

# N&Q

福建諾奇股份有限公司  
Fujian Nuoqi Co., Ltd.

*(A Joint Stock Limited Liability Company Incorporated In The People's Republic of China)*  
Stock Code: 1353

# 2014

Annual Report



# N&Q



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ding Hui (*Chairman and Chief Executive Officer*)

Mr. Ding Canyang

Mr. Chen Quanyi

Mr. Au Yeung Ho Yin (Appointed on 14 June 2014  
and resigned on 25 July 2014)

Mr. Jin Wenge (Resigned on 13 June 2014)

### Non-executive Directors

Mr. Han Huiyuan

Ms. Ding Lixia

### Independent non-executive Directors

Mr. Qi Xiaozhai (Resigned 8 September 2015)

Mr. Kong Yuquan (Resigned 13 June 2014)

Ms. Hsu Wai Man, Helen  
(Resigned 3 September 2015)

Mr. Dai Zhongchuan (Appointed on 14 June 2014  
and resigned 8 September 2015)

## REMUNERATION COMMITTEE

Mr. Qi Xiaozhai (*Chairman*)  
(Resigned 8 September 2015)

Mr. Chen Quanyi

Ms. Hsu Wai Man, Helen  
(Resigned 3 September 2015)

## NOMINATION COMMITTEE

Ms. Ding Lixia

Mr. Dai Zhongchuan (*Chairman*)  
(Appointed on 14 June 2014  
and resigned on 8 September 2015)

Mr. Qi Xiaozhai (Resigned 8 September 2015)

## SUPERVISORY COMMITTEE

Ms. Gu Tao (*Chairman and Employee Representative*)

Mr. Ye Yongguan

Ms. Guo Zhuojun

## COMPANY SECRETARY

Mr. Au Yeung Ho Yin, *HKICPA, GradICSA*  
(Resigned 5 September 2014)

Mr. Law Geoff Chun Mo, *HKICPA*  
(Appointed on 26 January 2017)

## INTERNATIONAL AUDITORS

Zhonghui Anda CPA Limited  
*Certified Public Accountants*

## LEGAL ADVISERS IN HONG KONG

Chiu and Partners

## LEGAL ADVISER IN THE PRC

Fujian Junli Law Firm

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. 55 Chongwen Road  
Economic and Technical Development Zone  
Quanzhou  
Fujian province  
PRC

## PLACE OF BUSINESS IN HONG KONG

Rooms 1405-1412  
14/F Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKS

China Minsheng Banking Corp., Ltd.  
China Construction Bank

## COMPANY WEBSITE

[www.nuoqi.com.hk](http://www.nuoqi.com.hk)

## STOCK CODE

1353

# Management Discussion and Analysis

## BUSINESS REVIEW

During the year ended 31 December 2014, the Group has incurred substantial losses of approximately RMB721 million, which were due to: (1) the impairment of certain assets amounted to approximately HK\$684 million (2013: approximately HK\$0.5 million) which in turn was attributable to the unauthorised acts of the Mr. Ding Hui (the Chairman of the Company) which adversely prejudice the Company's assets; and (2) the decline in the level of revenue and the level of gross profit margin.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 11:25 a.m. on 23 July 2014, and will remain suspended pending the release of further information by the Company. For further details, please refer to the paragraphs headed "Suspension of trading in shares of the Company" in note 2 of the financial statement in this report.

## FINANCIAL REVIEW

### Revenue

The Group generated revenue for the year ended 31 December 2014 of approximately RMB323 million, which represented an approximately 53% decrease compared to the year of 2013 of approximately RMB682 million. The decrease was mainly due to the unauthorised acts of the Mr. Ding Hui which adversely prejudice the Company's assets; and (2) the decline in the level of revenue.

### Cost of sales, gross profit and gross profit margin

Gross profit for the year ended 31 December 2014 was approximately RMB122 million, which represented an approximately 61% decrease compared to the year of 2013 of approximately RMB316 million. The decrease was mainly due to a sharp drop in revenue and deterioration in gross profit margin. Gross profit margin for the year ended 31 December 2014 decreased to approximately 38% from approximately 46% for the year of 2013. The decrease was mainly due to decrease in average selling prices and decrease in sales from department store concession counters, which generally resulted in a lower gross profit margin.

### Other losses

Other losses for the year ended 31 December 2014 of approximately RMB479 million (2013: nil) represented the application of the Company's deposits maintained with financial institutions as security for the repayment of loans due to the unauthorised acts of Mr. Ding Hui and the write-off of interest in the Hong Kong subsidiary of the Company.

# Management Discussion and Analysis

## Impairment losses on various assets

Impairment losses on trade receivables and impairment losses on other receivables and prepayments for the year ended 31 December 2014 amounted to approximately RMB183 million (2013: approximately RMB0.5 million) and approximately RMB22 million (2013: nil) respectively.

## (Loss)/profit attributable to owners of the Company

Based on the above, loss attributable to owners of the Company for the year ended 31 December 2014 amounted to approximately RMB721 million (2013: profit attributable to owners of the Company of approximately RMB82 million).

## Liquidity, financial resources and capital structure

As at 31 December 2014, bank and cash balances of the Group were approximately RMB5 million (2013: approximately RMB350 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2014 was approximately 48.4% (2013: 26.8%).

As at 31 December 2014, certain of the Group's bank borrowings were secured by its property, plant and equipment with a carrying value of approximately RMB67 million (2013: nil) and were secured by the Group's land with a carrying value of approximately RMB46 million (31 December 2013: approximately RMB11 million).

## Foreign currency risks

Most of the Group's transactions, assets and liabilities are principally denominated in Renminbi, the functional currency of the Group. Therefore, the Group had minimal exposure to foreign currency risk and hence the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure of the Group from time to time and will consider hedging significant foreign currency exposure should the need arise.

# Management Discussion and Analysis

## Contingent liabilities and capital commitments

No sufficient information was available to ascertain the existence and completeness of the disclosures of capital commitments and contingent liabilities as at 31 December 2014 and 31 December 2013. Such disclosure was expected to be available upon the improvement of the internal control system of the Group.

## **DIVIDEND**

The board ("Board") of directors ("Directors") of the Company does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: proposed final dividend of RMB5.0 cents per ordinary share).

# Directors' and Senior Management's Profile

## BOARD OF DIRECTORS

### Executive Directors

#### **DING Hui** (丁輝)

**Mr. Ding Hui** (丁輝), aged 45, is the chairman, the chief executive officer and an executive Director of the Company. Mr. Ding Hui was appointed to the Board on 18 January 2008. Mr. Ding Hui has over 10 years of experiences in the garment retailing business. He is one of the two co-founders of the Group and the brother of Mr. Ding Canyang and Ms. Ding Lixia. In 2004, Mr. Ding Hui, together with his brother, Mr. Ding Canyang, established Quanzhou City Nuoqi. Mr. Ding Hui was a director and also the general manager of Quanzhou City Nuoqi from September 2004 to January 2008.

In view of the recent unauthorised acts discovered of Mr. Ding Hui which adversely prejudice the Company's assets and constitute breaches of directors' duties, the Board has resolved to propose to remove Mr. Ding Hui as a director of the Company and other subsidiaries of the Company. As at the date of this report, Mr. Ding Hui has ceased to be a director or legal representative of any subsidiary of the Company. Mr. Ding Hui no longer has any authority to act or execute documents for and on behalf of the Company and/or the Company's subsidiaries or to bind the Company and/or the Company's subsidiaries, notwithstanding that he remains a director of the Company.

#### **DING Canyang** (丁燦陽)

**Mr. Ding Canyang** (丁燦陽), aged 47, is an executive Director. He was appointed to the Board on 18 January 2008. Mr. Ding Canyang has over 10 years of experience in garment retailing business. He is one of the two co-founders of the Group and the brother of Mr. Ding Hui and Ms. Ding Lixia. Mr. Ding Canyang was the director of Quanzhou City Nuoqi from September 2004 to January 2008 and was responsible for the product procurement. Mr. Ding Canyang graduated from Jinjiang City Chen Dai Minzu Secondary School (晉江市陳埭民族中學) in July 1988.

# Directors' and Senior Management's Profile

## **CHEN Quanyi (陳全懿)**

**Mr. Chen Quanyi (陳全懿)**, aged 35, is an executive Director. He was appointed to the Board on 20 April 2009. Mr. Chen has more than 10 years of experience in garment retailing business. He joined Quanzhou City Nuoqi in 2004 and has acquired extensive experience in the Group's operation as he had worked in the market development department and the management and administration department of the Company. Mr. Chen graduated from Fujian Normal University (福建師範大學) with a diploma in Computerised Accounting in 2003.

## **Non-Executive Director**

## **HAN Huiyuan (韓惠源)**

**Mr. Han Huiyuan (韓惠源)**, aged 53, is a non-executive Director. He was appointed to the Board on 9 July 2013. Mr. Han is currently the managing director of Heaven-Sent Capital Management Group Co., Ltd. (硅谷天堂資產管理集團股份有限公司), a corporate shareholder of Silicon Valley Solar Venture Capital Co., Ltd. (深圳硅谷天堂陽光創業投資有限公司) and is responsible for the overall business operation. Mr. Han obtained a master's degree in urban economics from the Renmin University of China (中國人民大學) in 2011 and a bachelor's degree in industrial automation from Huazhong Technical College (華中工學院) (currently known as the "Huazhong University of Science and Technology (華中科技大學)") in 1984.

