS AND OUTLOOK

The Board of the Company, with the assistance of their professional advisers, have submitted the Resumption Proposal and a new listing application to the Stock Exchange.

The Resumption Proposal when successfully implemented will achieve, among other things, the following:

- All the existing assets of the Group are transferred to a special purpose vehicle set up pursuant to the terms of the creditors schemes of arrangement, as agreed by the creditors of the Company, for realisation for the benefits of the creditors of the company;
- All the liabilities of the Company are fully discharged under the creditors schemes of arrangement;
- Upon the grant of the whitewash waiver by the SFC, Pyrrho or its nominee(s) will not be required to make a mandatory general offer for all the issued shares of the Company pursuant to Rule 26.1 of the Takeovers Code;
- The Company will wholly own the Target Group which is with a focus on the leasing of the residential, commercial, retail and hotel properties in prime areas located in Hong Kong and Taiwan with a successful track record that meets the new listing requirements of the Stock Exchange; and
- The Provisional Liquidators will be discharged; following the Stock Exchange approving resumption of trading of the shares of the Company and the new shares on the Stock Exchange.

For the benefit of the shareholders and the creditors as a whole, the Company will continue, with the assistance of their professional advisers, to work with the Target Group in order to obtain the necessary approvals from the relevant regulators for the implementation of the new listing application, such that trading in the shares can be resumed for the benefits of all the shareholders of the Company, especially the minority shareholders.

OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Given the findings of the forensic accounting firm in respect of the Misappropriation, and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the Directors note that the historical information in respect of the Company that is available to them may not be complete and sufficient to establish an accurate and reliable review of the historical transactions, trading and financial position and may contain significant errors.

The Company appeared to comply, based on the limited information available to the Directors, with the applicable code provisions under the Corporate Governance Code (the “CG Code”), as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017, except for the following:

- Code Provision A.2.7 of the CG Code states that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the presence of the executive directors. Based on the limited information available to the Directors, the Directors are unable to ascertain whether such meeting was held during the Reporting Period.
- Pursuant to the Listing Rules 3.10(1) and (2), and 3.10A, an issuer must include at least three independent non-executive directors, with at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise, and the number of independent non-executive directors representing at least one-third of the Board. Based on the information available to the Directors, there are sufficient independent non-executive directors as at 30 June 2017. However, there are only two independent non-executive directors on the Board as at the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

Due to the limitation of the incomplete books and records and the information available to the Directors, the Directors are unable to ascertain whether the Company has adopted the Model Code for Securities Transactions of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules for securities transactions during the Reporting Period.

Based on the information made available to the Directors, the current Directors are unable to confirm whether the then Directors had complied with, or whether there had been any non-compliance with, the required standards set out in the Model Code.

OTHER INFORMATION

BOARD COMMITTEES

Due to the limitation of incomplete books and records, the Directors were unable to ascertain the number and the details of board committees of the Company during the six months ended 30 June 2017. Based on the information available, the Board is supported by three sub-committees (collectively the “Board Committees”), namely the Audit Committee, Nominating Committee, and Remuneration Committee to assist the Board in discharging its responsibilities and to enhance the Group’s corporate governance framework. Each Committee has its own defined terms of reference which clearly states the corresponding roles and responsibilities.

AUDIT COMMITTEE

Mr. Chim Wai Kong, Mr. Wong Siu Hong, Mr. Feng Xue Ben and Mr. Xu Qing Hua resigned from the Board on 11 January 2017, 9 July 2018, 10 July 2018 and 14 July 2018 respectively and ceased to act as the members of the Remuneration Committee with effect from the same dates. Subsequently, Mr. Ho Kin Cheong Kelvin and Mr. Fan Tak Wah were appointed on 6 August 2018 as the independent non-executive directors and the members of the Audit Committee of the Company.

All the committee members are independent non-executive directors of the Company. Its current members include:

Mr. HO Kin Cheong Kelvin – Chairman

Mr. FAN Tak Wah

The committee members possess diversified industry experience and the Chairman of the committee has appropriate professional qualifications and experience in accounting matters. The committee reviewed the interim and annual consolidated financial statements.

