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

**中國節能海東青新材料集團有限公司（臨時清盤中）**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2228)**

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

The board (the “**Board**”) of directors (the “**Directors**”) of CECEP COSTIN New Materials Group Limited (In Provisional Liquidation) (the “**Company**”) announces the consolidated results (the “**Result Announcement**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2016 (the “**Reporting Period**”) and consolidated financial position as at 31 December 2016 with comparative figures for the year ended 31 December 2015 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016**

*(Expressed in Renminbi)*

	<i>Note</i>	<b>2016</b> <b>RMB'000</b>	2015 <b>RMB'000</b>
<b>Revenue</b>	6	<b>646,548</b>	1,241,824
Cost of goods sold		<u>(460,591)</u>	<u>(890,978)</u>
<b>Gross profit</b>		<b>185,957</b>	350,846
Other income	7	<b>4,066</b>	22,307
Distribution expenses		<b>(5,378)</b>	(15,463)
Administrative expenses		<b>(26,955)</b>	(103,429)
Impairment loss on amounts due from unconsolidated subsidiaries		<b>(513,265)</b>	–
Impairment loss on investment in unconsolidated subsidiaries		<b>(20,333)</b>	–
Loss on disposal of subsidiaries	25(b)	<b>(8,681)</b>	–
Loss on de-consolidation of unconsolidated subsidiaries	25(c)	<u><b>(1,343,237)</b></u>	<u>–</u>
<b>(Loss)/profit from operations</b>		<b>(1,727,826)</b>	254,261
Finance costs	8	<u><b>(11,707)</b></u>	<u>(17,346)</u>
<b>(Loss)/profit before tax</b>		<b>(1,739,533)</b>	236,915
Income tax expense	9	<u><b>(30,248)</b></u>	<u>(55,656)</u>
<b>(Loss)/profit for the year attributable to owners of the Company</b>		<u><b>(1,769,781)</b></u>	<u>181,259</u>
<b>Other comprehensive income/(loss) after tax:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<b>12,095</b>	(6,527)
Released upon de-consolidation of unconsolidated subsidiaries		<u><b>(10,717)</b></u>	<u>–</u>
		<u><b>1,378</b></u>	<u>(6,527)</u>
<b>Total comprehensive (loss)/income for the year attributable to owners of the Company</b>		<u><b>(1,768,403)</b></u>	<u>174,732</u>
		<b>RMB cents</b>	<b>RMB cents</b>
<b>(Loss)/earnings per share</b>			
Basic	12	<u><b>(75.98)</b></u>	<u>7.78</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**  
*(Expressed in Renminbi)*

	<i>Note</i>	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>13</i>	–	344,358
Construction in progress	<i>14</i>	–	7,521
Investment properties	<i>15</i>	–	9,100
Prepayments for acquisition of property, plant and equipment		–	13,064
		<u>–</u>	<u>13,064</u>
		<u>–</u>	<u>374,043</u>
<b>Current assets</b>			
Inventories	<i>16</i>	–	89,851
Trade and bills receivables	<i>17</i>	–	211,605
Prepayments, deposits and other receivables		<b>2,146</b>	14,151
Due from an unconsolidated subsidiary	<i>23</i>	<b>13,203</b>	–
Pledged bank deposits		–	20,561
Bank and cash balances		<b>1,794</b>	1,587,157
		<u>17,143</u>	<u>1,923,325</u>
		<u>17,143</u>	<u>2,297,368</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
Share capital	<i>18</i>	<b>196,409</b>	196,409
Reserves	<i>19</i>	<b>(342,726)</b>	1,519,611
<b>Total (deficit)/equity</b>		<u><b>(146,317)</b></u>	<u>1,716,020</u>
<b>Non-current liabilities</b>			
Loan from an intermediate holding company	<i>20</i>	–	3,000
Deferred tax liabilities	<i>21</i>	–	79,021
		<u>–</u>	<u>82,021</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>22</i>	–	112,808
Accruals and other payables		<b>2,781</b>	41,740
Due to an unconsolidated subsidiary	<i>23</i>	<b>1,500</b>	–
Bank borrowings	<i>24</i>	<b>159,179</b>	337,615
Current tax liabilities		–	7,164
		<u>163,460</u>	<u>499,327</u>
<b>TOTAL (DEFICIT)/EQUITY AND LIABILITIES</b>		<u><b>17,143</b></u>	<u>2,297,368</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(Expressed in Renminbi)