## **DING Lixia (丁麗霞)**

**Ms. Ding Lixia (丁麗霞)**, aged 42, is a non-executive Director. She was appointed to the Board on 18 January 2008. Ms. Ding has been the legal representative and a director of Nuoqi Investment since November 2007. Ms. Ding has acquired extensive experience in the Group's operation as she had worked at Jinjiang City Hong Sheng Textile and Garment Manufacturing Co., Ltd. (晉江市鴻升針織製衣有限公司). Ms. Ding graduated from Jinjiang City Chen Dai Minzu Secondary School (晉江市陳埭民族中學) in July 1992. Ms. Ding is the sister of Mr. Ding Hui and Mr. Ding Canyang.



# Directors' and Senior Management's Profile

## BOARD OF SUPERVISORS

### **GU Tao (顧濤)**

**Ms. Gu Tao (顧濤)**, aged 41, is the chairperson of the board of Supervisors and was appointed on 28 January 2011. Ms. Gu is the head of business development centre of the Company. Prior to joining the Group in 2004, Ms. Gu worked in the customer service department in Jinjiang Trade Advertising Co., Ltd. (晉江經貿廣告公司). Ms. Gu graduated in Huaqiao University (華僑大學) with a diploma in sales and accounting in 1995.

### **YE Yongguan (葉永觀)**

**Mr. Ye Yongguan (葉永觀)**, aged 49, was appointed to the board of Supervisors on 9 June 2013. Mr. Ye has around 20 years of experience in management. He is general manager of Quanzhou Fuyou Chemical Co., Ltd. (泉州輔友化工有限公司). Prior to that, Mr. Ye worked for Fujian Fuwei Co., Ltd. (福建福維股份有限公司) (formerly known as "Fujian Textile and Chemical Fibre Group Co., Ltd. (福建紡織化纖集團有限公司)") and was appointed as the head of research centre, deputy chief of the technical centre and the general manager of a subsidiary of Fujian Fuwei Co., Ltd., respectively. He was qualified as a senior engineer in December 2001. Mr. Ye obtained from Fuzhou University (福州大學) both his master's degree in chemical engineering in 2007 and his bachelor's degree in chemistry in 1988.

### **GUO Zhuojun (郭卓君)**

**Ms. Guo Zhuojun (郭卓君)**, aged 35, was appointed to the Board of Supervisors on 9 June 2013. Ms. Guo has over 10 years of experience in management. Ms. Guo was the general manager of Xiamen Xing Zhi Rui Technology, Co., Ltd. (廈門興智瑞科技有限公司) from November 2003 to May 2008. Subsequently, she has founded several private companies which were engaged in the provision of enterprise management solutions business and she is the general manager of these companies.

# Directors' and Senior Management's Profile

## SENIOR MANAGEMENT

### ZHANG Aiping (張愛平)

**Mr. Zhang Aiping** (張愛平), age 62, has been appointed as the new general manager with effect from 5 September 2016. He has extensive experience in corporate operation, management and project investment, various experience in foreign trade industry and had been working as the general manager of Fujian Chemical Machinery Import & Export Co., Ltd. (福建省化工機械進出口公司), the general manager of Fujian Foreign Trade Development Co., Ltd. (福建省外貿實業發展有限公司) and the chairman of Fujian Xiamen Foreign Trade and Economic (Group) Co., Ltd. (福廈經貿集團有限公司). Mr. Zhang has been the senior vice president of Hao Tian Development Group Limited ("Hao Tian") which is a company whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 474) since June 2016 and is mainly in charge of business development and corporate management.

### ZHANG Deyong (張德勇)

**Mr. Zhang Deyong** (張德勇), age 42, has been appointed as the new chief operating officer of the Company with effect from 15 November 2016. Mr. Zhang Deyong has over 10 years of experience in marketing management including chain operation and marketing operation within, among others, the fashion industry. He was the regional director of the K-Boxing Men's Wear Company Limited between May 2007 and February 2010 and was responsible for its regional market operation and management. Subsequently, he worked as the South China regional sales director of the lifestyle business department of Cabbeen Fashion Limited between April 2010 and March 2013; branch general manager of T&G (H.K.) Holdings Limited Guangxi branch between April 2013 and September 2015; and marketing director of Xtep (China) Co., Ltd between October 2015 and August 2016.

## COMPANY SECRETARY

### Law Geoff Chun Mo (羅俊武)

**Mr. Law Geoff Chun Mo** (羅俊武), age 41, has been appointed as the new chief financial officer and company secretary of the Company respectively with effect from 26 January 2017. Mr. Law obtained a bachelor's degree of commerce from the University of New South Wales in Australia majoring in finance and accounting and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Law has extensive experiences in financial management, internal control management, corporate finance, pre-investment and post-investment project management, equity investment and other related areas. Mr. Law also has management experiences in the PRC. As at the date of this report, Mr. Law was also the Group Financial Controller of Hao Tian. He was mainly responsible for overseeing the financial matters of investment projects in the PRC and was also involved in other investment and financing projects in Hao Tian. Prior to joining Hao Tian, Mr. Law had various work experiences, including being an audit senior manager in KPMG, the financial controller in an A-share listed company, and the chief financial officer and investment director in private equity fund management companies in the PRC.

# Directors' Report

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and retailing men's casual apparels. Details of the principal activities of the subsidiaries are set out in note 30 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's revenue and profit for the year is set out in the section headed "Management Discussion and Analysis" in this report.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 of this annual report.

For details regarding a fair review of the Company's business, please refer to the paragraph headed "Business review" of the section headed "Management discussion and analysis" of this annual report.

The Board does not recommend the payment of a dividend for the year ended 31 December 2014.

## Summary financial information

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 86. The summary does not form part of the audited consolidated financial statements.

## ANNUAL GENERAL MEETING ("AGM") AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The notice of the forthcoming AGM and the period of closure of register of members of H Shares will be published and dispatched to the shareholders of the Company, at least 45 days before the meeting, in accordance with the requirements of the Listing Rules and the Articles of Association. To ascertain the shareholders' entitlement to attend and vote at the forthcoming AGM, all transfers of shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration. Details to which will be announced in due course.

## SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 26 to the financial statements.

# Directors' Report

## **SUBSIDIARIES**

Particulars of the names, places of incorporation and issued/registered share capital of the Company's subsidiaries are set out in note 30 to the financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Company and of the Group during the year are set out in note 16 to the financial statements.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2014, our Company had no distributable reserves available for distribution to its equity holders.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the PRC which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

## **ENVIRONMENTAL POLICIES**

We are committed to building an environmentally-friendly workplace that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving water supplies, electricity and encouraging recycle of office supplies and other packaging materials.

# Directors' Report

## COMPLIANCE WITH LAWS AND REGULATIONS

The Company's operations are mainly carried out in the PRC. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC. During the year ended 31 December 2014 and up to the date of this report, there is no material non-compliance with all the prevailing laws and regulations in the PRC.

## MAJOR CUSTOMERS AND SUPPLIERS

### Purchases

The aggregate percentages of purchases attributable to the Group's major suppliers during the year ended 31 December 2014 are as follows:

Our largest supplier	13.09%
Five largest suppliers combined	45.96%

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued Shares) had any beneficial interest in the Group's five largest suppliers.

### Sales

During the year, due to the nature of business of the Group, the aggregate percentage of the sales attributable to the Group's five largest customers is less than 30% during the year.

## DIRECTORS

For the year ended 31 December 2014, the composition of the Board was as follows:

### Executive Directors:

Mr. Ding Hui<sup>1</sup> (*Chairman & Chief Executive Officer*)

Mr. Ding Canyang<sup>2</sup>

Mr. Chen Quanyi

Mr. Au Yeung Ho Yin (appointed on 14 June 2014 and resigned on 25 July 2014)

Mr. Jin Wenge (resigned on 13 June 2014)

# Directors' Report

## Non-executive Directors:

Mr. Han Huiyuan

Ms. Ding Lixia<sup>3</sup>

## Independent non-executive Directors:

Mr. Qi Xiaozhai

Mr. Kong Yuquan (resigned on 13 June 2014)

Ms. Hsu Wai Man, Helen

Mr. Dai Zhongchuan (appointed on 14 June 2014)

### Notes:

1. Mr. Ding Hui is the brother of Mr. Ding Canyang and Ms. Ding Lixia. As mentioned in the section headed "Code of corporate governance practice" above, the Board has proposed to remove Mr. Ding Hui as an executive Director at the EGM.
2. Mr. Ding Canyang is the brother of Mr. Ding Hui and Ms. Ding Lixia.
3. Ms. Ding Lixia is the sister of Mr. Ding Hui and Mr. Ding Canyang.

Mr. Jin Wenge ("Mr. Jin") retired by rotation as an executive Director at the annual general meeting of the Company held on 13 June 2014. Mr. Kong Yuquan ("Mr. Kong") retired by rotation as an independent non-executive Director, chairman of the Nomination Committee and member of Audit Committee of the Company at the annual general meeting of the Company held on 13 June 2014. Mr. Au Yeung Ho Yin ("Mr. Au Yeung") resigned as an executive director with effect from 25 July 2014 due to health problem.

