



**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)

Annual Report 2020

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CORPORATE INFORMATION

Executive Director	Ms. YANG Jian Hui
Independent Non-Executive Directors	Mr. FAN Tak Wah Mr. HO Kin Cheong Kelvin
Joint Provisional Liquidators	Mr. Man Chun SO Mr. Yat Kit JONG Mr. Simon CONWAY
Auditor	Baker Tilly Hong Kong Limited
Principal Share Registrar and Transfer Office	Appleby Trust (Cayman) Limited Clifton House, 75 Fort Street P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong
Registered Office	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205
Principal Place of Business In Hong Kong	22/F, Prince's Building Central, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

The current board (the “Board”) of directors (the “Directors”) note that the historical information in respect of the Company that is available to them may not be complete and sufficient to establish an accurate and reliable review of the historical transactions, trading and financial position and may contain significant errors. Given the findings of the forensic accounting firm in respect of the alleged misappropriation of funds of a subsidiary of the Company by a former executive director and co-chairman of the Company (the “Misappropriation”), and due to limited books of account and records available to the Company and that all the former key personnel responsible for finance and accounting matters of the Group had left, the Directors believe that it is almost impossible, and not practicable, to verify the financial information as reported in the Group’s audited consolidated financial statements for the year ended 31 December 2020.

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 2020 (the “Reporting Period”). 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 2020.

BUSINESS REVIEW

The Group is 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 Group operated its business through four segments. The non-woven materials segment was engaged in the manufacture and sale of non-woven fabrics and other types of non-woven materials. The recycled chemical fibers segment was engaged in the manufacture and sale of chemical fibers produced from recycled materials. The thermal resistant filtration materials segment was engaged in the manufacture and sale of thermal resistant filtration materials. The tapioca chips trading segment was engaged in the import and export of tapioca chips.

Suspension of trading in shares and the resumption status

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Proposed Restructuring

On 16 May 2018, the Company, Pyrrho Management Limited (“Pyrrho”) and the Provisional Liquidators (collectively the “Parties”) entered into a restructuring framework agreement (as supplemented by the supplemental agreements entered into on 26 February 2019, 15 May 2019, 15 May 2020 and 26 August 2021) 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. On 26 November 2019, the Company submitted the updated New Listing Application to the Stock Exchange.

On 31 May 2021, the Listing Division of the Stock Exchange informed the Company that it intended to recommend the Listing Committee of the Stock Exchange (the "Listing Committee") to cancel the listing of the Company under Practice Note 17 to the Listing Rules. The Company made a request to be present at the Listing Committee hearing to make an effective representation to the Listing Committee members (the "Company's Request").

On 11 June 2021, the Listing Committee decided to reject the Company's Request and cancel the Company's listing (the "Delisting Decision").

On 23 June 2021, the Company made a formal request to review the Delisting Decision by the Listing (Review) Committee ("LRC") pursuant to Chapter 2B of the Listing Rules.

The hearing of the LRC was held on 28 September 2021. On 6 October 2021, the LRC decided to uphold Listing Committee's decision to cancel the listing of the Company's shares on the Stock Exchange ("LRC Decision").

The Company is of the view that the LRC Decision does not have reasonable grounds, having regard the circumstances, the Company has made a formal request to the Stock Exchange for a review of the LRC Decision by the Listing Appeals Committee ("LAC") on 12 October 2021.

The hearing of the LAC was held on 22 December 2021. As of the date of this annual report, the Board is still awaiting the decision from the LAC.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overall results

On the basis of incomplete books and records and the books and records available to the Company and Directors, and other factors disclosed above, for the year ended 31 December 2020, the Group recorded no revenue but interest income of RMB43,000, which increased by 30.3% as compared to RMB33,000 for the year ended 31 December 2019. The Group's net loss for the year ended 31 December 2020 was approximately RMB16.2 million, decreased by 29.3% as compared to the Group's net loss of approximately RMB22.9 million for the year ended 31 December 2019.

