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China Lumena New Materials Corp.

中国旭光新材料集团有限公司

**CHINA LUMENA NEW MATERIALS CORP.**

(In Provisional Liquidation)

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 67)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

China Lumena New Materials Corp. (In Provisional Liquidation) (the “Company”) announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2017 and consolidated financial position as at 31 December 2017 with comparative figures for the year ended 31 December 2016 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2017*

	<i>Notes</i>	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
<b>Revenue</b>	5	—	—
Cost of sales		—	—
<b>Gross profit</b>		—	—
Other revenue and gains	6	—	—
Loss on deconsolidation of unconsolidated subsidiaries	7	—	—
Selling and distribution expenses		—	—
Other operating expenses		<b>(5,416)</b>	(4,438)
Finance costs	8	<b>(178,585)</b>	(191,318)
<b>Loss before income tax</b>	9	<b>(184,001)</b>	(195,756)
Income tax expense	10	—	—
<b>Loss for the year</b>		<b>(184,001)</b>	(195,756)
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		—	—
Other comprehensive income for the year, net of tax		—	—
<b>Total comprehensive loss for the year</b>		<b>(184,001)</b>	<b>(195,756)</b>
		<b>RMB cents</b>	RMB cents
<b>Loss per share</b>	11		
– Basic and diluted		<b>(3.3)</b>	(3.5)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>Notes</i>	<b>2017</b> <b>RMB'000</b>	2016 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,011</b>	1,011
Investment properties		–	–
Land use rights		–	–
Goodwill		–	–
Mining rights		–	–
Other intangible assets		–	–
Deposits and prepayments		–	–
Deferred tax assets		–	–
		<b>1,011</b>	1,011
<b>Current assets</b>			
Inventories		–	–
Trade and other receivables	<i>13</i>	–	–
Cash and bank balances		<b>6,685</b>	8,089
		<b>6,685</b>	8,089
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>28,779</b>	24,767
Borrowings		<b>2,103,246</b>	1,924,661
Convertible bonds		<b>1,084,388</b>	1,084,388
Tax payable		–	–
		<b>3,216,413</b>	3,033,816
<b>Net current liabilities</b>		<b>(3,209,728)</b>	(3,025,727)
<b>Total assets less current liabilities</b>		<b>(3,208,717)</b>	(3,024,716)
<b>Non-current liabilities</b>			
Borrowings		<b>3,727,903</b>	3,727,903
Deferred tax liabilities		<b>311,947</b>	311,947
		<b>4,039,850</b>	4,039,850
<b>Net liabilities</b>		<b>(7,248,567)</b>	(7,064,566)
<b>EQUITY</b>			
Share capital		<b>383</b>	383
Reserves		<b>(7,248,950)</b>	(7,064,949)
<b>Total deficit</b>		<b>(7,248,567)</b>	(7,064,566)

## 1. GENERAL INFORMATION

China Lumena New Materials Corp. (In Provisional Liquidation) (the “Company”) was incorporated in the Cayman Islands on 12 April 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The current address of the Company’s registered office is c/o PwC Corporate Finance & Recovery (Cayman) Limited, PO Box 258, 4th Floor, 18 Forum Lane, Grand Cayman, Cayman Islands, KY1-1104 and its current principal place of business is situated at 22/F., Prince’s Building, Central, Hong Kong.

The Company and its subsidiaries (collectively the “Group”) were engaged in the following principal activities during the year:

- Manufacturing and selling of polyphenylene sulfide (“PPS”) products including PPS resin, PPS fibre and PPS compounds; and
- Processing and selling of powder thenardite, specialty thenardite and medical thenardite

## 2. STATEMENT OF COMPLIANCE

Except for the matters referred below, including certain disclosures as required under International Financial Reporting Standards (the “IFRSs”), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), these financial statements have been prepared in accordance with IFRSs, which collective term includes all applicable individual IFRSs, International Accounting Standards (the “IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance and Listing Rules.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3. BASIS OF PREPARATION

The joint provisional liquidators (the “Provisional Liquidators”) have presented in these financial statements the financial information prepared by the Company’s former management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

### **Suspension of trading of the Company’s shares**

Trading in the shares of the Company on the Stock Exchange has been suspended since 25 March 2014.

### **Winding up Petition**

On 29 January 2015, the board (the “Board”) of directors (the “Directors”) of the Company received a winding up petition dated 19 January 2015 filed by Mega International Commercial Bank Co., Ltd. (the “Petitioner” or “MICB”) against the Company (the “Winding Up Petition”) with the Grand Court of the Cayman Islands (the “Grand Court”) which was served at the Company’s registered office in the Cayman Islands.