	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i> <i>(note</i> <i>19(b)(i))</i>	Foreign currency translation reserve <i>RMB'000</i> <i>(note</i> <i>19(b)(ii))</i>	Statutory reserve <i>RMB'000</i> <i>(note</i> <i>19(b)(iii))</i>	Capital reserve <i>RMB'000</i> <i>(note</i> <i>19(b)(iv))</i>	Merger reserve <i>RMB'000</i> <i>(note</i> <i>19(b)(v))</i>	Retained profits/ (accumulated losses) <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015	68,475	240,477	(10,574)	185,841	20,934	79,974	1,019,031	1,604,158
Profit for the year	-	-	-	-	-	-	181,259	181,259
Other comprehensive loss	-	-	(6,527)	-	-	-	-	(6,527)
Total comprehensive income for the year	-	-	(6,527)	-	-	-	181,259	174,732
Dividends paid <i>(note 11)</i>	-	-	-	-	-	-	(62,870)	(62,870)
Issue of bonus shares <i>(note 18)</i>	127,934	(127,934)	-	-	-	-	-	-
At 31 December 2015 and 1 January 2016	196,409	112,543	(17,101)	185,841	20,934	79,974	1,137,420	1,716,020
Loss for the year	-	-	-	-	-	-	(1,769,781)	(1,769,781)
Other comprehensive loss	-	-	1,378	-	-	-	-	1,378
Total comprehensive loss for the year	-	-	1,378	-	-	-	(1,769,781)	(1,768,403)
Dividends paid <i>(note 11)</i>	-	-	-	-	-	-	(13,935)	(13,935)
De-consolidation of unconsolidated subsidiaries	-	-	-	(185,841)	(25)	(79,974)	185,841	(79,999)
Balance at 31 December 2016	<u>196,409</u>	<u>112,543</u>	<u>(15,723)</u>	<u>-</u>	<u>20,909</u>	<u>-</u>	<u>(460,455)</u>	<u>(146,317)</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

## 1 GENERAL INFORMATION

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

The Company considers, as at 31 December 2016, Hong Kong (Rong An) Investment Limited, incorporated in Hong Kong, to be the immediate parent of the Company and 重慶中節能實業有限責任公司 (CECEP Chongqing Industry Co., Limited), incorporated in The People’s Republic of China (the “**PRC**”), to be the intermediate parent and 中國節能環保集團公司 (China Energy Conservation and Environmental Protection Group), incorporated in the PRC, to be the ultimate parent.

### **Alleged misappropriation of funds**

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

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

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

## **Listing status of the Company**

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

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

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

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

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

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

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

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

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

## 2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (collectively referred to as the “**Group**”) and have been prepared based on limited books of account and records available to the Company to the extent available to the Directors to fulfil the Company’s responsibilities for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”).

The Directors noted that the historical information in respect of the Company that is available to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position of the Group and may contain significant errors. Given the findings of the forensic accounting firm in respect of the alleged Misappropriation as mentioned in note 1 and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the Directors believe that it is almost impossible, and not practicable, to verify the financial information as reported in the Group’s audited consolidated financial statements in respect of the previous years. Accordingly, the comparative financial information shown in these consolidated financial statements only represents such information as reported in the published audited consolidated financial statements of the Group for the year ended 31 December 2015 and therefore may not be comparable with the figures for the current year.

Given the findings of the forensic accounting firm in respect of alleged Misappropriation as mentioned in note 1 and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the Directors believe that it is almost impossible, and not practical, to ascertain the transactions and balances in respect of the year ended 31 December 2016 included in the consolidated financial statements. In this connection, no representation is made by the Directors as to the completeness, existence and accuracy of the transactions and balances in respect of the year ended 31 December 2016 included in these consolidated financial statements, and whether the consolidated financial statements have been properly prepared in accordance with IFRSs and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Due to insufficient financial information, the consolidated financial statements do not contain consolidated statement of cash flows as required by IAS 7 “Statement of Cash Flows”, and certain disclosures under IFRSs, Hong Kong Companies Ordinance and the Listing Rules.

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

### 3 ADOPTION OF NEW AND REVISED IFRSs

#### (a) Application of new and revised IFRSs

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

#### (b) New and revised IFRSs but not yet effective

The Group has not early applied the following new and revised IFRSs which may be relevant to the Group and have been issued but are not yet effective:

IFRS 9	Financial Instruments <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>2</sup>
IFRS 16	Leases <sup>3</sup>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>
Amendments to IFRS 15	Clarifications to IFRS 15 <sup>2</sup>
Amendments to IAS 7	Disclosure Initiative <sup>1</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to IAS 40	Transfer of Investment Property <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

On the basis as set out in note 2, no representation is made by the Directors as to whether the adoption of these new and revised IFRSs would have significant impact on the Group's consolidated financial statements in future periods.

### 4 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.



When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(b) Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**") which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

The functional currency of the Company is Hong Kong dollars ("**HK\$**"). It is considered that choosing RMB as the presentation currency best suit the needs of the shareholders and investors.

**(ii) Transactions and balances in each entity's financial statements**

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

**(iii) Translation on consolidation**

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

**(c) Property, plant and equipment**

Property, plant and equipment, including buildings and leasehold land (classified as finance lease), held for use in the production or supply of goods, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%
Prepaid land lease payments	5%
Machinery and equipment	10%-20%
Office equipment and fixtures	20%-33.33%
Motor vehicles	20%-25%
Leasehold improvements	Over lease term

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

**(d) Investment properties**

Investment properties are buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight-line method to allocate the cost to the residual value over its estimated useful life of 20 years.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

**(e) Leases**

***The Group as lessee***

**(i) Operating leases**

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) *Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

***The Group as lessor***

*Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**(f) Research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**(h) Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

**(i) Financial assets**

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

**(j) Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

**(k) Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

**(l) Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

**(i) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(ii) Trade and other payables**

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(iii) Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(m) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

**(i) Sales of goods**

Revenue from the sales of manufactured goods and trading of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

**(ii) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

**(iii) Rental income**

Rental income is recognised on a straight-line basis over the lease term.