Liquidity and financial resources

Financial Resources

As at 31 December 2020, the Group reported bank and cash balances of approximately RMB6.6 million, which decreased by 21.4% as compared to approximately RMB8.4 million as at 31 December 2019. As at 31 December 2020, the Group's current ratio (current assets to current liabilities) was approximately 0.030, which decreased by 21.1% as compared to approximately 0.038 as at 31 December 2019.

Banking Facilities

As at 31 December 2020, the Group reported bank loans of approximately RMB149.8 million, which decreased by 5.8% as compared to RMB159.1 million as at 31 December 2019.

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 2020 could not be determined due to deficit of equity attributable to owners of the Company.

Assets and Liabilities

As at 31 December 2020, the Group had total assets of approximately RMB6.6 million, which decreased by 21.4% as compared to approximately RMB8.4 million as at 31 December 2019.

As at 31 December 2020, the Group had total liabilities of approximately RMB220.7 million, which increased by 0.6% as compared to approximately RMB219.4 million as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

As at 31 December 2020, 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 2020.

Commitments

Based on the information to the extent available to the Company, as at 31 December 2020, the Group appeared to have no significant outstanding contracted capital commitments.

Charges on Group's 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 2020.

Significant Investments and Acquisition

Based on the information to the extent available to the Directors, the Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the year ended 31 December 2020.

Reserves

As at 31 December 2020, the Group had a deficit in reserves of approximately RMB410.5 million, which increased by 0.8% as compared to a deficit in reserves of approximately RMB407.4 million as at 31 December 2019. Details of movements in the reserves of the Group during the year are set out in the audited consolidated statement of changes in equity for the year ended 31 December 2020.

Contingent Liabilities

As at 31 December 2020, the Group had contingent liabilities in respect of corporate guarantees to the extent of approximately RMB109.5 million given for the general banking facilities granted to a former subsidiary, as compared to approximately RMB116.3 million as at 31 December 2019. The amount drawdown by the former subsidiary as at 31 December 2020 is approximately RMB41.5 million, as compared to approximately RMB44.2 million as at 31 December 2019.

Dividends

No dividend was declared for the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Purchase, Sale or Redemption of Listed Securities of the Company

Due to the limitation of the incomplete books and records and the information available to the Directors, the Directors were unable to ascertain whether the Company has any purchase, sale or redemption of listed securities for the year ended 31 December 2020.

Remuneration policies and share option scheme

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. During the year ended 31 December 2020, 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.

CORPORATE GOVERNANCE REPORT

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 2020, 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, no 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, following the resignation of Mr. Wong Siu Hong on 9 July 2018, Mr. Feng Xue Ben on 10 July 2018, Mr. Xu Qing Hua on 14 July 2018 and the subsequent appointment of Mr. Fan Tak Wah and Mr. Kelvin Kin-Cheong Ho as independent non-executive directors on 6 August 2018, the number of independent non-executive directors was below the minimum number required as at 31 December 2020 and the date of this report.

DIRECTORS’ SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board currently comprises one executive director and two independent non-executive directors. For a director to be considered independent, the Board follows the requirements set out in the Listing Rules and must determine that the director does not have any direct or indirect material relationship with the Group. Under the Company's articles of association, every director is subject to retirement by rotation at least once every three years and their re-election is subject to a vote by the shareholders.

TRAINING AND SUPPORT FOR DIRECTORS

Code Provision A6.5 of the CG Code states that all directors should participate in continuous professional development to develop and refresh their knowledge and skills.

As the Company is currently going through the Proposed Restructuring with limited resources, there is no training provided to the current Directors. The Company will periodically review the available resources and explore the possibility of providing necessary training and support to the Directors in the future.