The Group’s unaudited consolidated results for the six months ended 30 June 2017 has been reviewed by the Audit Committee of the Company.

NOMINATION COMMITTEE

Mr. Chim Wai Kong, Mr. Wong Siu Hong, Mr. Feng Xue Ben and Mr. Xu Qing Hua resigned from the Board on 11 January 2017, 9 July 2018, 10 July 2018 and 14 July 2018 respectively and ceased to act as the members of the Nomination Committee with effect from the same dates. Subsequently, Mr. Ho Kin Cheong Kelvin and Mr. Fan Tak Wah were appointed on 6 August 2018 as the independent non-executive directors and the members of the Nomination Committee of the Company.

OTHER INFORMATION

All the committee members are independent non-executive directors of the Company. Its current members include:

Mr. HO Kin Cheong Kelvin

Mr. FAN Tak Wah

Due to the limitation of incomplete books and records, the Directors are unable to ascertain the number of Nomination Committee meetings which have been held during the six months ended 30 June 2017.

INTERNAL CONTROLS

The Group's internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss rather than the elimination of risks associated with its business activities.

The Board is responsible for maintaining an adequate system of internal control for the Group. Due to the limitation of incomplete books and records, the Directors are unable to ascertain whether a review of its effectiveness was conducted during the six months ended 30 June 2017.

REMUNERATION COMMITTEE

Mr. Chim Wai Kong, Mr. Wong Siu Hong, Mr. Feng Xue Ben and Mr. Xu Qing Hua resigned from the Board on 11 January 2017, 9 July 2018, 10 July 2018 and 14 July 2018 respectively and ceased to act as the members of the Remuneration Committee with effect from the same dates. Subsequently, Mr. Ho Kin Cheong Kelvin and Mr. Fan Tak Wah were appointed on 6 August 2018 as the independent non-executive directors and the members of the Remuneration Committee of the Company.

All the committee members are independent non-executive directors of the Company. Its current members include:

Mr. HO Kin Cheong Kelvin

Mr. FAN Tak Wah

Due to the limitation of incomplete books and records, the Directors are unable to ascertain the number of Remuneration Committee meetings which have been held during the six months ended 30 June 2017.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACTS

Based on the information to the extent available to the Directors, during the six months ended 30 June 2017 and up to date of this report, the current Directors are unable to ascertain whether the former Directors had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the six months ended 30 June 2017.

The current Directors did not have a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the six months ended 30 June 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Based on the information to the extent available to the Directors, during the six months ended 30 June 2017 and up to date of this report, the current Directors are unable to ascertain whether the former directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

The current Directors do not have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The following information is based on the latest public information and the available books and records of the Company. No representation is made by the Company and Directors as to the accuracy and completeness of the information.

OTHER INFORMATION

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of directors	Number of shares/underlying shares held	Approximate % of the relevant issued share capital	Nature of interests
Mr. Chim Wai Kong	607,320,000 (L)	26.07%	Settlor of trust (Note 1)
	184,906,513 (L)	7.94%	Beneficiary of trust (Note 2)
	6,810,000 (L)	0.29%	Interests of controlled corporation (Note 3)
	986,127,570 (L)	42.34%	Interest of other party to an agreement under section 317 of the SFO (Notes 4 and 7)
Mr. Chim Wai Shing Jackson	607,320,000 (L)	26.07%	Settlor of trust (Note 1)
	154,504,365 (L)	6.63%	Beneficiary of trust (Note 5)
	992,937,570 (L)	42.63%	Interest of other party to an agreement under section 317 of the SFO (Notes 6 and 7)

(L) : Long Position

Notes:

- 607,320,000 shares are held by Nian's Brother Holding Limited (“Nian's Brother Holding”). The entire interest of Nian's Brother Holding is wholly owned by Nian's Brother Investment Limited (“Nian's Investment”) which in turn is held by Magnus Nominees Limited (“Magnus”) as a nominee in favour of Coutts & Co Trustees (Jersey) Ltd. (“Coutts”). Nian's Investment is a company incorporated in the British Virgin Islands provided by Coutts for the purpose of establishing the Nian's Brother Trust. Coutts is the trustee of Nian's Brother Trust. Nian's Brother Trust is a discretionary trust set up by Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson, both being executive Directors, for the benefit of their family members. For the purpose of Part XV of the SFO, each of Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson is deemed to be interested in the shares held by Nian's Brother Holding as the settlors of Nian's Brother Trust.
- Mr. Chim Wai Kong is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 184,906,513 shares directly held by Nian's Brother Holding.
- 6,810,000 shares are held by Better Prospect Limited (“Better Prospect”) which is 100% owned by Mr. Chim Wai Kong. He is therefore deemed to be interested in the 6,810,000 shares held by Better Prospect. Mr. Chim Wai Kong is a director of Better Prospect.
- These 986,127,570 shares are held by Hong Kong (Rong An) Investment Limited (“Hong Kong Rong An”). As a result of the shareholders deed entered into on 4 June 2013 among Hong Kong Rong An, Nian's Brother Holding, Mr. Chim Wai Kong and Mr. Chim Wai Shing Jackson (the “Shareholders Deed”), Mr. Chim Wai Kong is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.

OTHER INFORMATION

5. Mr. Chim Wai Shing Jackson is also one of the beneficiaries of the Nian's Brother Trust and is deemed to be interested in 154,504,365 shares directly held by Nian's Brother Holding.
6. These 992,937,570 shares comprise 986,127,570 shares directly held by Hong Kong Rong An and 6,810,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Mr. Chim Wai Shing Jackson is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.
7. Among these shares, 150,000,000 shares have been pledged by Hong Kong Rong An in favour of the Export-Import Bank of China as security for a loan facility provided by such bank to Hong Kong Rong An.

Save as disclosed above, as at 30 June 2017, none of the former directors and the former chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme adopted by the Company on 12 May 2010, at no time during the six months ended 30 June 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") which shall be valid and effective for a period of ten years commencing from 12 May 2010. The purpose of the Share Option Scheme is to provide incentives or rewards to any full-time or part-time employee, officer, agent, consultant or representative of the Company or any member of the Group for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are available to the Group. Pursuant to the Share Option Scheme, the Directors may, at their discretion, invite any eligible employees (including executive directors), any non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group to take up options to subscribe for the shares. The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares on the date of the offer; (ii) the average closing price of the shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the share.

OTHER INFORMATION

The acceptance of an offer of the grant of the respective share options must be made within 28 days from the date of offer with a non-refundable payment of HK\$1.00 from each grantee. An option may be exercised at any time during a period to be determined by the board, which shall not in any event exceed ten years from the date of grant. The Share Option Scheme does not specify any minimum holding period but the Board has the authority to determine the minimum period for which a share option in respect of some or all of the shares forming the subject of the share options must be held before it can be exercised.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of commencement of the listing of the shares on the Stock Exchange. The Company may seek approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme save that the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Where any further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such participant and his associates abstaining from voting.

Based on the information to the extent available to the Directors, no share options have been granted by the Company pursuant to the Share Option Scheme during the six months ended 30 June 2017.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 30 June 2017, the persons or companies (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Number of shares held	Approximate % of the relevant issued share capital	Nature of interests
Hong Kong Rong An	986,127,570 (L)	42.34%	Beneficial owner (Note 1)
	614,130,000 (L)	26.36%	Interest of other party to an agreement under section 317 of the SFO (Note 2)
CECEP Chongqing	1,600,257,570 (L)	68.70%	Interest of controlled corporation (Note 1)
CECEP	1,600,257,570 (L)	68.70%	Interest of controlled corporation (Note 1)
Nian's Brother Holding	607,320,000 (L)	26.07%	Beneficial owner (Note 3)
	992,937,570 (L)	42.63%	Interest of other party to an agreement under section 317 of the SFO (Note 4)
Nian's Investment	1,600,257,570 (L)	68.70%	Interest of controlled corporation (Note 3)
Magnus	1,600,257,570 (L)	68.70%	Interest of controlled corporation (Note 5)
Coutts	1,600,257,570 (L)	68.70%	Trustee (Note 5)
Export – Import Bank of China	150,000,000 (L)	6.44%	Security interest in shares (Note 6)