Mr. Jin, Mr. Kong and Mr. Au Yeung confirmed that they have no disagreement with the Board and there is no matter in relation to their resignation that needs to be brought to the attention of the shareholders of the Company.

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the directors and supervisors of the Company and the senior management of the Group are set out on pages 6 to 9 of the annual report.

# Directors' Report

## **DIRECTORS' AND SUPERVISORS SERVICE CONTRACTS**

Each of the directors and supervisors has entered into a service agreement with the Company for a term of three years.

No director and supervisor has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **EMPLOYEES AND REMUNERATION POLICY**

The Group had approximately 164 employees as at 31 December 2014 (31 December 2013: 1,721 employees). The total remuneration of employees for the year ended 31 December 2014 amounted to approximately RMB48 million (2013: RMB63 million).

The Group's emolument policy is formulated based on the performance of individual employees and is reviewed regularly. Subject to the Group's profitability, the Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group. The primary goal of the emolument policy with regard to the remuneration packages of the Group's executive directors is to enable the Group to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives achieved.

The principal elements of the Group's remuneration packages include basic salaries, discretionary bonuses and housing benefits.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

## **DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

None of the directors, the supervisors nor their respective associates had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

## **CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE**

There was no other contract of significance between the Group and the Company's controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year.

# Directors' Report

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

As at 31 December 2014, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares in and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

### Interests in the Company

Name of Director	Capacity/ nature of interest	Number and class of securities (Note 1)	Type of shares	Approximate percentage of the respective type of shares	Approximate percentage of total issued shares
Mr. Ding Hui	Beneficial owner	202,500,000 (L)	Domestic Shares	45.00	33.15
Ms. Ding Canary	Beneficial owner	82,450,000 (L)	Domestic Shares	18.32	13.50
Ms. Ding Lixia	Interests in controlled corporation (Note 2)	18,000,000 (L)	Domestic Shares	4.00	2.95

Notes:

1. The letter "L" denotes the Directors' long position in the Shares.
2. Ms. Ding Lixia holds 66.10% equity interest in registered capital of Quanzhou City Nuoqi Investment and Development Co., Ltd. (泉州市諾奇投資發展有限公司) (the "Nuoqi Investment"). Accordingly, Ms. Ding Lixia is deemed to be interested in the 18,000,000 Shares held by Nuoqi Investment by virtue of SFO.



# Directors' Report

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, so far as the Directors are aware of, the interests or short positions of the persons (other than a Director or chief executive of the Company whose interests are disclosed above) and corporations in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

Name of shareholder	Nature of interest	Number of Shares held (Note 1)	Type of shares	Approximate percentage of the respective type of shares	Approximate percentage of total issued shares
Mr. Chan Yuk Ming	Interests in controlled corporation	42,800,000 (L)	H Shares (Note 2)	26.62	7.01
Theme Link Investments Ltd.	Beneficial owners	12,700,000 (L)	H Shares	7.90	2.08
Evisu (PTC) Limited	Trustee	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Pacific Success Holdings Limited	Interests in controlled corporation (Note 2)	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Evergreen International Holdings Limited	Interests in controlled corporation	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Sunsonic Holdings Limited	Interests in controlled corporation	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Joy Business Investments Limited	Beneficial owners	29,400,000 (L)	H Shares (Note 3)	18.28	4.81
Mr. Hong Jinjing	Interests in controlled corporation	17,840,000 (L)	H Shares (Note 4)	11.89	2.92
Sky Success Venture Holdings Limited	Beneficial owners	17,840,000 (L)	H Shares (Note 4)	11.89	2.92
泉州市合眾投資有限公司	Beneficial owners	27,000,000 (L)	Domestic Shares	6.00	4.42
深圳硅谷天堂陽光創業投資	Beneficial owners	26,100,000 (L)	Domestic Shares	5.80	4.27

# Directors' Report

Notes:

1. The letter "L" denotes a person's or a corporation's long position in the Shares and "S" denotes a person's or a corporation's short position in the Shares.
2. Of the 42,800,000 H shares in which Mr. Chan Yuk Ming ("Mr. Chan") is interested or deemed to be interested, 700,000 H shares are held by him personally, 12,700,000 H shares are held by Theme Link Investments Ltd., a company wholly-owned by Mr. Chan, and 29,400,000 H shares are held by Joy Business Investments Limited, a company wholly-owned by Sunsonic Holdings Limited which is a company indirectly owned by Evisu (PTC) Limited, the trustee of a discretionary trust of which Mr. Chan was a founder (please see Note 3 below).
3. The abovementioned 29,400,000 H shares are held by Joy Business Investments Limited, a company wholly-owned by Sunsonic Holdings Limited which is in turn wholly-owned by Evergreen International Holdings Limited ("Evergreen"), a company the shares of which are listed on the Hong Kong Stock Exchange under stock code 238. Evergreen is owned as to 51% by Pacific Success Holdings Limited, a company wholly-owned by Evisu (PTC) Limited which is the trustee of a discretionary trust of which Mr. Chan was a founder.
4. Mr. Hong Jinjing holds 42.00% equity interest in registered capital of Sky Success Venture Holdings Limited. Accordingly, Mr. Hong Jinjing is deemed to be interested in the 17,840,000 Shares held by Sky Success Venture Holdings Limited by virtue of SFO.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save for those disclosed in the paragraphs headed and "Directors' and chief executive's Interests and short positions in Shares and underlying Shares" in this Directors' report in this annual report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

# Directors' Report

## NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company dated 30 December 2013, each of the Mr. Ding Hui and Mr. Ding Canyang (the "Controlling Shareholders"), the Controlling Shareholders of the Company during the year ended 31 December 2014 has executed a deed of non-competition through which they have undertaken and procure that none of his associates will (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business in competition with or likely to be in competition with the Group's existing business activity or any principal business activity of any member of the Group or be in competition with the Group in any business activities which the Group may undertake in the future (the "Restricted Business"); or (b) take any direct or indirect action which constitutes an interference with or a disruption to the Group's business activities including, but not limited to, solicitation of the Group's customers, suppliers or staff. Each of them have warranted that neither he nor any of his associates is currently engaging in and has not had any interest in any business that directly or indirectly competes or may compete with the Group's business. Each of the Controlling Shareholders also undertakes and covenants to the Group that, if any new business opportunity relating to any Restricted Business is made available to him, he will direct the Restricted Business to the Group with such required information to enable the Group to evaluate the merits of the Restricted Business.

The Controlling Shareholders (except for Mr. Ding Hui, which was not contactable as at the date of this report) have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this report from the date on which dealings in the H Shares first commence on the Stock Exchange (the "Listing Date") to 31 December 2014.

## SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

## CONNECTED TRANSACTION

During the period from the Listing Date to the date of this report, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

# Directors' Report

## **DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS**

None of the directors or supervisors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

## **CHARITABLE DONATIONS**

During the year ended 31 December 2014, the Group did not make any charitable and other donations.

## **AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE**

Details of the Audit Committee, Remuneration Committee and Nomination Committee are set out in section headed "Corporate Governance Report" of this annual report.

## **REVIEW BY AUDIT COMMITTEE**

The Company currently does not have an Audit Committee. Accordingly, the consolidated financial statements of the Company for the year ended 31 December 2014 has not been reviewed by the Audit Committee.

## **AUDITOR**

Ernst & Young ("EY") resigned as the international auditors of the Company on 26 September 2016 after taking many factors into account including the professional risk associated with the audit, the level of audit fees and their available internal resources in light of their current work flows. EY confirmed that there are no circumstances connected with their resignation which they considered should be brought to the attention of the shareholders of the Company.

ZHONGHUI ANDA CPA Limited has been appointed as the new international auditors of the Company with effect from 20 October 2016 to fill the casual vacancy following the resignation of EY.

ZHONGHUI ANDA CPA Limited have been engaged and has expressed disclaimer opinion on the accompanying financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. ZHONGHUI ANDA CPA Limited will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Chen Quanyi**

*Executive Director*

Quanzhou, PRC, 10 January 2017

# Supervisory Committee Report

Dear Shareholders:

On behalf of the Supervisory Committee of the Company, I would like to present to the general meeting the work report of the Supervisory Committee for the year 2014.

In 2014, the third session of the Supervisory Committee of Fujian Nuoqi Co., Ltd. (hereinafter referred to as the "Company") earnestly performed its duties in compliance with relevant national laws and regulations as well as the articles of association of the Company, highlighted its supervisory function over the financial position and senior management of the Company, and carried out its work by abiding by the objective of safeguarding the interests of the Company's shareholders.

We hereby report the work performed by the Supervisory Committee of the Company for the year 2014 as follows:

## **(1) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY**

The Supervisory Committee is of the view that the Company had complied with the legal requirements in its management and operation during 2014 and that directors and managers of the Company, except for Mr. Ding Hui who was not contactable by the Company as at the date of this report, had fulfilled their duties without violating any laws, regulations and articles of association of the Company or performed any behaviours that were detrimental to the interests of the Company.