BOARD MEETING AND DIRECTORS' ATTENDANCE

Based on the information made available to the Board, there was one board meeting held for the year ended 31 December 2020. All the Directors have attended the meeting. According to the board meeting minutes, the Company has conducted the meeting for discussion on 1) the audited annual results of the Group for the year ended 31 December 2020; 2) the unaudited interim results of the Group for the six months ended 30 June 2020 and 2021 and 3) progress of restructuring of the Group.

ANNUAL GENERAL MEETING

Based on information made available to the Directors, no annual general meeting was held for the year ended 31 December 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Based on the information made available to the Directors, the Chairmen of the Board were:

Mr. CHIM Wai Kong (suspended on 15 August 2016 and resigned on 11 January 2017)
 Mr. WANG Li (resigned on 11 January 2017)
 Mr. XUE Mangmang (appointed on 11 January 2017 and resigned on 30 November 2017)

The Chief Executive Officer of the Board were:

Mr. CHIM Wai Shing Jackson (resigned on 11 January 2017)
 Mr. XU Zhou (appointed on 24 January 2017 and resigned on 31 July 2018)

Currently, there is no designated Chairman or a designated Chief Executive Officer in the Company.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Based on the information available, the Board is supported by three sub-committees (collectively the “Board Committees”), namely the Audit Committee, Nominating Committee, and Remuneration Committee to assist the Board in discharging its responsibilities and to enhance the Group’s corporate governance framework. Each Committee has its own defined terms of reference which clearly states the corresponding roles and responsibilities.

AUDIT COMMITTEE

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

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

Mr. HO Kin Cheong Kelvin – Chairman

Mr. FAN Tak Wah

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

The Group’s audited consolidated results for the year ended 31 December 2020 (the “2020 Results”) has been reviewed by the Audit Committee of the Company.

Based on the information made available to the Board, no Audit Committee meeting was held during the year ended 31 December 2020.

The Audit Committee of the Company resolved to adopt the 2020 Results during the Audit Committee meeting held on 14 December 2021.

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE REPORT

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

Mr. HO Kin Cheong Kelvin
Mr. FAN Tak Wah

There was no Nomination Committee meeting held during the year ended 31 December 2020.

INTERNAL CONTROLS

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

The Board is responsible for maintaining an adequate system of internal control for the Group. Due to the limitation of incomplete books and records, the Directors are unable to ascertain whether a review of its effectiveness was conducted during the year ended 31 December 2020.

REMUNERATION COMMITTEE

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

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

Mr. HO Kin Cheong Kelvin
Mr. FAN Tak Wah

There was no Remuneration Committee meeting held during the year ended 31 December 2020.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements which give a true and fair view and are in accordance with appropriate International Financial Reporting Standards. Appropriate accounting policies are being selected and applied consistently. The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditor's Report on pages 26 to 29.

AUDITOR'S REMUNERATION

The fees payable to the external auditors for the year ended 31 December 2020 are set out as follows:

Fees payable to the current auditor	
– Audit services	HK\$165,000
– Non-audit services	HK\$45,000

Note: The non-audit services are related to services rendered for interim review.

Due to the limitation of incomplete books and records, the Director are not able to confirm whether there was any the remuneration payable to the former auditor.

COMPANY SECRETARY

The employment of Mr. Chan Kwok Yuen Elvis ("Mr. Chan") with the Company was terminated by the Company with effect from 28 February 2018. By virtue of the notice of termination, Mr. Chan ceased to be the chief financial officer, company secretary and authorized representative of the Company from 28 February 2018.

SHAREHOLDERS RIGHTS

Procedures by which shareholders may convene an extraordinary general meeting

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The above procedures are subject to the articles of association of the Company (as amended from time to time), and the applicable legislation and regulations, in particular the Listing Rules (as amended from time to time).

CORPORATE GOVERNANCE REPORT

Procedures for putting forward proposals at a shareholders' meeting

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) or the articles of association of the Company. However, shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the procedures set out above.

Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the Company's principal place of business in 22/F, Prince's Building, Central, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATION

The Company releases all necessary disclosures and corporate communication through the website of Stock Exchange in order to keep shareholders, the public and any other stakeholders informed of all major developments that affect the Company.