It was alleged in the Winding Up Petition that the Company was indebted to and had failed to satisfy the Lenders (as defined below) of such debt in the total sum of US\$89,764,378.88 as at 16 January 2015, comprising the principal amount of a loan of US\$85,000,000 (the “Loan”), accrued unpaid interest thereon of US\$880,436.38 and accrued unpaid default interest thereon of US\$3,883,942.50. Pursuant to the Winding Up Petition, the aforesaid amounts were owed pursuant to a loan agreement dated 22 April 2013 (the “Loan Agreement”) entered into by (i) the Company (as borrower), (ii) the Petitioner, Cathay United Bank, China Development Industrial Bank, Ta Chong Bank Ltd., Taipei Fubon Commercial Bank Co., Ltd., Taishin International Bank Co., Ltd., Taiwan Business Bank and Bank of East Asia, Limited (as lenders) (collectively, the “Lenders”), and (iii) the Petitioner (as arranger and agent for the Lenders) in respect of the Loan.

Under the Winding Up Petition, the Petitioner sought to wind up the Company and to appoint liquidators.

### **Appointment of the Provisional Liquidators**

On 25 February 2015, Mr. Man Chun So, Mr. Yat Kit Jong and Mr. David Walker were appointed as the Provisional Liquidators of the Company with the power to act jointly and severally pursuant to the Order made by the Grand Court until further notice.

On 2 August 2016, the Grand Court made a further Order releasing Mr. David Walker from the obligation to perform any further duties in his capacity as Provisional Liquidator and replacing him with Mr. Simon Conway.

Since the appointment, the Provisional Liquidators of the Company have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets. The Provisional Liquidators have recovered limited books and records from the Company’s head office principal place of business in Hong Kong. None of the directors of the Company have advised the Provisional Liquidators of the whereabouts of the statutory books and records, or books and records of the Group including the subsidiaries incorporated in the People’s Republic of China (the “PRC”).

### **Proposed restructuring of the Group**

On 23 September 2016, the Company entered into a restructuring framework agreement (the “Restructuring Framework Agreement”) with independent third parties (the “Investors”), pursuant to which the Company will implement a restructuring of the Company’s equity and debt (“Proposed Restructuring”).

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; (iv) the Subscription; (v) the Acquisition; (vi) Reverse Takeover; and (vii) Whitewash Waiver.

Following the entering into of the Restructuring Framework Agreement, the Company submitted the resumption proposal to the Stock Exchange before the expiry of the third delisting stage to seek the resumption of trading of the Company’s shares. On 24 October 2016, the Company received a letter of even date from the Stock Exchange, which stated that 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 31 March 2017. If the Company fails to submit a new listing application by 31 March 2017, or the transactions proposed in the resumption proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company’s listing on the Stock Exchange.

On 31 March 2017, a new listing application was submitted to the Stock Exchange. In accordance with the Listing Rules, the New Listing Application was required to be re-submitted in the event that a six month period passed following the original submission. As such, the re-submission was filed with the Stock Exchange on 16 October 2017. In parallel, the Stock Exchange, together with the Securities and Futures Commission (collectively, the “Regulators”) issued several sets of queries in relation to the new listing application throughout the period from April 2017 to December 2017. The Company, the Investors and all other professional parties have been working closely to address the Regulators’ queries and made relevant replies throughout the year of 2017. As of the date of these financial statements, the Regulators are still in the process of reviewing the new listing application.

In consideration of the progress of the Proposed Restructuring and the recent financial performance of the target group, two amendment letters (the “Amendment Letters”) were entered between the Company, the Provisional Liquidators and the Investors on 29 September 2017 and 29 December 2017 respectively to extend the Long Stop Date of the Restructuring Framework Agreement to 30 April 2018 (or any other date as the parties may agree in writing) and reduce the Open Offer Price, the Subscription Price, the price of the Consideration Shares from HK\$0.08 to HK\$0.06.

Save as disclosed above, the Restructuring Framework Agreement remains substantially unchanged and in full force and effect in all respects.

### **Proposed Capital Reorganisation**

For the Proposed Restructuring, the Company proposes to implement, subject to the approval by the shareholders, the capital reorganisation. The capital reorganisation will comprise the share consolidation, the authorised share capital cancellation and the authorised share capital increase.

### **Creditors Schemes**

Pursuant to the terms of the Restructuring Framework Agreement, it is proposed that the Creditors Schemes will be implemented after approval has been granted by the High Court of Hong Kong (the “High Court”), the Grand Court and the creditors.