## **(2) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE INSPECTION OF THE FINANCIAL POSITION OF THE COMPANY**

ZHONGHUI ANDA CPA Limited was engaged by the Company on the audit of consolidated financial statements of the Company for the year 2014 and an audit report of disclaimer opinion was issued thereon. The Supervisory Committee is of the opinion that due to insufficiency of supporting documentation and explanations for accounting books and records and material uncertainty relating to the going concern basis, ZHONGHUI ANDA CPA Limited was unable to express their opinions on certain issues, therefore, it is necessary for the Company to further improve its financial reporting and internal control measures.

# Supervisory Committee Report

## **(3) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE AUDIT OPINION OF ACCOUNTING FIRM**

ZHONGHUI ANDA CPA Limited was engaged by the Company on the audit of consolidated financial statements of the Company for the year 2014 and an audit report of disclaimer opinion was issued. The Supervisory Committee had no objection to the audit opinion and report.

We hereby present this report for shareholders' consideration.

**Fujian Nuoqi Co., Ltd.**

*The Supervisory Committee*

Quanzhou, PRC, 10 January 2017

# Corporate Governance Report

## CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2014, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1 and those in relation to the vacancy of the company secretary of the Company. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and these two roles were taken up by Mr. Ding Hui. In view of the recent unauthorised acts discovered of Mr. Ding Hui which adversely prejudice the Company's assets and constitute breaches of directors' duties, the Board has resolved to propose to remove Mr. Ding Hui as director of the Company and other subsidiaries of the Company. As at the date of this report, Mr. Ding Hui has ceased to be a director or legal representative of any subsidiary of the Company. Mr. Ding Hui no longer has any authority to act or execute documents for and on behalf of the Company and/or the Company's subsidiaries or to bind the Company and/or the Company's subsidiaries, notwithstanding that he remains a director of the Company. Pursuant to the articles of association of the Company, a shareholders' general meeting is required to be convened to consider the removal of a Director. The Board has proposed to remove Mr. Ding Hui as an executive Director at the extraordinary general meeting of the Company to be held on 21 April 2017 ("EGM"). Please refer to the circular of the Company dated 6 March 2017 in relation to the EGM for further details.

In view of the resignation of Mr. Au Yeung Ho Yin as the company secretary of the Company with effect from 5 September 2014, the Board has appointed Mr. Law Geoff Chun Mo as the company secretary of the Company with effect from 26 January 2017. Please refer to the announcement of the Company dated 26 January 2017 in relation to, among others, the appointment of company secretary of the Company for further details.

# Corporate Governance Report

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry by the Company to the Directors, namely, Mr. Ding Canyang, Mr. Chen Quanyi, Mr. Han Huiyuan and Ms. Ding Lixia (except Mr. Ding Hui who was not contactable by the Company as at the date of this report), they confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2014. No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of unpublished inside information of the Company was noted by the Company during the year ended 31 December 2014.

## BOARD OF THE DIRECTORS

### Board composition

The Board is currently constituted by five members, including three executive Directors and two non-executive Directors.

For the year ended 31 December 2014, the composition of the Board was as follows:

### Executive Directors:

Mr. Ding Hui<sup>1</sup> (*Chairman & Chief Executive Officer*)

Mr. Ding Canyang<sup>2</sup>

Mr. Chen Quanyi

Mr. Au Yeung Ho Yin (appointed on 14 June 2014 and resigned on 25 July 2014)

Mr. Jin Wenge (resigned on 13 June 2014)

### Non-executive Directors:

Mr. Han Huiyuan

Ms. Ding Lixia<sup>3</sup>

### Independent non-executive Directors:

Mr. Qi Xiaozhai

Mr. Kong Yuquan (resigned on 13 June 2014)

Ms. Hsu Wai Man, Helen

Mr. Dai Zhongchuan (appointed on 14 June 2014)



# Corporate Governance Report

Notes:

1. Mr. Ding Hui is the brother of Mr. Ding Canyang and Ms. Ding Lixia. As mentioned in the section headed "Code of corporate governance practice" above, the Board has proposed to remove Mr. Ding Hui as an executive Director at the EGM.
2. Mr. Ding Canyang is the brother of Mr. Ding Hui and Ms. Ding Lixia.
3. Ms. Ding Lixia is the sister of Mr. Ding Hui and Mr. Ding Canyang.

The biographical information of the Directors are set out on pages 6 to 9 of this annual report.

## Function

The Board is responsible for the oversight of the management of the Company's business and affairs with the objective of enhancing shareholder value.

The Board is also responsible for performing corporate governance duties including the developing, reviewing and monitoring of the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and compliance manual applicable to employees and Directors.

Daily operations, business strategies and administration are delegated to the executive Directors and the management with divisional heads responsible for different aspects of the business. When the Board delegates different aspects of its management and administrative functions to the senior management, it has given clear directions in relation to the scope of powers of the senior management. Although the Board is not involved in the Company's day-to-day operations, it does have a formal schedule of matters reserved for its own decision, as defined in its terms of reference, which are available on the Company's website.

# Corporate Governance Report

## Board meetings

During the year ended 31 December 2014, 31 meetings were held by the Board. The attendance record of each Director is set out below:

<b>Name of Board members</b>	<b>Number of attendance</b>	<b>Number of meetings</b>
Mr. Ding Hui	5	31
Mr. Ding Canyang	31	31
Mr. Chen Quanyi	31	31
Mr. Au Yeung Ho Yin (appointed on 14 June 2014 and resigned on 25 July 2014)	3	3
Mr. Jin Wenge (resigned on 13 June 2014)	5	5
Mr. Han Huiyuan	31	31
Ms. Ding Lixia	31	31
Mr. Qi Xiaozhai (resigned on 8 September 2015)	31	31
Mr. Kong Yuquan (resigned on 13 June 2014)	5	5
Ms. Hsu Wai Man, Helen	31	31
Mr. Dai Zhongchuan (appointed on 14 June 2014)	26	26

Notice of regular Board meetings is served to all Directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings.

## Independent non-executive Directors

With the resignation of each of Ms. Hsu Wai Man, Helen, Mr. Qi Xiaozhai and Mr. Dai Zhongchuan on 3 September 2015, 8 September 2015 and 8 September 2015 respectively, the Company currently has no independent non-executive Directors. The Board has resolved to propose each of Mr. Chan Ming Sun Jonathan, Mr. Lee Chi Hwa Joshua and Mr. Mak Yiu Tong to be nominated for, and elected as an independent non-executive Director at the EGM. The Company is of the view that all of the independent non-executive Directors will meet the guidelines for assessing independence as set out in the Listing Rules and considers them to be independent.

# Corporate Governance Report

## Chairman and Chief Executive Officer

The chairman is responsible for leading the Board and is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures. Whereas the role of chief executive officer focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Currently, the role of chairman and chief executive officer and these two roles were taken up by Mr. Ding Hui. As mentioned in the section headed "Code of corporate governance practice" above, the Board has proposed to remove Mr. Ding Hui as an executive Director at the EGM.

## Appointment, re-election and removal

A Director shall have a term of office of three years and shall be entitled to be re-appointed when the term of office expires provided that the term of office of independent non-executive Directors shall not exceed six years. The Company has entered into service agreements with each of the executive Director and non-executive Director with a term of three years. The appointment and removal of Directors shall be approved by shareholders at shareholders' meeting. The current Directors appointed by the Board shall hold office until the next annual general meeting of the Company and be subject to re-election at such meeting.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office and the Company may by ordinary resolution appoint another in his place.

## Directors' continuous training and development

Pursuant to the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2014, the Company has circulated and the Directors have received updates on changes and development on relevant laws and regulations for their reference.

# Corporate Governance Report

## COMMITTEES OF THE BOARD

### Remuneration Committee

The Company established the Remuneration Committee on 16 December 2013 with written terms of reference in compliance with the Code. The Remuneration Committee currently has one Director: Mr. Chen Quanyi. As mentioned in the section headed "Code of corporate governance practice" above, arrangements will be made to appoint an appropriate number of Directors to reconstitute the Remuneration Committee as soon as practicable.

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and senior management and specific remuneration packages and conditions of employment for the Directors and senior management and evaluating and making recommendations on employee benefit arrangements.

The remuneration of Directors is determined by the Board, upon recommendation of the Remuneration Committee with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group.

The terms of reference of the Remuneration Committee are posted on the websites of the Company and Stock Exchange.

During the year ended 31 December 2014, the Remuneration Committee had three members comprising one executive Director and two independent non-executive Directors: Mr. Chen Quanyi, Mr. Qi Xiaozhai and Ms. Hsu Wai Man, Helen, respectively. Mr. Qi Xiaozhai was the Chairman of the Remuneration Committee.

# Corporate Governance Report

During the year ended 31 December 2014, 1 meeting was held by the Remuneration Committee to review and make recommendation of the remuneration of Directors. The attendance record of each Remuneration Committee member is set out below:

<b>Name of Committee members</b>	<b>Number of attendance</b>	<b>Number of meetings</b>
<i>Executive Director:</i>		
Mr. Chen Quanyi	1	1
<i>Independent non-executive Directors:</i>		
Mr. Qi Xiaozhai	1	1
Ms. Hsu Wai Man, Helen	1	1

## Audit Committee

The Company established the Audit Committee on 16 December 2013 with written terms of reference in compliance with Rules 3.21 and 3.23 of the Listing Rules. The Company currently does not have an Audit Committee due to the reasons mentioned in the section headed "Code of corporate governance practice" above. Arrangements will be made to appoint an appropriate number of independent non-executive Directors to reconstitute the Audit Committee as soon as practicable.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, to review the Company's annual report and interim reports to provide advice and comments thereon to the Board, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors and assessing their independence and performance.