As part of the the Proposed Restructuring, the directors of the Company will review the Company's corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in the Company's corporate governance report, which will be included in the Company's annual reports subsequent to the completion of the Proposed Restructuring.

DIRECTORS PROFILE

Executive Director

YANG Jian Hui (“Ms. Yang”)

Ms. Yang, aged 45, has more than 11 years of experience in the field of finance. From 1999 to August 2013, Ms. Yang had taken different managerial roles in a Hong Kong listed company, namely Leoch International Technology Limited (stock code: 842.HK) (“Leoch”), and the group members of Leoch. From 1999 to 2004, she was a financial manager of several group companies of Leoch in the PRC. From 2004 to 2008, she was a financial controller of Leoch. In 2010, Ms. Yang was appointed as a project coordinator in respect of Leoch’s listing on the Stock Exchange. She held the position as a vice general manager and/or general manager of several financial sectors of Leoch during her tenure of office from 2008 to 2013. Ms. Yang also held the position as an executive director in Z-Obee Holdings Limited (stock code: 948.HK) from 2014 to 2017.

Ms. Yang graduated from Jiangxi University of Technology (major in business administration) and she is currently pursuing the Executive Master of Business Administration degree at the Business School of Jilin University.

Independent Non-executive Directors

FAN Tak Wah (“Mr. Fan”)

Mr. Fan, aged 58, holds a Bachelor Degree in Business & Administration (Major in Accounting) from Hong Kong Baptist University. He has over 30 years’ experience in auditing, accounting and finance, and corporate & debt restructuring and administration.

Mr. Fan started his career in Kwan Wong Tan & Fong (now merged with Deloitte Touche Tohmatsu) and Charles Chan Ip & Fung (now known as CCIF CPA Limited) and left after working in auditing. Since then, he held various senior positions in different companies, including four companies in manufacturing sector. He also acted as a practicing consultant in accounting and taxation for clients in Hong Kong. Mr. Fan is currently a financial controller of a private company which is a leading importer, distributor and marketer of high quality food and beverage products.

Mr. Fan is an associate member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS PROFILE

HO Kin Cheong Kelvin (“Mr. Ho”)

Mr. Ho, aged 54, holds a Bachelor Degree in Business Administration (Hons.) (Major in Accounting) from Hong Kong Baptist University. He has over 27 years of experience in finance and accounting, company secretary, initial public offering, takeover, deposition and debt restructuring.

Mr. Ho is currently an independent non-executive director of MicroTech Medical (Hangzhou) Co., Limited. (stock code: 2235.HK), JW Cayman Therapeutics Co., Limited (stock code: 2126.HK), Yadong Group Holdings Limited (stock code: 1795.HK), Green Leader Holdings Group Limited (stock code: 0061.HK) and Rosan Resources Holdings Limited (stock code: 0578.HK). Mr. Ho also held multiple managerial roles in Hong Kong listed companies from 1998 to 2022, namely China Wood International Holding Co., Limited (stock code: 1822.HK), Richly Field China Development Limited (stock code: 0313.HK), Grand Orient Holdings Limited (now known as Landsea Green Group Co., Limited) (stock code: 0106.HK), Hanny Holdings Limited (now known as Master Glory Group Limited) (stock code: 0275.HK), Friedmann Pacific Greater China Investments Limited (now known as China Investment and Finance Group Limited) (stock code: 1226.HK), Anhui Tianda Oil Pipe Company Limited (stock code: 0839.HK), FU JI Foods Catering and Services Limited (now known as Fresh Express Delivery Holdings Group Company Limited) (stock code: 1175.HK) and Greens Holdings Limited (stock code: 1318.HK). He was also a non-executive director of Hong Da Financial Holdings Limited (now known as China Wood International Holding Co., Limited) (stock code: 1822.HK) from 2016 to 2017 and he was an independent non-executive director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) (stock code: 0199.HK) from 2001 to 2003.