Upon completion of the Creditors Schemes, all the claims of the creditors against the Company, and liabilities of the Company will be discharged and released in full. All existing assets of the Group will be transferred to the scheme company or scheme administrators of the Creditors Schemes, such that the only assets of the Company will be the target group on completion.

### **The Open Offer**

Subject to the capital reorganisation becoming effective, the Company will implement the Open Offer of new shares on the basis of one offer share for every new share held on the Open Offer record date by the qualifying shareholders. A total of 560,385,939 offer shares will be allotted and issued by the Company at the offer price of HK\$0.06 cash for each offer share and the gross proceeds raised via the issuance of the offer shares will be approximately HK\$33.6 million. The Open Offer is only available to qualifying shareholders. The Open Offer will be conditional upon completion of the Proposed Restructuring. The Open Offer will be fully underwritten by an underwriter, being an independent third party and not acting in concert with the Concert Group.

### **The Subscription**

Pursuant to the Restructuring Framework Agreement and the Amendment Letters, the subscribers will subscribe for 1,120,771,878 subscription shares at the price of HK\$0.06 per subscription shares for an aggregate subscription price of HK\$67.2 million.

## **Use of proceeds from the Open Offer and the Subscription**

The gross proceeds from the Open Offer and the Subscription will amount to approximately HK\$100.8 million. HK\$90 million of such gross proceeds will be paid into the Creditors Schemes. The remaining balance of HK\$10.8 million of such gross proceeds will be used to partially settle the Company's professional fees and expenses. The remaining professional fees and expenses of the Company will be borne by the Investors.

## **The Acquisition**

Under the Restructuring Framework Agreement and the Amendment Letters, the Company will purchase the sale equity interest from the Investors. Upon the completion of the Acquisition, the target group will become wholly owned subsidiaries of the Company.

The consideration is approximately HK\$538.0 million and was arrived at after arm's length negotiations between the parties to the Restructuring Framework Agreement and the Amendment Letters and was determined by reference to (i) the unaudited combined net asset value of the target group as at 30 June 2017; (ii) the financial performance of the target group based on the unaudited financial information of the target group provided by the Investors; (iii) the business prospects of the target group; (iv) the prolonged suspension of trading of shares of the Company; and (v) the valuation of similar listed companies in the same industry.

The consideration shall be satisfied by the issuance and allotment of 8,966,175,024 consideration shares at the consideration price of HK\$0.06 each upon the completion of the Acquisition.

The completion of the Subscription, the Acquisition and the Open Offer, which form part of the Proposed Restructuring, will be inter-conditional upon each other.

## **Reverse Takeover**

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and therefore is subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules and approval of the new listing application of the Company by the Listing Committee.

## **Whitewash Waiver**

Upon the completion of the Acquisition, the Concert Group will, in aggregate, hold approximately 80.0% of the share capital of the Company after the capital reorganisation and as enlarged by the offer shares, the subscription shares and the consideration shares. As such, the Concert Group would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the concert group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Securities and Futures Commission (the "SFC"). The Investors will make an application to the SFC for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

## **Incomplete books and records**

Due to the limited information available, the Company was unable to obtain sufficient documentary information regarding the completeness of books and records and the treatment of various balances as included in the consolidated financial statements for the year ended 31 December 2017 and has formed the opinion as follows:

As the consolidated financial statements have been prepared based on the incomplete books and records available to the Company, the Company is unable to represent that all transactions entered into by the Group for the year ended 31 December 2017 have been properly reflected in the consolidated financial statements. As such, the Provisional Liquidators of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of the financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Provisional Liquidators have recovered only limited books and records of the Company.

### **Going concern**

The Group has received a winding up petition filed by the Petitioner against the Company and it was alleged in the Winding Up Petition that the Company was indebted to and failed to satisfy the Lenders. In preparing these consolidated financial statements, the Company has given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term.

Based on the cash flow projections of the Group and having taken into account the assumption that the Proposed Restructuring of the Company, as mentioned above, will be successfully completed, the Company has concluded that the Group and the Company is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

## **4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The International Accounting Standards committee (the “IASB”) has issued several amendments to IFRSs that are first effective for the current accounting period of the group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in notes to the consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to IAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



## 5. REVENUE

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold, less value-added tax and sales returns, for the year. The amount of each significant category of the revenue recognised is as follows:

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Revenue from PPS business</b>		
– Coating-grade PPS resin	–	–
– Injection-moulding-grade PPS resin	–	–
– Film-grade PPS resin	–	–
– PPS fibre	–	–
– PPS compounds	–	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>
<b>Revenue from mining and thenardite business</b>		
– Powder thenardite	–	–
– Medical thenardite	–	–
– Specialty thenardite	–	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>
<b>Revenue</b>	<hr/> <hr/>	<hr/> <hr/>

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the revenue of the Group as of the date of publication of these consolidated financial statements and no disclosure of the segment information is available.