**(n) Employee benefits**

**(i) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) Pension obligations**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

**(iii) Termination benefits**

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of whose benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

**(o) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(p) Government grants**

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**(q) Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**(r) Impairment of non-financial assets**

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

**(s) Impairment of financial assets**

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

**(t) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

**5 KEY SOURCES OF ESTIMATION UNCERTAINTY**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**(a) Property, plant and equipment, investment properties and depreciation**

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment and investment properties. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment and investment properties of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

At 31 December 2016, the carrying amount of property, plant and equipment was RMBNil (2015: RMB344,358,000) and that of investment properties was RMBNil (2015: RMB9,100,000).

**(b) Income taxes**

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, RMB30,248,000 (2015: RMB55,656,000) of income tax was charged to profit or loss based on the estimated profit.



**(c) Impairment loss for bad and doubtful debts**

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

At 31 December 2016, accumulated impairment loss for bad and doubtful debts amounted to RMBNil (2015: RMB42,444,000).

**(d) Allowance for slow-moving inventories**

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

At 31 December 2016, allowance for slow-moving inventories amounted to RMBNil (2015: RMB11,069,000).

**6 REVENUE**

During the year ended 31 December 2016, the Group was principally engaged in the manufacture and sale of non-woven fabrics and other types of non-woven materials, chemical fibres produced from recycled materials, and thermal filtration materials; and import and export of tapioca chips.

The Group's revenue represented sales of goods to customers.

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

## 7 OTHER INCOME

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net exchange gain	–	5,980
Gain on disposals of property, plant and equipment	–	249
Government grants	311	2,420
Income from trading of scrap materials	1,100	873
Bank interest income	2,633	9,868
Rental income	–	2,136
Others	22	781
	<u>4,066</u>	<u>22,307</u>

Government grants mainly represented rewards and subsidies granted by local authorities.

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

## 8 FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest expense on bank borrowings	<u>11,707</u>	<u>17,346</u>

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

## 9 INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>Current tax – PRC</b>		
Provision for the year	28,712	42,694
Under-provision in prior year	–	980
	<u>28,712</u>	<u>43,674</u>
Deferred tax ( <i>note 21</i> )	1,536	11,982
	<u>30,248</u>	<u>55,656</u>

PRC Enterprise Income Tax is calculated at 25% (2015: 25%) on the estimated assessable profit for the year.

No provision for Hong Kong Profits Tax is required for the subsidiaries of the Company incorporated in Hong Kong since they have no assessable profits for the years ended 31 December 2016 and 2015.

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

## 10 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors of the Company for the year, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, were as follows:

For the year ended 31 December 2016

Name of director	Fees <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Retirement benefits scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Executive directors</b>				
Chim Wai Kong	–	642	10	652
Chim Wai Shing Jackson	–	1,272	15	1,287
Wang Li	–	1,030	–	1,030
Xue Mangmang	–	206	–	206
	–	3,150	25	3,175
<b>Non-executive directors</b>				
Ma Yun	103	–	–	103
Yang Yihua	44	–	–	44
Zeng Wu	59	–	–	59
	206	–	–	206
<b>Independent Non-executive directors</b>				
Feng Xue Ben	152	–	–	152
Wong Siu Hong	152	–	–	152
Xu Qinghua	132	–	–	132
	436	–	–	436
	<b>642</b>	<b>3,150</b>	<b>25</b>	<b>3,817</b>

For the year ended 31 December 2015

Name of director	Fees <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Retirement benefits scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Executive directors</b>				
Chim Wai Kong	–	966	15	981
Chim Wai Shing Jackson	–	1,234	14	1,248
Wang Li	–	483	–	483
Xue Mangmang	–	193	–	193
Yu Heping	–	483	–	483
	<u>–</u>	<u>3,359</u>	<u>29</u>	<u>3,388</u>
<b>Non-executive directors</b>				
Ma Yun	56	–	–	56
Pan Tingxuan	40	–	–	40
Yang Yihua	97	–	–	97
	<u>193</u>	<u>–</u>	<u>–</u>	<u>193</u>
<b>Independent Non-executive directors</b>				
Feng Xue Ben	143	–	–	143
Wong Siu Hong	143	–	–	143
Xu Qinghua	124	–	–	124
	<u>410</u>	<u>–</u>	<u>–</u>	<u>410</u>
	<u>603</u>	<u>3,359</u>	<u>29</u>	<u>3,991</u>

Neither the chief executive nor any of the Directors waived any emoluments during the year (2015: Nil).

The five highest paid individuals in the Group during the year included three (2015: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2015: two) individuals are set out below:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Salaries and allowances	1,309	1,858
Discretionary bonus	109	65
Retirement benefits scheme contributions	<u>31</u>	<u>14</u>
	<u>1,449</u>	<u>1,937</u>

The emoluments fell within the following band:

	<b>Number of individuals</b>	
	<b>2016</b>	2015
HK\$Nil to HK\$1,000,000	<b>1</b>	–
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, occurrence and accuracy of the directors' and employees' emoluments.