(L): Long Position

Notes:

- Hong Kong Rong An is a wholly-owned subsidiary of 重慶中節能實業有限責任公司(CECEP Chongqing Industry Co., Ltd.#) (“CECEP Chongqing”) which is owned as to approximately 98.03% by 中國節能環保集團公司(China Energy Conservation and Environmental Protection Group#) (“CECEP”). For the purpose of Part XV of the SFO, CECEP Chongqing and CECEP are therefore deemed to be interested in the shares held by Hong Kong Rong An. Hong Kong Rong An has pledged 150,000,000 shares in favour of the Export-Import Bank of China as security for a loan facility provided by such bank to it.
- These 614,130,000 shares comprise 607,320,000 shares directly held by Nian's Brother Holding and 6,810,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Hong Kong Rong An is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.
- Nian's Brother Holding is a wholly-owned subsidiary of Nian's Investment. For the purpose of Part XV of the SFO, Nian's Investment is therefore deemed to be interested in the shares held by Nian's Brother Holding.

The English name is translated for reference only

OTHER INFORMATION

4. These 992,937,570 shares comprise 986,127,570 shares directly held by Hong Kong Rong An and 6,810,000 shares indirectly held by Mr. Chim Wai Kong. As a result of the entering into of the Shareholders Deed, Nian's Brother Holding is deemed (for the purpose of the duty of disclosure) to be interested in the above shares pursuant to Part XV of the SFO.
5. The entire interest of Nian's Investment is held by Magnus as a nominee in favour of Coutts for the purpose of establishing the Nian's Brother Trust. Coutts is the trustee of Nian's Brother Trust. For the purpose of Part XV of the SFO, Magnus and Coutts are deemed to be interested in the shares indirectly held by Nian's Investment.
6. These 150,000,000 shares are pledged by Hong Kong Rong An in favour of the Export-Import Bank of China as security for a loan facility provided by the Export-Import Bank of China to Hong Kong Rong An.

Save as disclosed herein, based on the information to the extent available to the Directors, the Directors are not aware of any person who was, as at 30 June 2017, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Based on the information to the extent available to the Directors, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold, any of the shares of the Company during the six months ended 30 June 2017 and up to the date of this report.

AUDITOR

Baker Tilly Hong Kong Limited has been appointed as the new auditor of the Company with effect from 21 December 2018 to fill the casual vacancy following the termination of RSM Hong Kong as the auditor of the Company.

The financial statements for the six months ended 30 June 2017 were reviewed by Baker Tilly Hong Kong Limited.

Yang Jian Hui

Director

Hong Kong, 29 March 2019

INDEPENDENT REVIEW REPORT



**Independent review report to the board of directors of
CECEP COSTIN New Materials Group Limited (In Provisional Liquidation)**

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We were engaged to review the interim financial information set out on pages 22 to 31 which comprises the condensed consolidated statement of financial position of CECEP COSTIN New Materials Group Limited (in Provisional Liquidation) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We planned to conduct our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing issued by Auditing and Assurance Standards Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

However, because of the matters described in the "Basis for disclaimer of conclusion" section of our report, we were not able to carry out sufficient review procedures to provide a basis for a conclusion on the interim financial information.

INDEPENDENT REVIEW REPORT

BASIS FOR DISCLAIMER OF CONCLUSION

(a) *Opening balances and comparative figures*

As disclosed in note 2 to the interim financial information, the directors noted that the historical information in respect of the Company that is available to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position of the Group and may contain significant errors. Given the findings of the forensic accounting firm in respect of the alleged misappropriation of funds of a subsidiary of the Company by a former executive director and co-chairman of the Company, and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the directors believe that it is almost impossible, and not practicable, to verify the financial information as reported in the Group's unaudited interim financial information and audited consolidated financial statements in respect of the previous years.