The terms of reference of the Audit Committee are posted on the websites of the Company and Stock Exchange.

During the year ended 31 December 2014, the Audit Committee had three members comprising three independent non-executive Directors: Mr. Qi Xiaozhai, Mr. Kong Yuquan and Ms. Hsu Wai Man, Helen, respectively. Ms. Hsu Wai Man, Helen was the Chairman of the Audit Committee.

# Corporate Governance Report

During the year ended 31 December 2014, the Audit Committee held 1 meeting. The members of Audit Committee reviewed and discussed with the external auditor of the Company the Group's audited financial statements for the year ended 31 December 2013. The attendance record of each Audit Committee member is set out below:

<b>Name of Committee members</b>	<b>Number of attendance</b>	<b>Number of meetings</b>
<i>Independent non-executive Directors:</i>		
Mr. Qi Xiaozhai	1	1
Mr. Kong Yuquan	1	1
Ms. Hsu Wai Man, Helen	1	1

## Nomination Committee

The Company established the Nomination Committee on 16 December 2013 with written terms of reference in compliance with the Code. The Nomination Committee currently has one member: Ms. Ding Lixia. As mentioned in the section headed "Code of corporate governance practice" above, arrangements will be made to appoint an appropriate number of Directors to reconstitute the Nomination Committee as soon as practicable.

The Nomination Committee is responsible for making recommendations to the Board on the appointment of Directors. The Committee is also responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually; assessing the independence of the Independent Non-executive Directors; and evaluating the effectiveness and implementation of the Board Diversity Policy (see below).

The terms of reference of the Nomination Committee are posted on the websites of the Company and Stock Exchange.

During the year ended 31 December 2014, the Nomination Committee had three members comprising one executive Director and two independent non-executive Directors: Mr. Ding Canyang, Mr. Qi Xiaozhai and Mr. Kong Yuquan, respectively. Mr. Kong Yuquan is the Chairman of the Nomination Committee.

# Corporate Governance Report

During the year ended 31 December 2014, the Nomination Committee held 1 meeting. The members of Nomination Committee reviewed and discussed the current structure, size and composition of the Board and the remuneration of the senior management personnel. The attendance record of each Nomination Committee member is set out below:

<b>Name of Committee members</b>	<b>Number of attendance</b>	<b>Number of meetings</b>
<i>Executive Director:</i>		
Mr. Ding Canyang	1	1
<i>Independent non-executive Directors:</i>		
Mr. Qi Xiaozhai	1	1
Mr. Kong Yuquan	1	1

## Board Diversity Policy

The Company adopted a policy concerning diversity of board members ("Board Diversity Policy") on 16 December 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance its operating results and quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. When determining the composition of the Board, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually.

# Corporate Governance Report

## COMPANY SECRETARY

In view of the resignation of Mr. Au Yeung Ho Yin as the company secretary of the Company with effect from 5 September 2014, the Board has appointed Mr. Law Geoff Chun Mo as the company secretary of the Company with effect from 26 January 2017.

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that board policy and procedures are followed.

All Directors may access to the advice and services of the company secretary who regularly updates the Board on governance and regulatory matters and should also facilitate induction and professional development of Directors.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Code.

The Board has reviewed the Company's corporate governance policies and practices, training and continuous professional and development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

## FINANCIAL REPORTING

The Board are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2014, the Directors have reviewed and applied suitable accounting policies, adopted appropriate International Financial Reporting Standards and International Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.



# Corporate Governance Report

## EXTERNAL AUDITORS

External auditors' responsibility is to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

Zhonghui Anda has been appointed as the Company's external auditor in with effect from 20 October 2016. The remuneration paid to the Company's external auditor, Zhonghui Anda, in respect of audit services and non-audit services, for the year ended 31 December 2014 is set out below:

<b>Nature of services</b>	<b>Fee paid/payable</b>
	RMB'000
Audit services	400,000
Non-audit services	144,000
Total	<u>544,000</u>

## INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system and for reviewing its effectiveness, particularly in respect of controls on financial, operational, compliance and risk management, to safeguard shareholders' investment and the Group's assets.

The Company has developed its disclosure policy which provides a general guide to the Directors, the Company's officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

The internal control system is designed to provide reasonable, but not absolute, assurance. The system aims to eliminate, or otherwise manage, risks of failure in achieving the Company's objectives.

The Board had engaged an external internal control consultant to perform an assessment of the Company's internal control systems and to make recommendations for improvement where applicable.

# Corporate Governance Report

## REGULATORY COMPLIANCE

As disclosed under the section headed “Directors’ continuous training and development” in this annual report, the Directors have sufficient up-to-date knowledge of relevant laws and regulations.

The Company had engaged external professional advisers, including legal advisers, to render professional advice as to compliance with the statutory requirements applicable to the Group from time to time.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of corporate information, which enables shareholders and investors to make appropriate investment decisions.

The members of the Board and committees of the Board and the external auditor will be present to answer shareholders’ questions in the annual general meetings of the Company. Circulars will be distributed to all shareholders before the annual general meeting and any special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the articles of association of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the relevant general meetings.

As a channel to promote effective communication, the Group maintains a website where information on the Company’s announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any enquires.

## SHAREHOLDERS’ RIGHTS

### Convening of extraordinary general meeting on requisition by Shareholders

The shareholders, individually or collective holding not less than 10% of the paid-up capital of the Company, may by written requisition request the Board to convene an extraordinary general meeting. The Board shall within 10 days after the receipt of the written requisition provide a written reply as to whether an extraordinary general meeting will be convened in respect of the written requisition received.

If the Board do not within 10 days from the date of the deposit of the requisition proceed to convene a meeting, the requisitionists may by written requisition request the supervisory committee of the Company (“Supervisory Committee”) to convene an extraordinary general meeting.

# Corporate Governance Report

In the event that the Supervisory Committee did not provide a notice of extraordinary general meeting within the specified timeframe, the Supervisory Committee shall be considered to be unwilling to convene and preside over the extraordinary general meeting. The shareholders that, either individually or jointly, hold over 10% of shares of the Company for a period of 90 consecutive days or more may at their sole discretion convene and preside over the extraordinary general meeting in accordance with the articles of association of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the company secretary of the Company at the Company's principal place of business at Rooms 1405-1412, 14/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's share registrars and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to include the resolution in the agenda for the extraordinary general meeting.

## Procedures for putting forward proposals at general meetings by Shareholders

To put forward proposals at an AGM or extraordinary general meeting, the shareholders, individually or collective holding not less than 3% of the paid-up capital of the Company, should submit a written notice of those proposals 10 days before the holding of such meeting to the company secretary of the Company at the Company's principal place of business at Rooms 1405-1412, 14/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the articles of association of the Company.

## Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns with contact information of the requisitionists to the Board in writing through the company secretary of the Company by mail to the Company's principal place of business in Hong Kong at Rooms 1405-1412, 14/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

# Independent Auditor's Report



## **To the shareholders of Fujian Nuoqi Co., Ltd.**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

We were engaged to audit the consolidated financial statements of Fujian Nuoqi Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 85, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors of the Company (the "Directors") are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion 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. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

# Independent Auditor's Report

## BASIS FOR DISCLAIMER OF OPINION

### 1. Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2013, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances, corresponding figures and other related disclosures (as further detail explained in the following paragraphs) shown in the current year consolidated financial statements.

### 2. Limited accounting books and records of the Group

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 31 December 2014 and 2013, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2014 and 2013 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Income and expenses:</b>		
Revenue	<b>254,540</b>	529,763
Cost of goods sold	<b>(162,876)</b>	(268,999)
Gross profit	<b>91,664</b>	260,764
Other income	<b>4,972</b>	10,618
Selling and distribution expenses	<b>(43,640)</b>	(89,523)
Administrative expenses	<b>(40,018)</b>	(50,711)
Other losses	<b>(479,149)</b>	–
Impairment losses on various assets	<b>(204,857)</b>	(516)
(Loss)/profit before tax	<b>(671,028)</b>	130,632
Income tax	<b>(19,043)</b>	973
(Loss)/profit for the year	<b>(690,071)</b>	131,605

# Independent Auditor's Report

## BASIS FOR DISCLAIMER OF OPINION (continued)

### 2. Limited accounting books and records of the Group (continued)

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
<b>Assets and liabilities:</b>		
Deposits paid	-	1,763
Deferred tax assets	-	5,232
Inventories	<b>99,570</b>	112,905
Trade receivables	<b>7,896</b>	79,375
Other receivables and prepayments	<b>257,312</b>	152,049
Trade and bills payables	<b>(134,203)</b>	(63,000)
Other payables and accruals	<b>(83,483)</b>	(80,493)
Bank borrowings	<b>(6,062)</b>	-
Tax payable	<b>(30,918)</b>	(25,217)
<b>Net assets</b>	<b>110,112</b>	182,614

### 3. Property, plant and equipment and prepaid land lease payments

The Group accounted for property, plant and equipment and prepaid land lease payments with carrying amounts of approximately RMB110,407,000 (2013: RMB125,751,000) and RMB46,366,000 (2013: RMB47,353,000) respectively as at 31 December 2014. The Group has incurred loss of approximately RMB720,871,000 for the year ended 31 December 2014 and its future profitability is uncertain. As such, there is an indication of impairment loss on the carrying amounts of the property, plant and equipment and prepaid land lease payments. We have not been provided with sufficient evidence to support the recoverable amounts of these assets. In addition, we were unable to ensure the existence of the property, plant and equipment with carrying amount of approximately RMB5,660,000 (2013: RMB18,106,000) as at 31 December 2014. We were unable to satisfy ourselves that the carrying amounts of the property, plant and equipment and prepaid land lease payments were fairly stated as at 31 December 2014 and 2013.