## 11 DIVIDENDS

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
2016 Interim of nil (2015: 2015 interim of HK1.2 cents (equivalent to RMB1.0 cent)) per ordinary share paid	–	23,071
2015 Final of HK0.7 cent (equivalent to RMB0.6 cent) (2015: 2014 Final of HK6.5 cents (equivalent to RMB5.1 cents)) per ordinary share paid	<b>13,935</b>	39,799
	<b>13,935</b>	62,870

## 12 (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following:

	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of calculating basic earnings per share		
– (loss)/profit attributable to owners of the Company	<b>(1,769,781)</b>	181,259
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>2,329,266,000</b>	2,329,266,000

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary share during the years ended 31 December 2016 and 2015.

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

### 13 PROPERTY, PLANT AND EQUIPMENT

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Net carrying amount	<u>–</u>	<u>344,358</u>

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, existence and accuracy of property, plant and equipment.

### 14 CONSTRUCTION IN PROGRESS

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Net carrying amount	<u>–</u>	<u>7,521</u>

At 31 December 2015, the Group's construction in progress comprised costs incurred on buildings under construction and plant and equipment pending installation.

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, existence and accuracy of construction in progress.

### 15 INVESTMENT PROPERTIES

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Net carrying amount	<u>–</u>	<u>9,100</u>

At 31 December 2015, the Group's investment properties are located in the PRC under medium lease term.

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, existence and accuracy of investment properties.

### 16 INVENTORIES

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Raw materials	–	56,179
Finished goods	<u>–</u>	<u>33,672</u>
	<u>–</u>	<u>89,851</u>

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

## 17 TRADE AND BILLS RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	–	253,531
Less: Allowance for doubtful debts	–	(42,444)
	–	211,087
Bills receivables	–	518
	–	211,605

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, existence and accuracy of trade and bills receivables.

## 18 SHARE CAPITAL

	<i>Note</i>	Number of shares	Amount <i>HK\$</i>	Amount as presented <i>RMB</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each				
At 1 January 2015		2,000,000,000	200,000,000	176,000,000
Increase	(a)	<u>2,000,000,000</u>	<u>200,000,000</u>	<u>164,774,000</u>
At 31 December 2015, 1 January 2016 and 31 December 2016		<u>4,000,000,000</u>	<u>400,000,000</u>	<u>340,774,000</u>
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January 2015		776,422,000	77,642,200	68,474,747
Issue of bonus shares	(b)	<u>1,552,844,000</u>	<u>155,284,400</u>	<u>127,934,159</u>
At 31 December 2015, 1 January 2016 and 31 December 2016		<u>2,329,266,000</u>	<u>232,926,600</u>	<u>196,408,906</u>

### Notes:

- (a) Pursuant to an extraordinary general meeting passed on 7 August 2015, the Company increased its authorised share capital to HK\$400,000,000 divided into 4,000,000,000 ordinary shares of par value HK\$0.10 each, by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.10 each.
- (b) Pursuant to the approval of the shareholders at the extraordinary general meeting of the Company on 7 August 2015, 1,552,844,000 ordinary shares of the Company of HK\$0.1 each were issued as bonus shares to the qualifying shareholders whose names are shown on the register of members of the Company on 14 August 2015 on a two-to-one basis, by way of capitalisation of a portion of the share premium account of the Company on 21 August 2015.

## 19 RESERVES

### (a) The Group

The amounts of the Group's reserve and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

### (b) Nature and purpose of reserves

#### (i) *Share premium account*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### (ii) *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b).

#### (iii) *Statutory reserve*

In accordance with the applicable laws and relevant regulations of the PRC, the Group's subsidiaries established and registered in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve.

#### (iv) *Capital reserve*

The capital reserve of the Group represents the loan capitalisation arrangement with the then shareholder of Gerfalcon Industrial and Gerfalcon Industrial on 4 February 2010. Gerfalcon Industrial allotted and issued 23,789,920 ordinary shares of HK\$1 each to COSTIN Investment Limited.

#### (v) *Merger reserve*

The merger reserve of the Group arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2010 and represented the difference between the nominal value of the aggregate capital of the subsidiaries combined under the group reorganisation over the nominal value of the share capital of the Company issued in exchange.

#### (vi) *Contributed surplus*

The contributed surplus of the Company represents the difference between the nominal amount of the share capital issued by the Company and the cost of investment in subsidiaries combined by the Company at the date of the group reorganisation.

## 20 LOAN FROM AN INTERMEDIATE HOLDING COMPANY

The balance as at 31 December 2015 was unsecured, interest-bearing at fixed rate of 1.425% per annum and was repayable on 16 December 2018.

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, existence and accuracy of loan from an intermediate holding company.



## 21 DEFERRED TAX LIABILITIES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>PRC dividend withholding tax</b>		
At 1 January	79,021	71,889
Payment	(1,536)	(4,850)
Charge to profit or loss for the year ( <i>note 9</i> )	1,536	11,982
De-consolidation of subsidiaries	(79,021)	—
	<u>                    </u>	<u>                    </u>
At 31 December	<u>                    </u> —	<u>                    </u> 79,021

Pursuant to the tax law in the PRC, dividends declared by the subsidiaries in the PRC to parent companies incorporated overseas are subject to withholding tax of 5% to 10%. The deferred tax liabilities represent the aggregate amount of temporary differences associated with distributable retained profits of the Group's subsidiaries in the PRC.