## 6. OTHER REVENUE AND GAINS

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Other revenue and gains	<hr/> <hr/>	<hr/> <hr/>

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the other revenue and gains of the Group as of the date of publication of these consolidated financial statements.

## 7. LOSS ON DECONSOLIDATION OF UNCONSOLIDATED SUBSIDIARIES

Due to incomplete books and records, the Provisional Liquidators of the Company have been unable to access the books and records of certain subsidiaries of the Company (collectively referred to as “Unconsolidated Subsidiaries”). Due to the lack of complete books and records of the Unconsolidated Subsidiaries, the Provisional Liquidators consider that there is insufficient documentation to satisfy the Provisional Liquidators on control of the Unconsolidated Subsidiaries in accordance with the requirements of International Financial Reporting Standard 10 “Consolidated Financial Statements”. Therefore it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group’s consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators of the Company.

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the loss on deconsolidation of unconsolidated subsidiaries as of the date of publication of these consolidated financial statements.

## 8. FINANCE COSTS

	<b>2017</b> <i>RMB'000</i>	<b>2016</b> <i>RMB'000</i>
Total finance costs	<b>178,585</b>	<b>191,318</b>

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the finance costs of the Group as of the date of publication of these consolidated financial statements.

## 9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging and (crediting) the following items:

	<b>2017</b> <i>RMB'000</i>	<b>2016</b> <i>RMB'000</i>
Auditor’s remuneration	<b>208</b>	258
Amortisation of land use rights <i>(note (i))</i>	–	–
Amortisation of mining rights <i>(note (i))</i>	–	–
Amortisation of other intangible assets <i>(note (i))</i>	–	–
Cost of inventories recognised as an expense	–	–
Depreciation of property, plant and equipment	–	–
Impairment of trade and other receivables	–	–
Write-off of cash and bank balances	–	–
Operating lease charges on rented premises	–	–
Outgoings in respect of investment properties	–	–
Research expenses	–	–
Staff costs (including directors’ remuneration) <i>(note (ii))</i>		
– Wages, salaries and bonus	<b>3,039</b>	3,324
– Equity-settled share-based payment	–	–
– Contribution to defined contribution pension plans	–	–
	<b>3,039</b>	<b>3,324</b>

Notes:

- (i) Amounts have been included in other operating expenses in the consolidated statement of profit or loss and comprehensive income.
- (ii) Due to incomplete books and records, the Provisional Liquidators were unable to ascertain the information about the five highest paid individuals during the Reporting Period.

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of loss before taxation of the date of publication of these consolidated financial statements.

#### 10. INCOME TAX EXPENSE

	<b>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Total income tax expenses	<u>                    -</u>	<u>                    -</u>

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the income tax expenses of the Group as of the date of publication of these consolidated financial statements.

#### 11. LOSS PER SHARE

##### **Basic**

The calculation of basic loss per share is based on the loss attributed to the owner of the Company approximately RMB184,001,000 (2016: loss of RMB195,756,000) and the weighted average number of 5,603,859,393 (2016: 5,603,859,393) ordinary shares in issue during the year.

##### **Diluted**

Diluted loss per share equals to basic loss per share for the years ended 31 December 2017 and 2016 because the share options outstanding were anti-dilutive.

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of earnings per share as of the date of publication of these consolidated financial statements.

## 12. DIVIDENDS

No dividend was declared during the year (2016: Nil).

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of dividends as of the date of publication of these consolidated financial statements.

## 13. TRADE AND OTHER RECEIVABLES

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
At 1 January	<b>18,649</b>	18,649
Impairment loss on trade and other receivables	<b>(18,649)</b>	(18,649)
Net carrying amount at 31 December	<u><u>—</u></u>	<u><u>—</u></u>

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other receivables as of the date of publication of these consolidated financial statements.

## 14. TRADE AND OTHER PAYABLES

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Net carrying amount	<b>28,779</b>	24,767

On the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other payables as of the date of publication of these consolidated financial statements.

