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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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

China Lumena New Materials Corp. (In Provisional Liquidation) (the “Company”) announces the condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2018 and condensed consolidated financial position as at 30 June 2018 with comparative figures for the corresponding period of last year as follows:

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2018</b> <i>RMB'000</i> <b>(unaudited)</b>	<b>2017</b> <i>RMB'000</i> <b>(unaudited)</b>
<b>Revenue</b>	5	–	–
Cost of sales		–	–
Gross profit		–	–
Other revenue and gains		–	–
Loss on deconsolidation of unconsolidated subsidiaries		–	–
Selling and distribution expenses		–	–
Other operating expenses		<b>(2,052)</b>	(3,382)
Finance costs	7	<b>(90,906)</b>	(93,113)
<b>Loss before taxation</b>	8	<b>(92,958)</b>	(96,495)
Income tax expense	9	–	–
<b>Loss for the period attributable to owners of the Company</b>		<b>(92,958)</b>	(96,495)
<b>Other comprehensive loss for the period, net of nil tax</b>		–	–
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<b>(92,958)</b>	(96,495)
		<i>RMB cents</i>	<i>RMB cents</i>
<b>Loss per share</b>	11		
– Basic		<b>(1.66)</b>	(1.72)
– Diluted		<b>(1.66)</b>	(1.72)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	<i>Note</i>	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,011	1,011
Investment properties		–	–
Land use rights		–	–
Goodwill		–	–
Mining rights		–	–
Other intangible assets		–	–
Deposits and prepayments		–	–
Deferred tax assets		–	–
		<u>1,011</u>	<u>1,011</u>
<b>Current assets</b>			
Inventories		–	–
Trade and other receivables	12	–	–
Cash and bank balances		6,282	6,685
		<u>6,282</u>	<u>6,685</u>
<b>Current liabilities</b>			
Trade and other payables	13	30,428	28,779
Borrowings		2,194,152	2,103,246
Convertible bonds		1,084,388	1,084,388
Tax payable		–	–
		<u>3,308,968</u>	<u>3,216,413</u>
<b>Net current liabilities</b>		<u>(3,302,686)</u>	<u>(3,209,728)</u>
<b>Total assets less current liabilities</b>		<u>(3,301,675)</u>	<u>(3,208,717)</u>
<b>Non-current liabilities</b>			
Borrowings		3,727,903	3,727,903
Deferred tax liabilities		311,947	311,947
		<u>(4,039,850)</u>	<u>(4,039,850)</u>
<b>Net liabilities</b>		<u>(7,341,525)</u>	<u>(7,248,567)</u>
<b>EQUITY</b>			
Share capital		383	383
Reserves		(7,341,908)	(7,248,950)
<b>Capital deficiencies</b>		<u>(7,341,525)</u>	<u>(7,248,567)</u>

## **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 period:

- 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**

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Interim Financial Statements do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (“IFRSs”) (which collective term includes all applicable individual International Financial Reporting Standards and Interpretations as approved by the IASB, and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

The Interim Financial Statements are unaudited, but have been reviewed by Crowe (HK) CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

The Interim Financial Statements have been prepared under the historical cost basis except for investment properties which have been measured at fair value. The accounting policies used in the Interim Financial Statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

### **3. BASIS OF PREPARATION**

The joint provisional liquidators of the Company (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 the Provisional Liquidators 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 the Provisional Liquidator and replacing him with Mr. Simon Conway.

Since the appointment, the Provisional Liquidators 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 and 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 (“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 two re-submissions were filed with the Stock Exchange on 16 October 2017 and 9 May 2018 respectively. In parallel, the Stock Exchange, together with the Securities and Futures Commission (collectively, the “Regulators”) issued a number of sets of queries in relation to the new listing application throughout the period from April 2017 to June 2018. 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 and the first half of 2018. 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, three amendment letters (the “Amendment Letters”) were entered between the Company, the Provisional Liquidators and the Investors on 29 September 2017, 29 December 2017 and 27 April 2018 respectively to extend the Long Stop Date of the Restructuring Framework Agreement to 30 November 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 and the Amendment Letters, 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 stakeholders of the Company, including the shareholders and all the creditors of the Company who have a valid claim against the Company as at the date on which the Creditors Schemes become effective.