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

## 22 TRADE AND BILLS PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables	—	72,088
Bills payables	—	40,720
	<u>                    </u>	<u>                    </u>
	<u>                    </u> —	<u>                    </u> 112,808

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, existence and accuracy of trade and bills payables.

## 23 DUE FROM/TO AN UNCONSOLIDATED SUBSIDIARY

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

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, existence and accuracy of the balance due from or to an unconsolidated subsidiary.

## 24 BANK BORROWINGS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Bank loans	159,179	297,374
Invoice financing	—	24,219
Trust receipt loan	—	16,022
	<u>                    </u>	<u>                    </u>
	<u>                    </u> 159,179	<u>                    </u> 337,615

On the basis as set out in note 2, no representation is made by the Directors as to the completeness, existence and accuracy of bank borrowings.

## 25 SUBSIDIARIES

(a) Particulars of the subsidiaries as at 31 December 2016 and 2015 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Percentage of ownership interest		Principal activities
			2016	2015	
<b>Directly held:</b>					
COSTIN investment Limited	British Virgin Islands	US\$20	100%	100%	Investment holding
<b>Indirectly held:</b>					
Gerfalcon International Limited*	British Virgin Islands	US1	–	100%	Investment holding
Gerfalcon Industrial <sup>#</sup>	Hong Kong	HK\$23,790,000	100%	100%	Investment holding and sale of non-woven materials and recycled chemical fibres
Gerfalcon Investment Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Gerfalcon Investment Company Limited*	Hong Kong	HK\$1,000	–	100%	Investment holding
Gerfalcon Hong Kong Company Limited	Hong Kong	HK\$1,000	100%	100%	Investment holding
海東青非織工業(福建) 有限公司 <sup>#</sup> (Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd.) <sup>#</sup>	PRC	US\$13,990,000	100%	100%	Manufacture of filtration materials and non- woven materials, provision of information technology and management supporting service
晉江海東青貿易有限公司 <sup>#</sup> (Gerfalcon Trade Co., Ltd. Jinjiang) <sup>#</sup>	PRC	HK\$81,000,000	100%	100%	Retail and wholesale of filtration materials, non-woven materials, foods, drinks, crafts, health products, daily necessities and flowers
福建鑫華股份有限公司 <sup>#</sup> (Xinhua Share Co., Ltd. Fujian) <sup>#</sup>	PRC	RMB80,000,000	100%	100%	Manufacture and sale of non-woven materials, recycled chemical fibres and thermal resistant filtration materials
海東青(北京)科技諮詢 有限公司* (COSTIN (Beijing) Technology Consulting Company Limited)*	PRC	HK\$10,000,000	–	100%	Provisions of non-woven materials technology consulting services and wholesale of filtration materials and non- woven materials
泉州市鑫華商務服務 有限公司 <sup>#</sup> (Quanzhou Xinhua Business Services Co., Ltd.) <sup>#</sup>	PRC	RMB5,000,000	100%	100%	Provision of business and exhibition services

\* These subsidiaries were disposed of on 6 May 2016 (see note 25(b))

<sup>#</sup> These are unconsolidated subsidiaries (see note 25(c))

**(b) Disposal of subsidiaries**

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

An analysis of loss on disposal of subsidiaries is as follows:

	<b>2016</b> <b>RMB'000</b>
Consideration received	<b>37</b>
Less: Net assets disposed of	<u><b>158</b></u>
	<b>(121)</b>
Impairment loss on amount due from Gerfalcon International Limited	<u><b>(8,560)</b></u>
Loss on disposal of subsidiaries	<u><u><b>(8,681)</b></u></u>

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

**(c) De-consolidation of unconsolidated subsidiaries**

On 22 February 2017, Gerfalcon Industrial was put into creditors' voluntary winding up after taking into consideration, amongst others, its insolvency and various defaults in repayments of borrowings and bank loans. Gerfalcon Industrial, together with its subsidiaries – Gerfalcon Nonwoven Industrial (Fujian) Co., Ltd., Gerfalcon Trade Co., Ltd. Jinjiang, Xinhua Share Co., Ltd. Fujian, and Quanzhou Xinhua Business Services Co., Ltd., accounted for a substantial portion of the Group's operations.

As disclosed in note 2, due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the financial statements of Gerfalcon Industrial and its subsidiaries have not been consolidated into the Group's consolidated financial statements since 1 July 2016.