### 4. Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2014 and 2013.

# Independent Auditor's Report

## **BASIS FOR DISCLAIMER OF OPINION** (continued)

### 5. Related party transactions and balances

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 31 December 2014 and 2013 and the balances as at those dates as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 5 above might have a significant consequential effect on the Group's results and cash flows for the years ended 31 December 2014 and 2013 and the financial positions of the Group as at 31 December 2014 and 2013, and the related disclosures thereof in the consolidated financial statements.

## **MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS**

The disclosures in note 2 to the consolidated financial statements indicate the Group incurred a loss of approximately RMB720,871,000 for the year ended 31 December 2014; and net current liabilities and net liabilities of approximately RMB170,096,000 and RMB14,310,000 respectively in the consolidated financial statement of financial position of the Group as at 31 December 2014. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of the extent of the uncertainty relating to the future working capital sufficiency of the Group, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

## **DISCLAIMER OF OPINION**

Because of the significance of the matters as described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Sze Lin Tang**

*Practising Certificate Number P03614*

Hong Kong, 10 January 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>Revenue</b>	7	<b>322,525</b>	682,466
Cost of sales		<b>(200,512)</b>	(366,886)
Gross profit		<b>122,013</b>	315,580
Other income	8	<b>16,026</b>	26,396
Selling and distribution expenses		<b>(74,324)</b>	(137,185)
Administrative and other expenses		<b>(62,819)</b>	(76,229)
<b>Profit from operations</b>		<b>896</b>	128,562
Other losses		<b>(479,149)</b>	–
Impairment losses on various assets		<b>(204,857)</b>	(516)
Finance costs	10	<b>(18,718)</b>	(17,155)
<b>(Loss)/profit before tax</b>		<b>(701,828)</b>	110,891
Income tax	11	<b>(19,043)</b>	(29,150)
<b>(Loss)/profit and total comprehensive (loss)/income for the year attributable to the owners of the Company</b>	12	<b>(720,871)</b>	81,741
<b>(Loss)/earnings per share</b>	15		
Basic (RMB per share)		<b>(1.19)</b>	0.18
Diluted (RMB per share)		<b>(1.19)</b>	0.18



# Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	16	<b>110,407</b>	125,751
Prepaid land lease payments	17	<b>45,379</b>	46,366
Deposits paid	21	-	1,763
Deferred tax assets	18	-	5,232
		<b>155,786</b>	179,112
<b>Current assets</b>			
Inventories	19	<b>99,570</b>	112,905
Trade receivables	20	<b>7,896</b>	79,375
Other receivables and prepayments	21	<b>260,075</b>	158,847
Prepaid land lease payments	17	<b>987</b>	987
Pledged deposits	22	-	8,800
Bank and cash balances	22	<b>5,295</b>	350,354
		<b>373,823</b>	711,268
<b>Current liabilities</b>			
Trade and bills payables	23	<b>134,203</b>	63,000
Other payables and accruals	24	<b>92,068</b>	80,493
Dividend payables	14	<b>30,540</b>	-
Bank borrowings	25	<b>256,190</b>	239,040
Tax payable		<b>30,918</b>	25,217
		<b>543,919</b>	407,750
<b>Net current (liabilities)/assets</b>		<b>(170,096)</b>	303,518
<b>NET (LIABILITIES)/ASSETS</b>		<b>(14,310)</b>	482,630
<b>Capital and reserves</b>			
Share capital	26	<b>122,159</b>	90,000
Reserves	27	<b>(136,469)</b>	392,630
<b>TOTAL (DEFICIT)/EQUITY</b>		<b>(14,310)</b>	482,630

The consolidated financial statements on pages 39 to 85 were approved and authorised for issue by the Board of Directors on 10 January 2017 and are signed on its behalf by:

**Chen Quanyi**  
Director

**Ding Canyang**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Proposed final dividends RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2013	90,000	98,499	24,349	-	188,041	400,889
Total comprehensive income for the year	-	-	-	-	81,741	81,741
Transfer from retained profits	-	-	9,507	-	(9,507)	-
At 31 December 2013	90,000	98,499	33,856	-	260,275	482,630
At 1 January 2014	<b>90,000</b>	<b>98,499</b>	<b>33,856</b>	-	<b>260,275</b>	<b>482,630</b>
Total comprehensive loss for the year	-	-	-	-	<b>(720,871)</b>	<b>(720,871)</b>
Dividends proposed	-	-	-	<b>(30,540)</b>	-	<b>(30,540)</b>
Issuance of new shares upon initial public offer	<b>30,000</b>	<b>206,519</b>	-	-	-	<b>236,519</b>
Issuance of new shares upon exercise of an over-allotment option	<b>2,159</b>	<b>15,793</b>	-	-	-	<b>17,952</b>
At 31 December 2014	<b>122,159</b>	<b>320,811</b>	<b>33,856</b>	<b>(30,540)</b>	<b>(460,596)</b>	<b>(14,310)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	<b>(701,828)</b>	110,891
Adjustments for:		
Depreciation	<b>9,155</b>	11,406
Amortisation	<b>987</b>	987
Loss on disposal/write-off of property, plant and equipment	<b>10,343</b>	2,806
Interest income	<b>(5,806)</b>	(8,546)
Finance costs	<b>18,718</b>	17,155
Provision/(write-back of provision) for obsolete inventories, net	<b>4,636</b>	(1,226)
Other losses	<b>479,149</b>	–
Impairment losses on various assets	<b>204,857</b>	516
Operating cash flows before working capital changes	<b>20,211</b>	133,989
Change in inventories	<b>8,699</b>	(497)
Change in trade receivables	<b>(108,411)</b>	(8,925)
Change in other receivables and prepayments	<b>(598,990)</b>	(68,623)
Change in trade and bills payables	<b>70,079</b>	48,755
Change in other payables and accruals	<b>(477)</b>	43,230
Cash (used in)/generated from operations	<b>(608,889)</b>	147,929
Income tax paid	<b>(8,110)</b>	(16,777)
<b>Net cash (used in)/generated from operating activities</b>	<b>(616,999)</b>	131,152

# Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(4,154)</b>	(46,241)
Interest received	<b>5,806</b>	8,546
Change in pledged deposits	<b>8,800</b>	(8,300)
<b>Net cash generated from/(used in) investing activities</b>	<b>10,452</b>	(45,995)
<b>Cash flows from financing activities</b>		
New bank borrowings	<b>174,786</b>	366,770
Repayment of bank borrowings	<b>(157,636)</b>	(282,554)
Proceeds from issuance of new shares upon initial public offer	<b>236,519</b>	-
Proceeds from issuance of new shares upon exercise of an over-allotment option	<b>17,952</b>	-
Interest paid	<b>(10,133)</b>	(17,155)
<b>Net cash generated from financing activities</b>	<b>261,488</b>	67,061
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(345,059)</b>	152,218
Cash and cash equivalents at beginning of year	<b>350,354</b>	198,136
<b>Cash and cash equivalents at end of year</b>	<b>5,295</b>	350,354
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>5,295</b>	5,154
Non-pledged time deposits readily convertible to known amounts of cash	<b>-</b>	345,200
	<b>5,295</b>	350,354

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## 1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 14 October 2004 as a domestic company with limited liability under the name of Quanzhou City Nuoqi Fashion Chain Sales Co., Ltd. (泉州市諾奇時裝連鎖銷售有限公司). On 22 January 2008, the Company was renamed as Fujian Nuoqi Co., Ltd. (福建諾奇股份有限公司) and transformed into a joint stock company with limited liability. The Company's registered office is located at No. 55 Chongwen Road, Economic and Technical Development Zone, Quanzhou, Fujian Province, the PRC.

The principal activities of the Company are investment holding and retailing of men's casual apparels. Details of the principal activities of the subsidiaries are set out in note 30 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

The Company's ordinary shares (the "H Shares") that are approved for Listing and trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") were listed on the Stock Exchange on 9 January 2014 and have been suspended for trading since 23 July 2014. As at 5 September 2016, the Company became a subsidiary of Hao Tian Development Group Limited, whose shares were listed on the Stock Exchange (Stock Code: 474).

## 2. BASIS OF PREPARATION

### Suspension of trading in shares of the Company

The trading of the shares of the Company on the Stock Exchange has been suspended. Reference is made to the Company's announcement dated 23 July 2014.