Against this background, we were not able to satisfy ourselves as to whether the net assets of the Group and the Company as at 1 January 2017 were free from material misstatement. Any adjustments to the opening net assets of the Group and of the Company as at 1 January 2017 would affect the Group's profit and cash flows for the six months ended 30 June 2017 and the related disclosures in the interim financial information. In addition, the comparative figures shown in the interim financial information may not be comparable with the figures for the current period ended 30 June 2017.

(b) *Limited books of account and records*

As disclosed in note 2 to the interim financial information, given the findings of the forensic accounting firm in respect of the alleged misappropriation of funds of a subsidiary of the Company by a former executive director and co-chairman of the Company and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the directors believe that it is almost impossible, and not practicable, to ascertain the transactions and balances in respect of the six months ended 30 June 2017 included in the interim financial information. In this connection, no representation is made by the directors as to the completeness, existence and accuracy of the transactions and balances in respect of the six months ended 30 June 2017 included in this interim financial information, and whether the interim financial information has been prepared in accordance with IAS 34 and in compliance with the disclosure requirements of the Listing Rules.

INDEPENDENT REVIEW REPORT

BASIS FOR DISCLAIMER OF CONCLUSION (continued)

(c) *Non-compliance with IAS 34 and omission of disclosures*

As explained in note 2 to the interim financial information, the interim financial information has been prepared by the directors based on limited books of account and records available to the Company and the directors believe that it is almost impossible, and not practical, to ascertain the correct amounts. Consequently, the interim financial information does not contain the condensed consolidated statement of cash flows as required by IAS 34 and certain disclosures required under IAS 34 and the Listing Rules. Given these circumstances, there were no practicable review procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the interim financial information.

(d) *Going concern basis of accounting*

As explained in note 2 to the interim financial information, the interim financial information has been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be completed and the Group will be able to improve its financial position and business upon completion of the proposed restructuring.

The completion of the proposed restructuring is, however, conditional upon, amongst other things, the schemes of arrangement for the restructuring of the Company's indebtedness being accepted by the Company's creditors and approved by the courts in Hong Kong and the Cayman Islands, the relevant approvals being obtained from the shareholders of the Company and other Hong Kong regulatory authorities including The Stock Exchange of Hong Kong Limited and the Hong Kong Securities and Futures Commission, and the resumption of trading in the Company's shares on The Stock Exchange of Hong Kong Limited.

The interim financial information does not incorporate any adjustments that would result from a failure to attain favourable results in respect of the above matters. If the outcome in respect of any of the above matters turns to be unfavourable, the going concern basis might not be appropriate and, in such event, adjustments would have to be made to the interim financial information to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

INDEPENDENT REVIEW REPORT

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the “Basis for disclaimer of conclusion” section of our report, we were unable to carry out sufficient review procedures to provide a basis for a conclusion on the interim financial information. Accordingly, we do not express a conclusion on the interim financial information.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 29 March 2019

Chan Kwan Ho, Edmond

Practising certificate number P02092

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Turnover		–	646,548
Cost of goods sold		–	(460,591)
Gross profit		–	185,957
Other income		30	7,140
Distribution expenses		–	(5,378)
Administrative expenses		(8,742)	(20,844)
Loss on disposal of subsidiaries	4	–	(8,681)
(Loss)/profit from operations		(8,712)	158,194
Finance costs	5	(4,933)	(8,282)
(Loss)/profit before tax		(13,645)	149,912
Income tax expense	6	–	(30,247)
(Loss)/profit for the period attributable to owners of the Company		(13,645)	119,665
Other comprehensive income/(loss) after tax:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		5,684	(2,386)
Total comprehensive (loss)/income for the period attributable to owners of the Company		(7,961)	117,279
(Loss)/earnings per share	7		
Basic		RMB(0.59) cents	RMB5.14 cents
Diluted		N/A	N/A

The notes on pages 25 to 31 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 (Expressed in Renminbi)