	<b>2016</b>
	<b>RMB'000</b>
<i>Net assets de-consolidated as at 1 July 2016</i>	
Property, plant and equipment	322,429
Construction in progress	7,521
Investment properties	8,739
Prepayments for acquisition of property, plant and equipment	12,681
Inventories	129,845
Trade and bills receivables	351,762
Prepayments, deposits and other receivables	10,603
Due from a group company	1,500
Bank and cash balances	1,803,508
Trade and bills payables	(260,329)
Accruals and other payables	(61,801)
Due to group companies	(537,561)
Bank borrowings	(252,393)
Current tax liabilities	(15,031)
Loan from an intermediate holding company	(3,000)
Deferred tax liabilities	(85,621)
	<u>1,432,852</u>
Release of foreign currency translation reserve	10,717
Release of capital reserve	(25)
Release of merger reserve	(79,974)
	<u>1,363,570</u>
Loss on de-consolidation of unconsolidated subsidiaries	1,343,237
Impairment loss on investment in unconsolidated subsidiaries	20,333
	<u>1,363,570</u>

On the basis as set out in note 2, no representation is made by the Directors as to the completeness and accuracy of loss on de-consolidation of unconsolidated subsidiaries.

26 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>ASSETS</b>		
Non-current assets		
Investment in subsidiaries	—	19,931
Current assets		
Prepayments, deposits and other receivables	2,146	333
Dividend receivables	—	383,549
Due from subsidiaries	13,203	98,501
Bank and cash balances	1,768	945
Total current assets	17,117	483,328
<b>TOTAL ASSETS</b>	<b>17,117</b>	<b>503,259</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	196,409	196,409
Reserves	(342,727)	205,346
Total (deficit)/equity	(146,318)	401,755
Liabilities		
Current liabilities		
Accruals and other payables	2,756	988
Due to a subsidiary	1,500	1,450
Bank borrowings	159,179	99,066
Total current liabilities	163,435	101,504
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,117</b>	<b>503,259</b>

(b) Reserve movement of the Company

	Share premium account <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i> <i>(note 19(b)(ii))</i>	Contributed surplus <i>RMB'000</i> <i>(note 19(b)(vi))</i>	Retained profits/ (accumulated losses) <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015	<u>240,477</u>	<u>(39,763)</u>	<u>20,909</u>	<u>48,315</u>	<u>269,938</u>
Profit for the year	–	–	–	103,849	103,849
Other comprehensive income	<u>–</u>	<u>22,363</u>	<u>–</u>	<u>–</u>	<u>22,363</u>
Total comprehensive income for the year	–	22,363	–	103,849	126,212
Dividends paid <i>(note 11)</i>	–	–	–	(62,870)	(62,870)
Issue of bonus shares <i>(note 18)</i>	<u>(127,934)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(127,934)</u>
At 31 December 2015 and 1 January 2016	<u>112,543</u>	<u>(17,400)</u>	<u>20,909</u>	<u>89,294</u>	<u>205,346</u>
Loss for the year	–	–	–	(537,818)	(537,818)
Other comprehensive income	<u>–</u>	<u>3,680</u>	<u>–</u>	<u>–</u>	<u>3,680</u>
Total comprehensive loss for the year	–	3,680	–	(537,818)	(534,138)
Dividends paid <i>(note 11)</i>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(13,935)</u>	<u>(13,935)</u>
At 31 December 2016	<u><b>112,543</b></u>	<u><b>(13,720)</b></u>	<u><b>20,909</b></u>	<u><b>(462,459)</b></u>	<u><b>(342,727)</b></u>

27 CONTINGENT LIABILITIES

At 31 December 2016, the Company had contingent liabilities in respect of corporate guarantees to the extent of RMB116,356,000 given for the general banking facilities granted to an unconsolidated subsidiary. Due to limited books of account and records available to the Company, the amount of drawdown by the unconsolidated subsidiary under such facilities is not known to the Company.

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

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**  
*FOR THE YEAR ENDED 31 DECEMBER 2016*

*The following is the extract of the audited consolidated financial statements of the Group for the year ended 31 December 2016*

**Independent auditor's report to the shareholders of  
CECEP COSTIN New Materials Group Limited (In Provisional Liquidation)**  
*(incorporated in the Cayman Islands with limited liability)*

**DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of CECEP COSTIN New Materials Group Limited (In Provisional Liquidation) (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity 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. Because of the significance of the matters described in the “Basis of 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 and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

**BASIS FOR DISCLAIMER OF OPINION**

**(a) Opening balances and comparative figures**

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

Against this background, we were not able to satisfy ourselves as to whether the net assets of the Group and the Company as at 1 January 2016 were free from material misstatement. Any adjustments to the opening net assets of the Group and of the Company as at 1 January 2016 would affect the Group's loss and cash flows for the year ended 31 December 2016 and the related disclosures in the consolidated financial statements. In addition, the comparative figures shown in the consolidated financial statements may not be comparable with the figures for the current year ended 31 December 2016.

## **(b) Limited books of account and records**

As disclosed in note 2 to the consolidated financial statements, given the findings of the forensic accounting firm in respect of the alleged misappropriation of funds of a subsidiary of the Company by a former executive director and co-chairman of the Company and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the directors believe that it is almost impossible, and not practical, to ascertain the transactions and balances in respect of the year ended 31 December 2016 included in the consolidated financial statements. In this connection, no representation is made by the directors as to the completeness, existence and accuracy of the transactions and balances in respect of the year ended 31 December 2016 included in the consolidated financial statements, and whether the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board and in compliance with 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 (the “**Listing Rules**”).