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 Investors, the companies owned by the Investors and parties acting in concert with any of them (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 in relation to the Proposed Restructuring. 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 combined net asset value of the target group as at 31 December 2017 and the profitability of the target group for the three years ended 31 December 2017; (ii) the earning multiples of companies engaged in similar line of business to the target group located in Singapore and Malaysia; (iii) the business prospects of the target group; (iv) the market leader position and significant presence of the target group in the precast hollow-core concrete wall panel industry in Singapore; (v) the prolonged suspension of trading of shares of the Company; and (vi) the financial performance and financial position of the Group.

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 Proposed Restructuring, the Concert Group will, in aggregate, hold approximately 70.0% 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 and after the completion of share placement to maintain sufficient public float. 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 unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 and have formed the opinion as follows:

As the unaudited condensed consolidated interim 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 six months ended 30 June 2018 have been properly reflected in the unaudited condensed consolidated interim financial statements. As such, the Provisional Liquidators are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of the unaudited condensed consolidated interim 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 and therefore it is almost impossible, and not practical to verify the interim financial information of the Group.

## **Going concern**

The Group has received the 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements.



#### 4. ADOPTION OF NEW/REVISED IFRSs

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations (“new or revised IFRSs”) as below. The application of the new and revised IFRSs in the current period has no material effect on the amounts reported in the Interim Financial Statements and/or disclosures set out in the Interim Financial Statements.

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRIC 22	Foreign currency transactions and advance consideration

The Group has not early updated any new or revised IFRSs that have been issued but are not yet effective.

##### (a) Overview

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, Prepayment features with negative compensation which have been adopted at the same time as IFRS 9.

Details of the changes in accounting policies are discussed as below. As stated in the report on review of financial information of the Group, certain subsidiaries of the Company (collectively referred to as “Unconsolidated Subsidiaries”) have been excluded from the financial statements due to the lack of complete books and records. As such, no financial instruments are recorded as at 30 June 2018. Additionally, the Company has stopped trading and other business operations since the Company has been placed into provisional liquidation on 25 February 2015. No revenue have been generated and no foreign currency transactions have been taken in place for the six months ended 30 June 2018. In consideration of the above, the adoption of these new standards or interpretation is not applicable to have any material impact on the financial position and the financial result of the Group.

##### (b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

###### (i) *Classification of financial assets and financial liabilities*

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede IAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification. The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

**(ii) Credit losses**

IFRS 9 replaces the “incurred loss” model in IAS 39 with the expected credit losses (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in IAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);
- contract assets as defined in IFRS 15; and
- lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

### *Basis of calculation of interest income on credit-impaired financial assets*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**(c) IFRS 15, Revenue from contracts with customers**

The Company has stopped trading and other business operations since the Company has been placed into provisional liquidation on 25 February 2015. No revenue have been generated for the six months ended 30 June 2018. In consideration of the above, the adoption of this new standard or interpretation is not applicable to have any material impact on the financial position and the financial result of the Group.

**(d) IFRIC 22, Foreign currency transactions and advance consideration**

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The Company has stopped trading and other business operations since the Company has been placed into provisional liquidation on 25 February 2015. No foreign currency transactions have been taken in place for the six months ended 30 June 2018. In consideration of the above, the adoption of this new standard or interpretation is not applicable to have any material impact on the financial position and the financial result of the Group.

## 5. REVENUE

The Group's principal activities are disclosed in note 1 to these interim financial statements. Turnover of the Group is the revenue from these activities.

Revenue of the Group represents the net amount received and receivable for goods sold, less value-added tax and returns, during the period.

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	<u><u>–</u></u>	<u><u>–</u></u>

As disclosed in note 3, 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 approval of these unaudited condensed consolidated interim financial statements and no disclosure of the segment information is available.

## 6. INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

As disclosed in note 3, due to incomplete books and records, the Provisional Liquidators have been unable to access the books and records of the 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.