Mr. Ho is an associate member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Association of Chartered Certified Accountants.

REPORT OF THE DIRECTORS

The Directors note that the historical information in respect of the Company that is available to them may not be complete and sufficient to establish an accurate and reliable review of the historical transactions, trading and financial position and may contain significant errors. Given the findings of the forensic accounting firm in respect of the 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 2020.

The Directors herein present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group is 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 Group 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.

DIVIDENDS

Based on the information to the extent available to the Directors, no dividend was declared for the year ended 31 December 2020.

PROPERTY, PLANT AND EQUIPMENT

There is no property, plant and equipment during Reporting Period as a result of the deconsolidation of subsidiaries since 1 July 2016.

SHARE CAPITAL

Details of the share capital of the Group as at 31 December 2020 are set out in note 10 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 14(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DIRECTORS

The Directors of the Company as at the date of this report were:

Executive Director

Ms. YANG Jian Hui

Non-Executive Directors

NIL

Independent Non-Executive Directors

Mr. FAN Tak Wah

Mr. HO Kin Cheong Kelvin

The Directors will hold office until the next general meeting of the Company.

DIRECTORS' REMUNERATION

To the best knowledge of the Directors, the board has the general power of determining the directors' remuneration, subject to the authorization of the shareholders given at the annual general meeting of the Company each year.

Based on the information to the extent available to the Directors, the Directors were unable to ascertain information about emoluments of the then directors, including emolument policy, long-term incentive schemes (if any), and the basis of determining the emolument payables to the directors, and the employees during the year ended 31 December 2020.

The annual remunerations of the current Directors are:

Ms. YANG Jian Hui	HK\$150,000
Mr. FAN Tak Wah	HK\$100,000
Mr. HO Kin Cheong Kelvin	HK\$100,000

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

None of the current Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 15 to 16.

DIRECTORS' INTERESTS IN CONTRACTS

Based on the information to the extent available to the Directors, during the year ended 31 December 2020 and up to date of this report, the current Directors are unable to ascertain whether the former Directors had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year ended 31 December 2020.

The current Directors did not have a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Based on the information to the extent available to the Directors, during the year ended 31 December 2020 and up to date of this report, the current Directors are unable to ascertain whether the former directors are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interest of the Company and/or the Group.

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

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

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

REPORT OF THE DIRECTORS

As at 31 December 2020, the interests and short positions of the former Directors and former chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

(L): Long Position

Notes:

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

REPORT OF THE DIRECTORS

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

Save as disclosed above, as at 31 December 2020, none of the former directors and the former chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Share Option Scheme adopted by the Company on 12 May 2010, at no time during the year ended 31 December 2020 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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

REPORT OF THE DIRECTORS

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

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

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

Based on the information to the extent available to the Directors, no share options have been granted by the Company pursuant to the Share Option Scheme during the year ended 31 December 2020.

REPORT OF THE DIRECTORS

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2020, the persons or companies (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

(L): Long Position

Notes:

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

The English name is translated for reference only

REPORT OF THE DIRECTORS

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

Save as disclosed herein, based on the information to the extent available to the Directors, the Directors are not aware of any person who was, as at 31 December 2020, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Based on the information to the extent available to the Directors, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold, any of the shares of the Company during the year ended 31 December 2020 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the Companies Law of the Cayman Islands.

RELATED PARTY TRANSACTIONS

Due to incomplete books and records, the Directors were unable to ascertain information about related party transactions to be disclosed during the period. On the basis that the relevant books and records are incomplete, no representation is made by the Directors and the Company as to the completeness, occurrence and accuracy of the related party transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information to the extent available to the Directors, as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

A Corporate Governance Report is set out on pages 9 to 14 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each independent non-executive Director, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

AUDITOR

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

The financial statements for the year ended 31 December 2020 were audited by Baker Tilly Hong Kong Limited.