	Note	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		9	–
Current assets			
Prepayments, deposits and other receivables		2,686	2,146
Due from an unconsolidated subsidiary	8	–	13,203
Bank and cash balances		5,014	1,794
		7,700	17,143
TOTAL ASSETS		7,709	17,143
EQUITY AND LIABILITIES			
Share capital	9	196,409	196,409
Reserves		(350,687)	(342,726)
Total deficit		(154,278)	(146,317)
Current liabilities			
Accruals and other payables		6,049	2,781
Due to unconsolidated subsidiaries	8	1,475	1,500
Bank loans		154,463	159,179
		161,987	163,460
TOTAL DEFICIT AND LIABILITIES		7,709	17,143

Approved and authorised for issue by the Company on 29 March 2019

Yang Jian Hui
Director

Kelvin Kin-Cheong Ho
Director

The notes on pages 25 to 31 form part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 (Expressed in Renminbi)

	(Unaudited)							Total RMB'000
	Share capital RMB'000	Share premium account RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	
At 1 January 2016	196,409	112,543	(17,101)	185,841	20,934	79,974	1,137,420	1,716,020
Loss for the period	-	-	-	-	-	-	119,665	119,665
Other comprehensive loss	-	-	(2,386)	-	-	-	-	(2,386)
Total comprehensive expense for the period	-	-	(2,386)	-	-	-	119,665	117,279
Dividend paid	-	-	-	-	-	-	(13,935)	(13,935)
At 30 June 2016	196,409	112,543	(19,487)	185,841	20,934	79,974	1,243,150	1,819,364
At 1 January 2017	196,409	112,543	(15,723)	-	20,909	-	(460,455)	(146,317)
Loss for the period	-	-	-	-	-	-	(13,645)	(13,645)
Other comprehensive income	-	-	5,684	-	-	-	-	5,684
Total comprehensive income for the period	-	-	5,684	-	-	-	(13,645)	(7,961)
At 30 June 2017	196,409	112,543	(10,039)	-	20,909	-	(474,100)	(154,278)

The notes on pages 25 to 31 form part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi)

1. GENERAL INFORMATION

CECEP COSTIN New Materials Group Limited (In Provisional liquidation) (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The current address of the Company’s registered office is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands and its current principal place of business is situated at 22nd Floor, Prince’s Building, Central, Hong Kong.

Alleged misappropriation of funds

On 22 August 2016, the Company announced that it was alleged that certain funds of a subsidiary of the Company in The People’s Republic of China (the “PRC”) had been misappropriated by Mr. Chim Wai Kong (the “Misappropriation”). Mr. Chim Wai Kong was an executive director and co-chairman of the Company at that time and subsequently resigned as an executive director of the Company on 11 January 2017.

Following the allegation, a special investigation committee, comprising all three of the then independent non-executive directors of the Company, was established to conduct an inquiry into the alleged Misappropriation. On 30 September 2016, a forensic accounting firm was appointed to conduct a forensic investigation in respect of the alleged Misappropriation. On 3 November 2017, the forensic accounting firm issued a report and the key findings of the investigation as set out in the report are as follows:

- (a) There are discrepancies in bank balances, loan balances and external credit facilities between what had been disclosed in the annual reports of the Company and the statements and records received from the banks and credit agencies for the financial years ended 31 December 2014, 2015 and 2016 (up to 31 August 2016);
- (b) There are omissions in the Company’s annual reports for the financial years ended 31 December 2014 and 2015 in respect of external guarantees provided by the Company’s subsidiaries to third parties;
- (c) Since 2012, three subsidiaries of the Company have kept two sets of accounting records; and
- (d) Unauthorised payments were made from the bank accounts of a subsidiary of the Company to the bank accounts of Mr. Chim Wai Kong and his brother and the then director of the Company, Mr. Chim Wai Shing Jackson, and/or their connected entities between 2012 and 2016.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi)

1. GENERAL INFORMATION (continued)

Listing status of the Company

The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). However, trading in shares of the Company on the Stock Exchange has been suspended since 15 August 2016 due to the alleged Misappropriation.

On 14 December 2016, the Stock Exchange placed the Company in the first delisting stage under Practice Note 17 to the Rules Governing the Listing of a Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). As no resumption proposal was submitted to the Stock Exchange before the expiry date of the first delisting stage, the Stock Exchange placed the Company into the second delisting stage commencing on 26 June 2017 and expiring on 25 December 2017. No resumption proposal was submitted to the Stock Exchange again before the expiry date of the second delisting stage, the Stock Exchange placed the Company into the third delisting stage commencing on 24 January 2018 and expiring on 23 July 2018.