## **EXTRACT FROM INDEPENDENT AUDITOR’S REPORT**

The Company’s auditor has issued a disclaimer of opinion on the Group’s consolidated financial statements for the year ended 31 December 2017, an extract of which is as follows:

### **Disclaimer of Opinion**

We were engaged to audit the consolidated financial statements of China Lumena New Materials Corp. (In Provisional Liquidation) (the “Company”) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **Basis for Disclaimer of Opinion**

#### ***Scope limitation due to incomplete books and records***

Up to the date of this report, given the incomplete books and records and serious doubts over the reliability of the Group’s accounting and other records, the provisional liquidators acting as agents of the Company (without liability and recourse) (the “Provisional Liquidators”) believe that it is almost impossible, and not practical, to ascertain the correct revenue and profit or loss (and the resultant assets and liabilities) for the current year for inclusion in the consolidated financial statements of the Group. Also, due to incomplete books and records, the Provisional Liquidators of the Company believe that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group and financial statements of the Company for the past years and, in particular prior to the appointment of the Provisional Liquidators on 25 February 2015. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions of the Group and the Company.

Given these circumstances, which are more fully disclosed in notes to the financial statements, there were no practicable audit procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group’s and the Company’s financial information.

As a result, in performing our audit on the consolidated financial statements of the Group for the year ended 31 December 2017, there were no practicable audit procedures that we could perform to satisfy ourselves whether the balances of assets, liabilities, contingent liabilities, commitments and reserves as at 1 January 2016, 1 January 2017 and 31 December 2017 were fairly stated.

Included in the note to the Company-level statement of financial position are interests in subsidiaries of RMB278,164,000 and RMB278,164,000 and loans to subsidiaries of RMB2,421,000 and RMB2,421,000 as at 31 December 2017 and 31 December 2016 respectively. Due to the scope limitations as mentioned above, we are unable to satisfy ourselves as to the fairness of the amounts carried as interests in subsidiaries and loans to subsidiaries in the Company-level statement of financial position or to determine whether any provision for impairment loss is necessary in respect of the above. Any adjustments would have a consequential effect on the net liabilities of the Company as at 31 December 2017 and 31 December 2016 and of its net loss for the years then ended and the related disclosures in the Company-level statement of financial position and reserves.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net liabilities of the Group as at 1 January 2016, 1 January 2017 and 31 December 2017, and on its loss for the years ended 31 December 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

#### ***Non-compliance with IFRSs and Omission of Disclosures***

As explained in notes to the consolidated financial statements, as the consolidated financial statements of the Group have been prepared by the Company's former management and the Provisional Liquidators have presented these financial statements based on incomplete books and records, the Provisional Liquidators believe it is almost impossible and not practicable to ascertain the correct amounts. Consequently, the Provisional Liquidators of the Company were unable to confirm that the consolidated financial statements comply with IFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been complied with. Given these circumstances, which are more fully described in notes to the consolidated financial statements, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.

#### ***Investments in Unconsolidated Subsidiaries and Deconsolidation of Subsidiaries***

As disclosed in notes to the consolidated financial statements, due to incomplete books and records, the Provisional Liquidators of the Company have been unable to access the books and records of certain subsidiaries of the Company (collectively referred to as "Unconsolidated Subsidiaries"). Due to the lack of complete books and records of the Unconsolidated Subsidiaries, the Provisional Liquidators consider that there is insufficient documentation to satisfy the Provisional Liquidators on control of the Unconsolidated Subsidiaries in accordance with the requirements of International Financial Reporting Standard 10 "Consolidated Financial Statements". Therefore, it is almost impossible, and not practical, to consolidate the financial statements of the Unconsolidated Subsidiaries into the Group's consolidated financial statements since 25 February 2015, the date of the appointment of the Provisional Liquidators of the Company.

However, no sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of these Unconsolidated Subsidiaries since 25 February 2015 and throughout the years ended 31 December 2016 and 2017 and accordingly we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to whether it is appropriate to exclude the Unconsolidated Subsidiaries from the consolidated financial statements and the loss on deconsolidation of unconsolidated subsidiaries.

The exclusion of the financial position and results of the Unconsolidated Subsidiaries in the consolidated financial statements is a departure from the requirements of International Financial Reporting Standard 10 “Consolidated Financial Statements”.

Due to the lack of complete books and records of the Unconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanations to determine whether the carrying values of the investments in the Unconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found to be necessary would have a consequential significant effect on the Group’s and the Company’s net liabilities as at 31 December 2016 and 2017 and the Group’s results for the years then ended.

### ***Material Uncertainty related to Going Concern Basis***

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis of preparation of these consolidated financial statements.

### **OTHER MATTERS**

The Provisional Liquidators were appointed on 25 February 2015. The Provisional Liquidators have recovered only limited books and records of the Company and they have used their reasonable endeavours to present the consolidated financial statements based on the information prepared by the former management of the Company available to them to date and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015 to fulfil the Company’s responsibilities for the preparation of the consolidated financial statements in accordance with IFRSs.