Yang Jian Hui

Director

Hong Kong, 14 December 2021

INDEPENDENT AUDITOR'S REPORT



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") set out on pages 30 to 51, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. 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 the 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 total deficit of the Group as at 1 January 2020 was free from material misstatement. Any adjustments to the opening total deficit of the Group as at 1 January 2020 would affect the Group's loss and cash flows for the year ended 31 December 2020 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 2020.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION (continued)

(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 2020 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 2020 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 2020 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) 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 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.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION (continued)

(d) 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 courts in Hong Kong and the Cayman Islands, the relevant approvals being obtained from the shareholders of the Company and other Hong Kong regulatory authorities including The Stock Exchange of Hong Kong Limited and the Hong Kong Securities and Futures Commission, and the resumption of trading in the Company's shares on The Stock Exchange of Hong Kong Limited.

The 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 and to provide for any further liabilities which might arise.

INDEPENDENT AUDITOR'S REPORT

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.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 14 December 2021

Chan Kwan Ho, Edmond

Practising certificate number P02092

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Income	5	43	33
Administrative expenses		(4,111)	(9,876)
Loss from operations		(4,068)	(9,843)
Finance costs	6	(12,108)	(13,095)
Loss before tax		(16,176)	(22,938)
Income tax	7	–	–
Loss for the year attributable to owners of the Company		(16,176)	(22,938)
Other comprehensive income/(loss):			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency, net of nil tax		13,107	(3,690)
Total comprehensive loss for the year attributable to owners of the Company		(3,069)	(26,628)
		RMB cents	RMB cents
Loss per share	9		
– Basic		(0.69)	(0.98)

The notes on pages 34 to 51 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Current assets			
Bank and cash balances		6,592	8,435
Total current assets		6,592	8,435
TOTAL ASSETS		6,592	8,435
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	196,409	196,409
Reserves	11	(410,492)	(407,423)
Total deficit		(214,083)	(211,014)
Current liabilities			
Accruals and other payables		69,433	58,878
Due to former subsidiaries	12	1,430	1,517
Bank loans		149,812	159,054
Total current liabilities		220,675	219,449
TOTAL DEFICIT AND LIABILITIES		6,592	8,435

Approved and authorised for issue by the Company on 14 December 2021

Yang Jian Hui
Director

Kelvin Kin-Cheong Ho
Director

The notes on pages 34 to 51 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020 (Expressed in Renminbi)

	Share capital RMB'000	Share premium account RMB'000 (note 11(b)(i))	Foreign currency translation reserve RMB'000 (note 11(b)(ii))	Capital reserve RMB'000 (note 11(b)(iii))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	196,409	112,543	(12,539)	20,909	(501,708)	(184,386)
Loss for the year	-	-	-	-	(22,938)	(22,938)
Other comprehensive loss	-	-	(3,690)	-	-	(3,690)
Total comprehensive loss for the year	-	-	(3,690)	-	(22,938)	(26,628)
At 31 December 2019 and 1 January 2020	196,409	112,543	(16,229)	20,909	(524,646)	(211,014)
Loss for the year	-	-	-	-	(16,176)	(16,176)
Other comprehensive income	-	-	13,107	-	-	13,107
Total comprehensive loss for the year	-	-	13,107	-	(16,176)	(3,069)
Balance at 31 December 2020	196,409	112,543	(3,122)	20,909	(540,822)	(214,083)

The notes on pages 34 to 51 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Loss before taxation		(16,176)	(22,938)
Adjustments for:			
– Bank interest income	5	(43)	(33)
– Finance costs	6	12,108	13,095
Operating cash flows before changes in working capital		(4,111)	(9,876)
Increase in accruals and other payables		2,638	10,531
Net cash (used in)/generated from operating activities		(1,473)	655
Investing activities			
Interest received		43	33
Net cash generated from investing activities		43	33
Net (decrease)/increase in cash and cash equivalents		(1,430)	688
Effect of foreign exchange rate changes		(413)	147
Cash and cash equivalents at 1 January		8,435	7,600
Cash and cash equivalents at 31 December		6,592	8,435

The notes on pages 34 to 51 form part of these consolidated financial statements.