Given these circumstances, we were unable to obtain sufficient appropriate audit evidence regarding the transactions and balances included in the consolidated financial statements and to determine whether all the transactions entered into by the Group for the year ended 31 December 2016 have been properly accounted for in the consolidated financial statements. Consequently, we were unable to satisfy ourselves as to whether the consolidated financial statements have been properly prepared in accordance with IFRSs and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **(c) De-consolidation of certain subsidiaries**

As disclosed in note 25(c) to the consolidated financial statements, a wholly owned subsidiary of the Company, Gerfalcon Industrial (Nonwoven) Investment Company Limited (“**Gerfalcon Industrial**”), was put into creditors’ voluntary winding up on 22 February 2017.

Due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the financial statements of Gerfalcon Industrial and its subsidiaries have not been consolidated into the Group’s consolidated financial statements since 1 July 2016. The resulting loss on de-consolidation of RMB1,343,237,000 and impairment loss on the investment in Gerfalcon Industrial of RMB20,333,000 have been recognised in profit or loss for the year ended 31 December 2016.

Whilst the directors consider the exclusion of these subsidiaries is the appropriate way of presenting the Group’s financial position as at 31 December 2016 and its results for the year in the circumstances, the exclusion of financial position, results and cash flows of these subsidiaries is a departure from the requirements of IFRS 10 “Consolidated Financial Statements”.

## **(d) Non-compliance with IFRSs and omission of disclosures**

As explained in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors based on limited books of account and records available to the Company and the directors believe that it is almost impossible, and not practical, to ascertain the correct amounts. Consequently, the consolidated financial statements do not contain the consolidated statement of cash flows as required by International Accounting Standard 7 “Statement of Cash Flows” and certain disclosures required under IFRSs, Hong Kong Companies Ordinance and the Listing Rules. Given these circumstances, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the consolidated financial statements.



### **(e) Going concern basis of accounting**

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

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

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

### **OTHER MATTER**

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another independent auditor whose report dated 22 March 2016 expressed an unmodified opinion on those consolidated financial statements.

### **RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our responsibility is to conduct an audit of the Group’s consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and to issue an auditor’s report. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the “Basis for disclaimer of opinion” section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Directors note that the historical information in respect of the Company that is available to them may not be complete and sufficient to establish an accurate and reliable review of the historical transactions, trading and financial position and may contain significant errors. Given the findings of the forensic accounting firm in respect of the alleged misappropriation of funds of a subsidiary of the Company by a former executive director and co-chairman of the Company (the “**Misappropriation**”), and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the Directors believe that it is almost impossible, and not practicable, to verify the financial information as reported in the Group’s audited consolidated financial statements for the year ended 31 December 2016.

Subject to the above, set out below are the management discussion and analysis of the Group’s results of operations and financial conditions for the year ended 31 December 2016. Such information is principally extracted from the audited consolidated financial statements of the Company and its subsidiaries to provide information relating to the financial conditions and results of operations of the Group for the year ended 31 December 2016.

### BUSINESS REVIEW

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

#### Suspension of trading in shares and the resumption status

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

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

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

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

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

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

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

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

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

- (i) proposed acquisition of the Target Group which would satisfy Rule 13.24. Rule 13.24 requires an issuer to carry out directly or indirectly a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to warrant the continued listing of the issuer’s securities. On Resumption, the Company will meet the requirements of Rule 13.24 as to operations (proven by the track record profits) and assets (proven by the net assets and their nature);

- (ii) the Company has submitted to the Stock Exchange an investigation report on 13 November 2017 and an announcement dated 24 July 2018 was published to disclose the key investigation findings about the Misappropriation. An internal control consultant will be appointed to review the internal control procedures of the Company and the Target Group, which will become the only operating subsidiaries of the Company upon Resumption;
- (iii) on approval from the creditors of the creditors schemes and completion of all the transactions contemplated in the Resumption Proposal, the Provisional Liquidators will apply to the courts in the Cayman Islands and Hong Kong for the winding up petitions against the Company and its subsidiaries to be discharged before resumption; and
- (iv) all existing Directors of the Company will resign prior to Resumption, and new Directors who are intended to meet the requirements under the Listing Rules will be appointed.

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

### **Proposed Restructuring**

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

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

## **FINANCIAL REVIEW**

### **Overall results**

On the basis of incomplete books and records and the books and records available to the Company and Directors, and other factors as disclosed above, for the year ended 31 December 2016, the Group had revenue of approximately RMB646.5 million (equivalent to approximately HK\$775.8 million), which decreased by 47.9% as compared to RMB1,241.8 million (equivalent to approximately HK\$1,490.2 million) for the year ended 31 December 2015. The Group recorded net loss for the year ended 31 December 2016 of approximately RMB1,769.8 million (equivalent to approximately HK\$2,123.8 million), as compared to the Group’s net profit of approximately RMB181.3 million (equivalent to approximately HK\$217.6 million) for the year ended 31 December 2015, which was mainly due to decrease in revenue as a result of loss on de-consolidation of subsidiaries of approximately RMB1,343.2 million (equivalent to approximately HK\$1,611.8 million).