## **RESULT FOR THE YEAR ENDED 31 DECEMBER 2017**

### **BUSINESS AND FINANCIAL REVIEW**

#### **Business Review**

##### *Appointment of the Provisional Liquidators and the Winding-Up Hearing*

On 23 January 2015, Mega International Commercial Bank Co., Ltd. presented a winding-up petition to the Grand Court for the winding-up of the Company. On 27 January 2015, a summons was filed with the Grand Court seeking the appointment of liquidators to the Company.

At the hearing on 25 February 2015, the Grand Court handed down the Court Order appointing Mr. Man Chun So, Mr. Yat Kit Jong and Mr. David Walker as the Provisional Liquidators together with another Order adjourning the hearing of the Winding Up Petition to 26 May 2015. At the adjourned hearing on 26 May 2015, the Winding Up Petition was further adjourned to a date to be fixed.

On 2 August 2016, the Grand Court made a further order releasing Mr. David Walker from the obligation to perform any further duties in his capacity as joint provisional liquidator and replacing him with Mr. Simon Conway.

Upon the appointment of the Provisional Liquidators and pursuant to the powers conferred to the Provisional Liquidators in the Order, the Provisional Liquidators have sought to obtain information, books and records of the Company from relevant parties including the directors and key employees of the Company, banks and auditors as well as from site visits to the offices and operations in Hong Kong and the PRC.

The Provisional Liquidators have sought to identify and secure any assets of the Company including securing the Hong Kong office premises, taking possession of limited books and records in Hong Kong, requesting Statements of Affairs from the directors and seeking to transfer bank balances to the Provisional Liquidators' designated accounts.

##### *Restructuring of the Company*

###### *Suspension of trading in shares of the Company*

Trading in the shares on the Main Board of the Stock Exchange has been suspended with effect from 10:56 a.m. on 25 March 2014.



### *First Resumption Conditions*

On 20 November 2014, the Stock Exchange informed the Company that the following resumption conditions (the “First Resumption Conditions”) have been imposed on the Company to proceed with the resumption of trading in the shares of the Company:

- (a) publish an announcement addressing the allegations of Glaucus Report by Glaucus Research Group and Emerson Report by Emerson Analytics Co., Ltd., and disclosing all material information that is necessary for the market to appraise the Company’s latest operating and financial position;
- (b) publish all outstanding financial results required by the Rules Governing the Listing Securities on the Stock Exchange (the “Listing Rules”) and address any audit qualifications; and
- (c) demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules.

The Company is also required to comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption. The Stock Exchange may modify any of the above and/or impose further conditions if the situation changes.

### *First delisting stage*

On 16 March 2015, according to the letter from the Stock Exchange dated 13 March 2015, the Stock Exchange decided to place the Company in the first delisting stage under Practice Note 17 of the Listing Rules as the Stock Exchange considers that the Company is unable to maintain a sufficient level of operations or assets required under Rule 13.24 to support a continued listing.

The first delisting stage expired on 12 September 2015. The Company was required to submit a viable resumption proposal addressing all the resumption conditions at least 10 business days before the expiry of the first delisting stage. The proposal must be clear, plausible and coherent, and contain sufficient details (including forecasts and a clear plan for future business development) for the Stock Exchange’s assessment. The Company must demonstrate that it has a business of substance and that the business model is viable and sustainable. The proposal should also comply with the Listing Rules and all applicable laws and regulations.

In addition to the Resumption Conditions published on 26 November 2014, the Stock Exchange has imposed Further Resumption Conditions for the resumption of trading in the shares of the Company on the Stock Exchange, being to:

- (a) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rule obligations; and
- (b) have the winding up petition against the Company withdrawn or dismissed and the Provisional Liquidators discharged.

### *Second delisting stage*

On 25 September 2015, the Company announced that as no resumption proposal had been submitted before the expiry date of the first delisting stage, the Stock Exchange accordingly decided to place the Company in the second delisting stage commencing on 17 September 2015 pursuant to Practice Note 17 of the Listing Rules. The second delisting stage expired on 16 March 2016. The Company was required to provide a viable resumption proposal at least 10 business days before the second delisting stage expires (i.e. 1 March 2016) to:

- (a) demonstrate that the Company has sufficient operations or value of assets under Rule 13.24;
- (b) address the allegations of the reports published by Glaucus Research Group and Emerson Analytics Co., Ltd. and disclose all material information;
- (c) publish all outstanding financial results and address any audit qualifications;
- (d) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rule obligations; and
- (e) withdraw or dismiss the winding up petition and discharge of the provisional liquidators.