Reference to the Company's announcement dated 25 July 2014, the Board had not been able to contact or reach Mr. Ding Hui, the Chairman, the chief executive officer and an executive director of the Company. Also, there was news alleging that Mr. Ding Hui had absconded.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **2. BASIS OF PREPARATION** (continued)

### **Suspension of trading in shares of the Company** (continued)

Since Mr. Ding Hui had not been contactable, the Company had been conducting investigation on the impact on assets and financial position of the Group. The Board discovered that RMB50 million and HKD19.55 million had been transferred from a bank account of Nuoqi Fashion International Limited (the "Nuoqi Fashion"), a wholly owned Hong Kong subsidiary of the Company, to an account of a British Virgin Islands incorporated company which is not a company of the Group, on 27 January 2014 and 3 April 2014, respectively, under the instruction of Mr. Ding Hui. Reference to the Company's announcement dated 19 August 2014, the Board was informed by various financial institutions that the Company and/or its subsidiaries have allegedly guaranteed and/or pledged securities for the aggregate principal amount of approximately RMB454.5 million of loans provided to various parties not within the Group, under the instruction of Mr. Ding Hui. The Board was also informed by and has received demand letters (the "Demands") from these financial institutions and understood from them that they had accelerated repayment of certain loans and had applied the deposits that the Group maintained with these financial institutions as security for the repayment of such loans. Certain of the Company's cash deposits maintained with various other banks have been frozen.

In view of the aforesaid unauthorised acts discovered of Mr. Ding Hui (the "Incidents") which adversely prejudiced the Company's assets and constituted breaches of director's duties, the Board had taken steps and resolved to propose the removal of Mr. Ding Hui as director of the Company and the subsidiaries of the Company. The Board informed the market that Mr. Ding Hui shall no longer have any authority to act or execute documents for and on behalf of the Company and/or the Company's subsidiaries or to bind the Company and/or the Company's subsidiaries, notwithstanding Mr. Ding Hui remained as a director of the Company and/or the relevant Company's subsidiaries.

On 7 November 2014, the Company received a letter from the Stock Exchange detailing the resumption conditions (the "Resumption Conditions") imposed on the Company as follows:

- (i) Demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules;
- (ii) Engage an independent forensic specialist acceptable to the Stock Exchange to conduct forensic investigations on the Incidents;
- (iii) Demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems;

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **2. BASIS OF PREPARATION** (continued)

### **Suspension of trading in shares of the Company** (continued)

- (iv) Demonstrate that there is no reasonable regulatory concern about management integrity which will pose a risk to investors and damage market confidence;
- (v) Publish all outstanding financial results and address any audit qualifications; and
- (vi) Inform the market about all material information of the Company.

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

On 24 March 2015, the Company received a notice from the Quanzhou Municipal Intermediate People's Court (the "Quanzhou Court") dated 23 March 2015 stating that an alleged creditor of the Company had applied to the Quanzhou Court for the reorganisation of the Company (the "Application"), on the basis that there was possibility that the Company would be unable to repay its outstanding liabilities. On 27 March 2015, the Company submitted to the Quanzhou Court that it had no objection to the Application.

On 1 April 2015, the Quanzhou Court officially accepted the Application for the reorganisation and appointed a group of persons collectively as the administrator for the Company (the "Administrator"), who would be responsible for, among other matters, taking possession and control over the assets and company chop of the Company, deciding on the Company's internal administrative affairs and managing assets of the Company. The Administrator is also expected to appoint a valuer to assess the value of the Company's assets and the Company's debt repayment ability. A reorganisation proposal was expected to submit to the Quanzhou Court for final approval within 6 months from the acceptance date of the Application (i.e. 30 September 2015). On 11 April 2015, the Quanzhou Court issued an announcement to notify creditors of the Company to file with the Administrator before 11 June 2015 declarations of their claims of indebtedness against the Company. Also, the Company and the Administrator had been engaging in discussions with potential investors who may invest in the continuing business operations of the Company.

The first meeting of creditors (the "First Creditors' Meeting") of the Company was held on 25 June 2015. At the First Creditors' Meeting, the Administrator reported to the creditors of the Company the progress of the reorganisation, including but not limited to its administration of the Company's assets and business operations, preliminary assessment on the financial conditions of the Company and on the claim declarations from creditors of the Company.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **2. BASIS OF PREPARATION** (continued)

### **Suspension of trading in shares of the Company** (continued)

On 30 September 2015, extension for submitting the reorganisation proposal to 31 December 2015 was granted by the Quanzhou Court.

On 26 November 2015, the Company entered into a restructuring agreement (the "Restructuring Agreement") with an investor (the "Investor"), pursuant to which the Investor conditionally agreed to participate in the restructuring of the Company. Pursuant to the Restructuring Agreement, the Investor shall, on the day after the Restructuring Agreement becomes effective, pay to the Administrator a sum of RMB5 million as deposit. Furthermore, the Investor agreed to provide an interest-free loan not exceeding RMB5 million to the Company to provide funding of its operations. After signing of the Restructuring Agreement, the Investor will also endeavour to appoint auditors and other professional parties to assist the Company in fulfilling the Resumption Conditions. The Restructuring Agreement is a framework agreement which acts as a basis for the Administrator to formulate the proposal for reorganisation (the "Reorganisation Proposal"), which shall be submitted to the Quanzhou Court, the creditors' meeting and the meeting of holders of domestic shares of the Company for approval. The Quanzhou Court has the authority to make the final decision on the Reorganisation Proposal.

On 30 December 2015, the Reorganisation Proposal was submitted to the Quanzhou Court for approval by the Quanzhou Court, the creditors' meeting and the meeting of holders of domestic shares.

On 26 January 2016, the Board received a letter (the "Delisting Letter") dated 25 January 2016 from the Stock Exchange in which the Company was informed that the Stock Exchange has placed the Company in the first delisting stage under Practice Note 17 to the Listing Rules and that the Company is required to submit a viable resumption proposal at least 10 business days before 24 July 2016, being the expiry date of the first delisting stage, to address the Resumption Conditions.

On 27 January 2016, the creditors' meeting and the meeting of holders of domestic shares were held accordingly and the Reorganisation Proposal was approved by the creditors' meeting and the meeting of holders of domestic shares. The Reorganisation Proposal was finally approved by the Quanzhou Court on 1 February 2016.

The Restructuring Agreement was terminated on 13 June 2016 by way of a termination notice issued by the Administrator to the Investor.



# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **2. BASIS OF PREPARATION** (continued)

### **Suspension of trading in shares of the Company** (continued)

On 22 July 2016, a new restructuring agreement (the “HT China Restructuring Agreement”) was entered into between Hao Tian Investment (China) Company Limited (the “Hao Tian China”) and the Company, pursuant to which among others, (i) Hao Tian China conditionally agreed to participate in the restructuring of the Company, in replacement of the previous Investor, as the party responsible for the restructuring (the “Change of Investor”) under the Reorganisation Proposal; and (ii) for the retention of the assets in the Company and the transfer of 51% equity interest in the Company to Hao Tian China. The Change of Investor is subject to the approval of the Quanzhou Court. The HT China Restructuring Agreement sets out, among others, the Hao Tian China investment sum payable by Hao Tian China amounting to RMB150,583,125.05. A sum of RMB6,000,000.00 as deposit to guarantee the performance of Hao Tian China under the HT China Restructuring Agreement was paid to the Administrator on 22 July 2016.

On 26 July 2016, the Board received a letter from the Stock Exchange in which the Company was informed that the Stock Exchange has placed the Company in the second delisting stage under Practice Note 17 to the Listing Rules. The Company is required to submit a viable resumption proposal at least 10 business days before 25 January 2017, being the expiry date of the second delisting stage to demonstrate that the Company has sufficient operations or value of assets as required under Rule 13.24 of the Listing Rules.

On 12 August 2016 and 18 August 2016, the Quanzhou Court approved the Change of Investor and the Department of Commerce of Fujian Province approved the domestic shares adjustment and the implementation of the Reorganisation Proposal by Hao Tian China, respectively. On 23 August 2016, the remaining balance of RMB144,583,125.05 was paid to the Administrator. On 5 September 2016, completion of the HT China Restructuring Agreement took place. Immediately after the transfer of 311,504,940 domestic shares to Hao Tian China in accordance with the terms of the Reorganisation Proposal and the HT China Restructuring Agreement, Hao Tian China and any parties acting in concert with any of them own in aggregate 311,504,940 domestic shares, representing approximately 51% of the total issued share capital of the Company.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **2. BASIS OF PREPARATION** (continued)

### **Suspension of trading in shares of the Company** (continued)

Subsequent to the completion of the share transfer, Hao Tian China and Hao Tian Corporation Limited (collectively, the "Offerors") are to make mandatory unconditional cash offers for all the issued domestic shares and H Shares of the Company not already owned or agreed to be acquired by any of them and parties acting in concert with any of them (the "General Offer").

On 20 October 2016, RSM Corporate Advisory (Hong Kong) Limited, an independent professional firm, has been appointed by the Company to conduct independent forensic investigations over the Incidents as required by the Resumption Conditions.

Up to the issuance of these financial statements, the General Offer and the fulfillment of the Resumption Conditions are still in progress.