## **Liquidity and financial resources**

### ***Financial Resources***

As at 31 December 2016, the Group reported bank and cash balances of approximately RMB1.8 million (equivalent to approximately HK\$2.2 million), which decreased by 99.9% as compared to approximately RMB1,587.2 million (equivalent to approximately HK\$1,904.6 million) as at 31 December 2015. As at 31 December 2016, the Group's current ratio (current assets to current liabilities) was approximately 10.5%, which decreased by 97.3% as compared to 385.2% as at 31 December 2015. Such decrease in bank and cash balances and current ratio were mainly results of the de-consolidation of subsidiaries.

### ***Indebtedness and Banking Facilities***

As at 31 December 2016, the Group reported bank loans of approximately RMB159.2 million (equivalent to approximately HK\$191.0 million), which decreased by 52.8% as compared to RMB337.6 million (equivalent to approximately HK\$405.1 million) as at 31 December 2015.

As the gearing ratio was calculated based on the division of the total amount of bank borrowings and other loans by total equity attributable to owners of the Company, the Group's gearing ratio as at 31 December 2016 could not be determined due to deficit of equity attributable to owners of the Company.

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

As at 31 December 2016, the Group's total assets was approximately RMB17.1 million (equivalent to approximately HK\$20.5 million), which decreased by 99.3% as compared to approximately RMB2,297.4 million (equivalent to approximately HK\$2,756.9 million) as at 31 December 2015.

As at 31 December 2016, the Group's total liabilities was approximately RMB163.5 million (equivalent to approximately HK\$196.2 million), which decreased by 71.9% as compared to approximately RMB581.3 million (equivalent to approximately HK\$697.6 million) as at 31 December 2015. The decrease in total assets and total liabilities were mainly results of the deconsolidation of subsidiaries.

### ***Capital Structure***

As at 31 December 2016, there were 2,329,266,000 ordinary shares in issue. There was no movement in the issued share capital of the Company during the year ended 31 December 2016.

### ***Commitments***

Based on the information to the extent available to the Company, as at 31 December 2016, the Group appeared to have no significant outstanding contracted capital commitments.

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

There is insufficient information available to the Company to ascertain whether there were any charged assets at the Group level as at 31 December 2016.

### ***Significant Investments and Acquisition***

Save as disclosed below, based on the information to the extent available to the Directors, the Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the year ended 31 December 2016.

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

### ***Reserves***

As at 31 December 2016, the Group had a deficit in reserves of approximately RMB342.7 million (equivalent to approximately HK\$411.2 million), as compared to a surplus in reserves of approximately RMB1,519.6 million (equivalent to approximately HK\$1,823.5 million) as at 31 December 2015. Details of movements in the reserves of the Company and the Group during the year are set out in the audited consolidated statement of changes in equity for the year ended 31 December 2016.

### ***Contingent Liabilities***

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

### ***Dividends***

Based on the information to the extent available to the Directors, no dividend was declared for the year ended 31 December 2016.

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

Due to the limitation of the incomplete books and records and the information available to the Directors, the Directors were unable to ascertain whether the Company has any purchase, sale or redemption of listed securities for the year ended 31 December 2016.

### ***Remuneration policies and share option scheme***

Based on the information to the extent available to the Directors, remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. During the year ended 31 December 2016, no share option was granted.

## **PROSPECTS AND OUTLOOK**

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

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

- All the existing assets of the Group are transferred to a special purpose vehicle set up pursuant to the terms of the creditors schemes of arrangement, as agreed by the creditors of the Company, for realisation for the benefits of the creditors of the company;

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

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

## **CODE OF CORPORATE GOVERNANCE PRACTICE**

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

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

The Company appeared to comply, based on the limited information available to the Directors, with the applicable code provisions under the Corporate Governance Code (the “**CG Code**”), as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2016, except for the following:

- Code Provision A.2.7 of the CG Code states that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the presence of the executive directors. Based on the limited information available to the Directors, the Directors are unable to ascertain whether such meeting was held during the Reporting Period.
- Pursuant to the Listing Rules 3.10(1) and (2), and 3.10A, an issuer must include at least three independent non-executive directors, with at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise, and the number of independent non-executive directors representing at least one-third of the Board. Based on the information available to the Directors, there are sufficient independent non-executive directors as at 31 December 2016. However, there are only two independent non-executive directors on the Board as at the date of this announcement.



## **Model Code For Securities Transactions By Directors**

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

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

## **Audit Committee**

The Group’s audited consolidated results for the year ended 31 December 2016 have been reviewed by the audit committee of the Company.

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

This Results Announcement is available for viewing on the website of Stock Exchange at <http://www.hkex.com.hk>. The 2016 Annual Report will be available on the website of the Stock Exchange at the earliest practicable opportunity.

## **SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 3:17 p.m. on 15 August 2016. Trading in the shares of the Company will continue to be suspended until further notice and full satisfaction of the resumption conditions and such other further conditions that may be imposed by the Stock Exchange.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

On behalf of the Board  
**CECEP COSTIN New Materials Group Limited**  
**(In Provisional Liquidation)**  
**Yang Jian Hui**  
*Director*

Hong Kong, 29 March 2019

*As at the date of this announcement, the Board comprises one executive Director, Ms. Yang Jian Hui and two independent non-executive Directors, Mr. Fan Tak Wah and Mr. Kelvin Kin-Cheong Ho.*