### *Third delisting stage*

On 8 April 2016, the Company announced that as no resumption proposal had been submitted before the expiry date of the second delisting stage, the Stock Exchange decided to place the Company in the third delisting stage pursuant to Practice Note 17 of the Listing Rules. The third delisting stage commenced on 8 April 2016 and will expire on 7 October 2016.

The resumption proposal to be submitted should demonstrate sufficient operations or assets as required under Rule 13.24 and to have the winding up petition against the Company withdrawn or dismissed and the Provisional Liquidators discharged.

The Company must also:

- (a) address the alleged irregularities mentioned in the reports published by Glaucus Research Group and Emerson Analytics Co., Ltd. and inform the market of material information;
- (b) publish all outstanding financial results and address any audit qualifications; and
- (c) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

## *Proposed Restructuring of the Company*

On 23 September 2016, the Company entered into the Restructuring Framework Agreement with Investors, pursuant to which the Company will implement a restructuring of the Company's equity and debt.

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; (iv) the Subscription; (v) the Acquisition; (vi) Reverse Takeover; and (vii) Whitewash Waiver.

Following the entering into of Restructuring Framework Agreement, the Company submitted the resumption proposal to the Stock Exchange before the expiry of the third delisting stage to seek the resumption of trading of the Company's shares. On 24 October 2016, the Company received a letter of even date from the Stock Exchange, which stated that 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 31 March 2017. If the Company fails to submit a new listing application by 31 March 2017, or the transactions proposed in the resumption proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange.

On 31 March 2017, a new listing application was submitted to the Stock Exchange. In accordance with the Listing Rules, the New Listing Application was required to be re-submitted in the event that a six month period passed following the original submission. As such, the re-submission was filed with the Stock Exchange on 16 October 2017. In parallel, the Stock Exchange, together with the Securities and Futures Commission (collectively, the "Regulators") issued several sets of queries in relation to the new listing application throughout the period from April 2017 to December 2017. The Company, the Investors and all other professional parties have been working closely to address the Regulators' queries and made relevant replies throughout the year of 2017. As of the date of this announcement, the Regulators are still in the process of reviewing the new listing application.

## **Financial Review**

As noted in the financial statement disclosures, due to the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the Provisional Liquidators are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. As such, the information below has been presented and/or prepared to the best knowledge of the Provisional Liquidators based on information made available to them to date.

### ***Revenue and gross profit***

The Group generated no revenue and no gross profit for the year ended 31 December 2017 and 2016. Loss before income tax was RMB184.0 million for the year ended 31 December 2017 (2016: RMB195.8 million).

### ***Liquidity and Financial Resources***

As at 31 December 2017, bank and cash balances of the Group were approximately RMB6.7 million (2016: RMB8.1 million).

The bank and other borrowings and Convertible Bonds amounted to approximately RMB5,831.1 million and RMB1,084.4 million respectively for the year ended 31 December 2017. The bank borrowings included secured and unsecured bank loans.

The gearing ratio (measured as total borrowings over total assets) as at 31 December 2017 was 89,858.8% (2016: 74,032.4%).

Based on the information available to the Provisional Liquidators, as at 31 December 2017, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company.

### ***Finance Cost***

The finance cost amounted to approximately RMB178.6 million for the year ended 31 December 2017 (2016: RMB191.3 million).

### ***Assets and Liabilities***

As at 31 December 2017, the Group had total assets of approximately RMB7.7 million (2016: RMB9.1 million), total liabilities of RMB7,256.3 million (2016: RMB7,073.7 million). The net liabilities of the Group as at 31 December 2017 were RMB7,248.6 million (2016: RMB7,064.6 million).

### ***Charges on Group Assets***

Due to incomplete books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to ascertain whether there are any charged assets at a Group level as at 31 December 2017.

### ***Capital Commitments***

The Group and the Company did not have any significant capital commitments as at 31 December 2017.

### ***Earnings per Share***

For the year ended 31 December 2017, the basic loss per share was RMB3.3 cents (2016: RMB3.5 cents).

### ***Final Dividends***

No dividend was declared during the year ended 31 December 2017.

### ***Contingent Liabilities***

Due to incomplete books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to ascertain whether there are any material contingent liabilities as at 31 December 2017.

### ***Foreign Currency Exposure***

Based on the books and records available to the Provisional Liquidators, the Group and the Company did not appear to use any foreign currency derivative product to hedge our exposure to currency risk for the year ended 31 December 2017.