On 16 May 2018, the Company and a third-party investor entered into a legally binding restructuring framework agreement for implementation of a restructuring proposal in connection with the restructuring of the Company (the “Proposed Restructuring”). The Proposed Restructuring shall include the proposed acquisition by the Company of the target companies which are engaged in property investment in Hong Kong and Taiwan, which will constitute a very substantial acquisition and a reverse takeover involving a new listing application of the Company under the Listing Rules. The Proposed Restructuring shall also include, but not limited to, capital reorganisation, open offer and schemes of arrangement to be made between the Company and its creditors, to satisfy the resumption conditions as laid down by the Stock Exchange.

On 9 July 2018, the Company submitted a resumption proposal to the Stock Exchange which embraces the Proposed Restructuring and contemplates for the resumption of trading in the shares of the Company. On 21 September 2018, the Stock Exchange agreed to allow the Company to submit a new listing application relating to the resumption proposal (but not any other proposal) on or before 28 February 2019.

The new listing application was submitted to the Stock Exchange on 28 February 2019.

Voluntary winding up of a subsidiary and winding up petition against the Company

On 22 February 2017, a wholly owned subsidiary, Gerfalcon Industrial (Nonwoven) Investment Company Limited (“Gerfalcon Industrial”), was put into creditors’ voluntary winding up after taking into consideration, amongst others, its insolvency and various defaults in repayments of borrowings and bank loans. Gerfalcon Industrial, together with its subsidiaries, accounted for a substantial portion of the Group’s operations.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi)

1. GENERAL INFORMATION (continued)

Voluntary winding up of a subsidiary and winding up petition against the Company (continued)

On 2 November 2017, a creditor bank served a winding up petition against the Company (the "Petition") as the Company failed to repay a loan of HK\$150 million and related interest of HK\$8 million. As a result, Mr. Man Chun So, Mr. Yat Kit Jong and Mr. Simon Conway were appointed by the Grand Court of the Cayman Islands as joint provisional liquidators of the Company on 14 November 2017. The hearing of the Petition was adjourned and re-listed for hearing on 16 February 2018 (Cayman Islands Time).

By virtue of the order dated 13 March 2018, the hearing of the Petition was adjourned and re-listed for hearing on 27 September 2018 (Cayman Islands Time), which was subsequently vacated and the hearing of the Petition against the Company has been adjourned without a return date.

2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2016 has been prepared based on limited books of account and records available to the Company to the extent available to the directors to fulfil the Company's responsibilities for the preparation of interim financial information in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The interim financial information should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2016. Except as described in note 3, the accounting policies applied are consistent with those of the Group's audited consolidated financial statements for the year ended 31 December 2016, as described in those audited consolidated financial statements.

The directors noted that the historical information in respect of the Company that is available to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position of the Group and may contain significant errors. Given the findings of the forensic accounting firm in respect of the alleged Misappropriation as mentioned in note 1 and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the directors believe that it is almost impossible, and not practicable, to verify the financial information as reported in the Group's unaudited interim financial information and audited consolidated financial statements in respect of the previous years. Accordingly, the comparative financial information shown in this interim financial information only represents such information as reported in the Group's published unaudited interim financial information for the six months ended 30 June 2016 and audited consolidated financial statements for the year ended 31 December 2016 and therefore may not be comparable with the figures for the current period.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi)

2. BASIS OF PREPARATION (continued)

Given the findings of the forensic accounting firm in respect of alleged Misappropriation as mentioned in note 1 and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the directors believe that it is almost impossible, and not practical, to ascertain the transactions and balances in respect of the six months ended 30 June 2017 included in the interim financial information. In this connection, no representation is made by the directors as to the completeness, existence and accuracy of the transactions and balances in respect of the six months ended 30 June 2017 included in this interim financial information, and whether the interim financial information has been properly prepared in accordance with IAS 34 and in compliance with the disclosure requirements of the Listing Rules.