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 Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands and its current principal place of business is situated at 22nd Floor, Prince’s Building, Central, Hong Kong.

The Company considers, as at 31 December 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

1 GENERAL INFORMATION (continued)

Listing status of the Company

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

On 14 December 2016, the Stock Exchange placed the Company in the first delisting stage under Practice Note 17 to the Rules Governing the Listing of 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 and the updated new listing application was submitted to the Stock Exchange on 26 November 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

1 GENERAL INFORMATION (continued)

Listing status of the Company (continued)

On 11 June 2021, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange has decided to cancel the listing of the Company's shares on the Stock Exchange under the Practice Note 17 to the Listing Rules. The reasons for the delisting decision were stated in the Company's announcement of 25 June 2021. On 23 June 2021, the Company made a formal request to the Stock Exchange for a review of the delisting decision by the Listing Review Committee of the Stock Exchange pursuant to Chapter 2B of the Listing Rules. On 6 October 2021, the Stock Exchange notified the Company that the Listing Review Committee decided to uphold the Listing Committee's decision to cancel the listing of the Company's shares on the Stock Exchange. The Company is of the view that the Listing Review Committee's decision does not have reasonable grounds, having regard the circumstances of the Company and the Company has made a formal request to the Stock Exchange for a review of the Listing Review Committee's decision by the Listing Appeals Committee of the Stock Exchange on 12 October 2021. As at date of approval of these consolidated financial statements, the hearing of the Listing Appeals Committee has not yet held.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2020 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 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 2019 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 2020 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 2020 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 certain disclosures under IFRSs, Hong Kong Companies Ordinance and the Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

2 BASIS OF PREPARATION (continued)

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 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 and to provide for any further liabilities which might arise. 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 amendments to IFRSs that are first effective for the current period of the Group. The application of the amendments to IFRSs did not result in significant changes to the Group's accounting policies and the presentation of the Group's consolidated financial statements reported for both the current and prior year.

(b) New and revised IFRSs in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, "Insurance contracts", which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. The functional currency of the Company is Hong Kong dollars.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency translation (continued)

(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) 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.

(d) Payables

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

(f) Equity instruments

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

(g) Revenue recognition

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

(h) 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.

(i) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Taxation* (continued)

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. Current and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *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.

(k) *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 expenditures 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

5 INCOME

	2020 RMB'000	2019 RMB'000
Bank interest income	43	33

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.

6 FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expense on bank loans	12,108	13,095

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.

7 INCOME TAX

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 2020 and 2019.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the rates applicable to profits of the consolidated entities in the respective jurisdictions is as follows:

	2020 RMB'000	2019 RMB'000
Loss before tax	(16,176)	(22,938)
Tax at the weighted average rate of 16.5% (2019: 16.5%)	(2,669)	(3,785)
Tax effect of non-deductible expenses	2,669	3,785
Income tax	-	-

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

8 DIRECTORS' 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 2020

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive director				
Yang Jian Hui	133	–	–	133
Independent Non-executive directors				
Fan Tak Wah	89	–	–	89
Ho Kin Cheong, Kelvin	89	–	–	89
	178	–	–	178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

8 DIRECTORS' EMOLUMENTS (continued)

For the year ended 31 December 2019

	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive director				
Yang Jian Hui	132	–	–	132
Independent Non-executive directors				
Fan Tak Wah	88	–	–	88
Ho Kin Cheong, Kelvin	88	–	–	88
	176	–	–	176

None of the directors waived any emoluments during the year (2019: Nil).

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Other than the directors of the Company, the Group did not have any employees during the years ended 31 December 2020 and 2019.