### ***Purchase, Sale or Redemption of Listed Securities of the Company***

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain whether the Company has any purchase, sale or redemption of listed securities for the year ended 31 December 2017.

### **Outlook/Prospect**

The Provisional Liquidators, with the assistance of their professional advisers, have submitted a resumption proposal and a new listing application to the Stock Exchange.

The resumption proposal when successfully implemented, will achieve the following:

- All the existing assets of the Group are transferred to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes, as agreed by the Creditors, for realization for the benefits of the Creditors;
- All the liabilities of the Company are fully discharged under the Creditors Schemes;
- In order to fulfill the minimum public float requirement, the Investors will enter into a placing agreement with an independent third party for the placing of not less than 5% of the issued share capital of the Enlarged Group. Subsequent to the aforesaid placement, the Investors will own approximately 75% of the issued share capital of the Enlarged Group, the Subscribers will own approximately 10% of the issued share capital of the Enlarged Group and existing shareholders as a whole and the Underwriter to the Open Offer will own approximately between 5% to 10% and approximately between 0% to 5% of the issued share capital of the Enlarged Group respectively depending on the extent of the acceptance of the Open Offer;

- Upon the grant of the Whitewash Wavier by the Executive, the Investors 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 in the business of building materials 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 and the New Shares on the Stock Exchange.

Accordingly, all the resumption conditions imposed by the Stock Exchange will be met.

For the benefit of the Shareholders and the Creditors as a whole, the Company seeks the Stock Exchange's approval for the implementation of the new listing application, such that trading in the Shares can be resumed for the benefits of all the Shareholders, especially the minority Shareholders.

## **CODE ON CORPORATE GOVERNANCE PRACTICE**

### **Compliance with the Code on Corporate Governance Practices**

On 25 February 2015, the Provisional Liquidators were appointed by the Grand Court to, among others, take control and possession of the assets and books and records of the Company. As certain books and records of the Company could not be located, the corporate governance report was prepared in accordance with the limited information available to the Provisional Liquidators.

The Company appeared to comply, based on the limited information available to the Provisional Liquidators, with the principles (the "Principles") and code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") stipulated by the Stock Exchange in Appendix 14 of the Listing Rules, 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 Provisional Liquidators, the Provisional Liquidators are unable to ascertain whether the 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 Provisional Liquidators, following the resignation of Mr. Xia Lichuan on 9 January 2015, Mr. Koh Tiong Lu, John on 16 June 2015, Mr. Wong Chun Kueng and Mr. Au Kin Wah on 15 June 2015, the number of independent non-executive directors on the Board is nil as at 31 December 2017 and the date of this Report.

- Pursuant to the Listing Rules 3.21, the audit committee should comprise non-executive directors only. Based on the information available to the Provisional Liquidators, following the resignation of Mr. Xia Lichuan on 9 January 2015, Mr. Koh Tiong Lu, John on 16 June 2015, Mr. Wong Chun Kueng and Mr. Au Kin Wah on 15 June 2015, the audit committee is vacant as at 31 December 2017 and the date of this Report.

### **Directors' securities transactions**

Due to the limitation of incomplete books and records, the Provisional Liquidators were 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 Provisional Liquidators, the Provisional Liquidators were not able to confirm whether all directors of the Company have complied with, or whether there has been any non-compliance with, the required standards set out in the Model Code.

### **Audit Committee**

Based on the information available to the Provisional Liquidators, as at 31 December 2017 and the date of this announcement, the Company has no audit committee. Therefore, the Result Announcement was not reviewed by the audit committee and this does not comply with the requirements of the CG Code and Listing rules.

## **REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the year ended 31 December 2017 have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath (HK) CPA Limited on the Results Announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This Results Announcement is available for viewing on the website of HKSE at <http://www.hkex.com.hk>. The 2017 Annual Report will be available on the website of the Stock Exchange at the earliest practicable opportunity.

The Provisional Liquidators have presented in these financial statements the financial information prepared by the Company's former management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the shares on the Main Board of The Stock Exchange of Hong Kong Limited has been suspended with effect from 10:56 a.m. on 25 March 2014 and will remain suspended until further notice.

For and on behalf of  
**China Lumena New Materials Corp.**  
**(In Provisional Liquidation)**  
**Man Chun So**  
**Yat Kit Jong**  
**Simon Conway**  
*Joint Provisional Liquidators*  
*Acting as agents without liability and recourse*

Hong Kong, 28 February 2018

*As at the date of this announcement, the Board is comprised of three executive directors: Mr. Zhang Zhigang, Mr. Zhang Daming and Mr. Shi Jianping.*