Due to insufficient financial information, the interim financial information does not contain condensed consolidated statement of cash flows as required by IAS 34, and certain disclosures under IAS 34 and the Listing Rules.

The interim financial information has been prepared on the assumption that the Proposed Restructuring of the Company will be completed and the Group will be able to improve its financial position and business upon completion of the Proposed Restructuring. As at the date of approval of this interim financial information, the directors are not aware of any circumstances or reasons that would likely affect the Proposed Restructuring. Accordingly, the directors considered that it is appropriate to prepare the interim financial information on a going concern basis. The interim financial information does not incorporate any adjustments for possible failure of the Proposed Restructuring and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in this interim financial information.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The IASB has issued certain new and revised IFRSs that are first effective for the current period of the Group. The application of the new and revised IFRSs did not result in significant changes to the Group's accounting policies and the presentation of the financial statements amounts reported for both the current and prior periods.

The Group has not applied the new IFRSs that have been issued but are not yet effective.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi)

4. LOSS ON DISPOSAL OF SUBSIDIARIES

On 6 May 2016, the Group disposed of its 100% equity interest on Gerfalcon International Limited which held 100% equity interest in Gerfalcon Investment Company Limited and COSTIN (Beijing) Technology Consulting Company Limited.

Analysis of loss on disposal of subsidiaries is as follows:

	RMB'000 (unaudited)
Consideration received	37
Less: Net assets disposed of	158
	(121)
Impairment loss on amount due from Gerfalcon International Limited	8,560
Loss on disposal of subsidiaries	(8,681)

On the basis as set out in note 2, no representation is made by the directors as to the completeness, occurrence and accuracy of loss on disposal of subsidiaries.

5. FINANCE COSTS

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Interest expense on bank loans	4,933	8,282

On the basis as set out in note 2, no representation is made by the directors as to the completeness, occurrence and accuracy of finance costs.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi)

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
– PRC Enterprise Income Tax	–	23,647
Deferred tax	–	6,600
	–	30,247

PRC Enterprise Income Tax for six months ended 30 June 2016 was calculated at 25% on the estimated assessable profit for the period.

No provision for Hong Kong Profits Tax is required for the subsidiaries of the Company incorporated in Hong Kong since they have no assessable profits for the six months ended 30 June 2017 and 30 June 2016.

On the basis as set out in note 2, no representation is made by the directors as to the completeness, occurrence and accuracy of income tax expense.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basis earnings per share		
– (loss)/profit attributable to owners of the Company	(13,645)	119,665
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,329,266,000	2,329,266,000

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary share for the six months ended 30 June 2016 and 30 June 2017.

On the basis as set out in note 2, the (loss)/profit attributable to owners of the Company may not be accurate, and no representation is made by the directors as to the accuracy of the (loss)/earnings per share of the Company.

NOTES TO THE INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi)

8. DUE FROM/(TO) UNCONSOLIDATED SUBSIDIARIES

The balances are unsecured, interest-free and repayment on demand.

On the basis as set out in note 2, no representation is made by the directors as to the completeness, existence and accuracy of the balances due from or to unconsolidated subsidiaries.

9. SHARE CAPITAL

	Number of shares	Amount HK\$	Amount as presented RMB
Authorised:			
At 1 January 2016 (audited),			
31 December 2016 (audited),			
1 January 2017 and 30 June 2017 (unaudited)	4,000,000,000	400,000,000	340,774,000
Ordinary shares, issued and fully paid:			
At 1 January 2016 (audited),			
31 December 2016 (audited),			
1 January 2017 and 30 June 2017 (unaudited)	2,329,266,000	232,926,600	196,408,906

10. CONTINGENT LIABILITIES

At 30 June 2017, the Company had contingent liabilities in respect of corporate guarantees to the extent of RMB112,928,000 given for the general banking facilities granted to an unconsolidated subsidiary. Due to limited books of account and records available to the Company, the amount of drawdown by the unconsolidated subsidiary under such facilities is not known to the Company.

On the basis as set out in note 2, no representation is made by the directors as to the completeness, existence and accuracy of contingent liabilities.