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' emoluments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

9 LOSS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Loss		
Loss for the purpose of calculating basic loss per share		
– loss attributable to owners of the Company	(16,176)	(22,938)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	2,329,266,000	2,329,266,000

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary share during the years ended 31 December 2020 and 2019.

On the basis as set out in note 2, the loss 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 per share of the Company.

10 SHARE CAPITAL

	Number of shares	Amount HK\$	Amount as presented RMB'000
Authorised:			
Ordinary shares of HK\$0.1 each			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	4,000,000,000	400,000,000	340,744
Ordinary shares, issued and fully paid:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	2,329,266,000	232,926,600	196,409

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

11 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 from functional currency to presentation currency. The reserve is dealt with in accordance with the accounting policies set out in note 4(b).

(iii) 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.

(iv) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

12 DUE TO FORMER SUBSIDIARIES

The balances are unsecured, interest-free and repayable 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 to former subsidiaries.

13 SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2020 and 2019 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Percentage of ownership interest		Principal activities
			2020	2019	
Directly held:					
COSTIN Investment Limited	British Virgin Islands	US\$20	100%	100%	Investment holding
Indirectly held:					
Gerfalcon Investment Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Gerfalcon Hong Kong Company Limited	Hong Kong	HK\$1,000	100%	100%	Inactive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

14 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) Statement of financial position of the Company

	2020 RMB'000	2019 RMB'000
ASSETS		
Non-current assets		
Investment in a subsidiary	–	–
Current assets		
Bank and cash balances	6,592	8,435
Total current assets	6,592	8,435
TOTAL ASSETS	6,592	8,435
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	196,409	196,409
Reserves	(410,481)	(407,412)
Total deficit	(214,072)	(211,003)
Current liabilities		
Accruals and other payables	69,424	58,868
Due to a former subsidiary	1,428	1,516
Bank loans	149,812	159,054
Total current liabilities	220,664	219,438
TOTAL DEFICIT AND LIABILITIES	6,592	8,435

Approved and authorised for issue by the Company on 14 December 2021

Yang Jian Hui
Director

Kelvin Kin-Cheong Ho
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

14 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (continued)

(b) Reserve movements of the Company

	Share premium account RMB'000 (note 11(b)(i))	Foreign currency translation reserve RMB'000 (note 11(b)(ii))	Contributed surplus RMB'000 (note 11(b)(iv))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	112,543	(11,944)	20,909	(502,293)	(380,785)
Loss for the year	-	-	-	(22,938)	(22,938)
Other comprehensive loss	-	(3,689)	-	-	(3,689)
Total comprehensive loss for the year	-	(3,689)	-	(22,938)	(26,627)
At 31 December 2019 and 1 January 2020	112,543	(15,633)	20,909	(525,231)	(407,412)
Loss for the year	-	-	-	(16,176)	(16,176)
Other comprehensive income	-	13,107	-	-	13,107
Total comprehensive loss for the year	-	13,107	-	(16,176)	(3,069)
At 31 December 2020	112,543	(2,526)	20,909	(541,407)	(410,481)

15 CONTINGENT LIABILITIES

At 31 December 2020, the Company had contingent liabilities in respect of corporate guarantees to the extent of RMB109,528,000 (2019: RMB116,285,000) given for the general banking facilities granted to a former subsidiary. The amount of drawdown by the former subsidiary as at 31 December 2020 is RMB41,533,000 (2019: RMB44,169,000).

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.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Income	43	33	10	31	646,548
Loss before taxation	(16,176)	(22,938)	(14,665)	(26,588)	(1,739,533)
Income tax	–	–	–	–	(30,248)
Loss for the year attributable to owners of the Company	(16,176)	(22,938)	(14,665)	(26,588)	(1,769,781)
ASSETS AND LIABILITIES					
	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	6,592	8,435	7,600	1,717	17,143
Total liabilities	(220,675)	(219,449)	(191,986)	(162,745)	(163,460)
Total deficit	(214,083)	(211,014)	(184,386)	(161,028)	(146,317)