## 7. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Total finance costs	<u><u>90,906</u></u>	<u><u>93,113</u></u>

As disclosed in note 3, 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 unaudited condensed consolidated interim financial statements.

## 8. LOSS BEFORE TAXATION

Loss before income tax is arrived at after charging the following items:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs (including directors' remunerations)	<u>1,576</u>	<u>1,608</u>

As disclosed in note 3, 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 as of the date of publication of these unaudited condensed consolidated interim financial statements.

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– Provision for Enterprise Income Tax (“EIT”)	–	–
Deferred tax	–	–
Total income tax expense	<u>–</u>	<u>–</u>

*Notes:*

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any taxation under the jurisdiction of Cayman Islands and BVI during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).
- (ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

As disclosed in note 3, 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 unaudited condensed consolidated interim financial statements.

## 10. DIVIDENDS

The directors do not recommend the payment of dividends during the current interim period (six months ended 30 June 2017: nil).

As disclosed in note 3, 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 unaudited condensed consolidated interim financial statements.

## 11. LOSS PER SHARE

### (a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of approximately RMB92,958,000 (six months ended 30 June 2017: loss of RMB96,495,000) and the weighted average number of 5,603,859,393 (six months ended 30 June 2017: 5,603,859,393) ordinary shares in issue during the period.

### (b) Diluted loss per share

Diluted loss per share equals to basic loss per share for the six months ended 30 June 2018 and 2017 because the share options outstanding were anti-dilutive.

As disclosed in note 3, 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 per share as of the date of publication of these unaudited condensed consolidated interim financial statements.

## 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2018 (Unaudited) RMB'000</b>	31 December 2017 (Audited) RMB'000
Trade and other receivables	<b>18,649</b>	18,649
Less: impairment loss brought forward	<b>(18,649)</b>	(18,649)
Net carrying amount	<b>—</b>	—

As disclosed in note 3, 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.

## 13. TRADE AND OTHER PAYABLES

	<b>30 June 2018 (Unaudited) RMB'000</b>	31 December 2017 (Audited) RMB'000
Net carrying amount	<b>30,428</b>	28,779

As disclosed in note 3, 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 unaudited condensed consolidated interim financial statements.



## **EXTRACT FROM REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

The Company's auditor has issued a disclaimer of conclusion on the Group's condensed consolidated financial statements for the six months ended 30 June 2018, an extract of which is as follows:

### **Basis for disclaimer of conclusion**

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

Up to the date of this announcement, given the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the provisional liquidators of the Company (the "Provisional Liquidators"), acting as agents of the Company (without liability and recourse), 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 period for inclusion in the interim financial information of the Group. Also, due to incomplete books and records, the Provisional Liquidators believe that it is almost impossible, and not practical, to verify the interim financial information of the Group 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 procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions, contingent liabilities and commitments of the Group for the year ended 31 December 2017 and period ended 30 June 2018.

Given these circumstances, which are more fully disclosed in notes to the unaudited condensed consolidated interim financial statements, there were no practicable procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our review 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 unaudited interim financial information.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate evidence would have had a consequential effect on the net assets of the Group as at 1 January 2018 and 30 June 2018, and on its loss for the periods ended 30 June 2018 and 2017, and the related disclosures thereof in the unaudited condensed consolidated interim financial statements.

## **Non-compliance with IFRSs and omission of disclosures**

As explained in notes to the unaudited condensed consolidated interim financial statements, as the unaudited condensed consolidated interim financial statements of the Group have been prepared by the former management of the Company 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 were unable to confirm that the unaudited condensed consolidated interim financial statements comply with IFRSs, or that the disclosure requirements of 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 unaudited condensed consolidated interim financial statements, there were no practicable procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's interim financial information.

## **Investments in unconsolidated subsidiaries and deconsolidation of subsidiaries**

As disclosed in notes to the unaudited condensed consolidated interim financial statements, due to incomplete books and records, the Provisional Liquidators 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.

However, no sufficient evidence has been provided to satisfy ourselves as to whether the Company had control of these Unconsolidated Subsidiaries since 25 February 2015 and throughout the six months ended 30 June 2018 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 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 30 June 2018 and the Group's results for the period then ended.

## **Material uncertainty related to going concern basis**

The unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 conclusion in respect of the material uncertainty relating to the going concern basis of preparation of these unaudited condensed consolidated interim financial statements.

## **Disclaimer of conclusion**

Because of the significance of the matters described in the basis for disclaimer of conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to form a conclusion on the unaudited condensed consolidated interim financial statements. Accordingly, we do not express a conclusion on the unaudited condensed consolidated interim 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements in accordance with IFRSs.

## **RESULT FOR THE SIX MONTHS ENDED 30 JUNE 2018**

### **Business and Financial 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 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 the 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 two re-submissions were filed with the Stock Exchange on 16 October 2017 and 9 May 2018 respectively. In parallel, the Stock Exchange, together with the Securities and Futures Commission (collectively, the "Regulators") issued a number

of sets of queries in relation to the new listing application throughout the period from April 2017 to June 2018. 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 and the first half of 2018. 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, three amendment letters (the "Amendment Letters") were entered between the Company, the Provisional Liquidators and the Investors on 29 September 2017, 29 December 2017 and 27 April 2018 respectively to extend the Long Stop Date of the Restructuring Framework Agreement to 30 November 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.

## **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. The Interim Financial Statements are unaudited but have been reviewed by the Independent Auditor.

### ***Revenue and Gross Profit***

The Group generated no revenue and no gross profit for the six months ended 30 June 2018 (six months ended 30 June 2017: nil). Loss before taxation was approximately RMB93.0 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB96.5 million).

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

As at 30 June 2018, bank and cash balances of the Group were approximately RMB6.3 million (as at 31 December 2017: RMB6.7 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2018 was 96,070.8% (as at 31 December 2017: 89,858.8%).

Based on the information available to the Provisional Liquidators, as at 30 June 2018, certain of the Group's bank borrowings were secured by the corporate guarantees granted by the Company.



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

As at 30 June 2018, the Group had total assets of approximately RMB7.3 million (as at 31 December 2017: RMB7.7 million) and total liabilities of approximately RMB7,348.8 million (as at 31 December 2017: RMB7,256.3 million). The net liabilities of the Group as at 30 June 2018 were approximately RMB7,341.5 million (net liabilities as at 31 December 2017: RMB7,248.6 million).

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

There is insufficient information available to the Company to ascertain whether there are any charged assets at a Group level as at 30 June 2018.

### ***Reserves***

There is insufficient information for the Company to ascertain whether there are any reserves available for distribution as at 30 June 2018.

### ***Capital Structure***

Based on the information available to the Provisional Liquidators, there was no change in the Company's share capital for the six months ended 30 June 2018.

### ***Capital Commitments***

Based on the information available to the Provisional Liquidators, the Group and the Company did not have any significant capital commitments as at 30 June 2018.

### ***Contingent Liabilities***

There is insufficient information available to the Company to ascertain whether the Group and the Company had any significant contingent liabilities as at 30 June 2018.

### ***Employees***

There is insufficient information available to the Company to ascertain the number of employees of the Group as at 30 June 2018.

### ***Dividends***

Based on the information available to the Provisional Liquidators, no dividend was declared for the six months ended 30 June 2018.



### ***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 made any purchase, sale or redemption of listed securities for the six months ended 30 June 2018.

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

Based on the information available to the Provisional Liquidators, the Group and the Company did not use any foreign currency derivative product to hedge the exposure to currency risk during the six months ended 30 June 2018.

### **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 Waiver by the SFC, 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 best knowledge and 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 must represent 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 30 June 2018 and the date of this announcement.
- 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 30 June 2018 and the date of this announcement.

## **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 30 June 2018 and the date of this announcement, the Company has no audit committee. Therefore, the Result Announcement was not reviewed by audit committee and this does not comply with the requirements of CG Code and Listing rules.

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

This Results Announcement is available for viewing on the website of HKSE at <http://www.hkex.com.hk>. The 2018 Interim 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, 31 August 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.*