### **Going concern**

The Group incurred a loss of approximately RMB720,871,000 for the year ended 31 December 2014; and net current liabilities and net liabilities of approximately RMB170,096,000 and RMB14,310,000 respectively in the consolidated statement of financial position of the Group as at 31 December 2014. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that the Group would have sufficient working capital for the Group to meet its liabilities as they fall due and for its operation, and in the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

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

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2014. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with IFRSs, and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention. The functional currencies and presentation currencies of the Company and its subsidiaries in the PRC are Renminbi ("RMB"). All values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

### **Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2014. 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, to determine whether it has control. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currency translation

#### **(a) 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 RMB, which is the presentation currency and the functional currency of the Company and its subsidiaries in the PRC.

#### **(b) 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.

#### **(c) 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 (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 the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

Buildings	5%
Leasehold improvements	Over the shorter of lease terms and 25%
Furniture, fixtures and office equipment	10%-20%
Motor vehicles	12.5%

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

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

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

### Operating leases

#### ***The Group as lessee***

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases (continued)

### ***The Group as lessor***

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

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Recognition and derecognition of financial instruments**

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

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

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

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

### **Cash and cash equivalents**

For the purpose of the 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. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### **Financial liabilities and equity instruments**

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



# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **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.

### **Trade and other payables**

Trade and other payables are stated 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.

### **Equity instruments**

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

### **Revenue recognition**

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

- (a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.
- (b) Interest income is recognised on a time-proportion basis using the effective interest method.
- (c) Commission income is recognised on an accrual basis in accordance with the contract terms and conditions.
- (d) Membership fee from customers is recognised when the rights to receive payment are established.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits

#### **(a) Employee leave entitlements**

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

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

#### **(b) Pension obligations**

The Group participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme.

#### **(c) Termination benefits**

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

### 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.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **Borrowing costs** (continued)

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.

### **Government grants**

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

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

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

### **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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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

*For the year ended 31 December 2014*

## **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **Taxation** (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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.

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

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

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

*For the year ended 31 December 2014*

## **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **Related parties**

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
  
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions and contingent liabilities (continued)

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.

### Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Key sources of estimation uncertainty

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

#### **(a) Property, plant and equipment and depreciation**

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

#### **(b) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

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

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### **(d) Allowance for slow-moving inventories and net realisable value of inventories**

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

### **(e) Income tax**

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

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL RISK MANAGEMENT (continued)

### (a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.

### (b) Credit risk

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the Directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	<b>Less than 1 year</b> RMB'000	<b>Between 1 - 2 years</b> RMB'000	<b>Between 2 - 5 years</b> RMB'000	<b>Over 5 years</b> RMB'000
<b>At 31 December 2014</b>				
Interest-bearing bank borrowings	<b>258,692</b>	-	-	-
Trade and other payables	<b>217,754</b>	-	-	-
Dividend payables	<b>30,540</b>	-	-	-
At 31 December 2013				
Interest-bearing bank borrowings	250,088	-	-	-
Trade and other payables	103,632	-	-	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 6. FINANCIAL RISK MANAGEMENT (continued)

### (d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2014, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been RMB2,348,000 (2013: consolidated profit after tax of RMB2,081,000) lower (2013: higher), arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been RMB2,348,000 (2013: consolidated profit after tax of RMB2,081,000) higher (2013: lower), arising mainly as a result of higher interest expense on bank borrowings.

### (e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

### (f) Categories of financial instruments

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
<b>Financial assets</b>		
Loans and receivables:		
Trade receivables	<b>7,896</b>	79,375
Other receivables	<b>6,389</b>	10,318
Pledged deposits	-	8,800
Bank and cash balances	<b>5,295</b>	350,354
	<b>19,580</b>	448,847
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
Trade and bills payables	<b>134,203</b>	63,000
Other payables and accruals	<b>83,551</b>	40,632
Dividend payables	<b>30,540</b>	-
Bank borrowings	<b>256,190</b>	239,040
	<b>504,484</b>	342,672

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 7. REVENUE

The Group's revenue is analysed as follows:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Sales of goods	<b>322,525</b>	682,466

## 8. OTHER INCOME

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Commission income	<b>4,461</b>	6,882
Government grants (note)	<b>2,817</b>	5,650
Membership fee from customers	<b>2,155</b>	4,968
Gross rental income	<b>98</b>	280
Bank interest income	<b>5,806</b>	8,546
Others	<b>689</b>	70
	<b>16,026</b>	26,396

Note: Government grants are awarded to the Group by local government agencies as incentives primarily to encourage the development of the Group and its contribution to the local economic development. No conditions have been applied on such government grants from the local government agencies.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 9. SEGMENT INFORMATION

The Group's primary operating segment is the retailing of men's casual apparels. Since it is the only operating segment of the Group, no further analysis thereof is presented.

Besides, the Group's customers and non-current assets are solely in the Mainland China. No further analysis on the geographical information thereof is presented.

For the years ended 31 December 2014 and 2013, as no revenue from sales to a customer of the Group has individually accounted for over 10% of the Group's total revenue, no information about major customers is presented under IFRS 8.

## 10. FINANCE COSTS

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Interests on interest-bearing bank borrowings	<b>18,718</b>	17,155

## 11. INCOME TAX

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Current tax:		
– Provision for the PRC enterprise income tax	<b>13,811</b>	30,123
Deferred tax (note 18)	<b>5,232</b>	(973)
	<b>19,043</b>	29,150

The PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law took effect from 1 January 2008.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 11. INCOME TAX (continued)

The reconciliation between the income tax and the (loss)/profit before tax is as follows:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
(Loss)/profit before tax	<b>(701,828)</b>	110,891
Tax at the PRC statutory rate of 25%	<b>(175,457)</b>	27,722
Tax effect of non-deductible expenses	<b>196,656</b>	1,428
Tax effect of non-taxable income	<b>(2,156)</b>	–
Income tax for the year	<b>19,043</b>	29,150

## 12. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Auditor's remuneration	<b>400</b>	2,030
Cost of inventories sold	<b>200,512</b>	366,886
Depreciation	<b>9,155</b>	11,406
Minimum lease payment	<b>11,095</b>	13,669
Amortisation of prepaid land lease payments	<b>987</b>	987
Staff costs (including directors' remuneration – note 13):		
Salaries, bonus and allowances	<b>42,733</b>	48,414
Retirement benefits scheme contributions	<b>5,724</b>	14,948
	<b>48,457</b>	63,362
Loss on disposal/write-off of property, plant and equipment	<b>10,343</b>	2,806
Provision/(write-back of provision) for obsolete inventories, net	<b>4,636</b>	(1,226)
Impairment of trade receivables, net	<b>183,357</b>	516
Impairment of other receivables and prepayments, net	<b>21,500</b>	–
Other losses	<b>479,149</b>	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

<b>2014</b>	Notes	<b>Fee RMB'000</b>	<b>Salaries and allowances RMB'000</b>	<b>Retirement benefit scheme contributions RMB'000</b>	<b>Total RMB'000</b>
<i>Executive Directors</i>					
Mr. Ding Hui		-	200	-	200
Mr. Ding Canyang		-	185	-	185
Mr. Chen Quanyi		-	174	-	174
Mr. Jin Wenge	1	-	80	-	80
Mr. Au Yeung Ho Yin	2	-	299	-	299
<i>Non-Executive Directors</i>					
Mr. Han Huiyuan		-	-	-	-
Ms. Ding Lixia		-	-	-	-
<i>Independent Non-executive Directors</i>					
Mr. Qi Xiaozhai	3	-	30	-	30
Mr. Kong Yuquan	4	-	22	-	22
Ms. Hsu Wai Man, Helen	5	-	30	-	30
Mr. Dai Zhongchuan	6	-	8	-	8
Total for 2014		-	1,028	-	1,028

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(continued)

2013	Fee RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
<i>Executive Directors</i>				
Mr. Ding Hui	–	350	7	357
Mr. Ding Canyang	–	240	7	247
Mr. Chen Quanyi	–	126	7	133
Mr. Jin Wenge	–	233	7	240
Mr. Yang Weiqiang	–	–	–	–
<i>Non-Executive Directors</i>				
Mr. Han Huiyuan	–	–	–	–
Ms. Ding Lixia	–	–	–	–
Mr. Yang Weiqiang	–	–	–	–
<i>Independent Non-executive Directors</i>				
Mr. Qi Xiaozhai	–	50	–	50
Mr. Kong Yuquan	–	50	–	50
Ms. Hsu Wai Man, Helen	–	29	–	29
Mr. Wang Jianqing	–	17	–	17
Mr. Liang Mingduan	–	4	–	4
Total for 2013	–	1,099	28	1,127

Notes

1. Resigned on 13 June 2014
2. Appointed on 13 June 2014 and resigned on 25 July 2014
3. Resigned on 8 September 2015
4. Resigned on 13 June 2014
5. Resigned on 3 September 2015
6. Appointed on 14 June 2014 and resigned on 8 September 2015

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

(continued)

The five highest paid individuals in the Group during the year included three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2013: two) individuals are set out below:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Basic salaries and allowances	<b>261</b>	320
Retirement benefit scheme contributions	-	-
	<b>261</b>	320

The emoluments fell within the following band:

	<b>Number of individuals</b>	
	<b>2014</b>	2013
Nil to HK\$1,000,000	<b>2</b>	2

During the year, 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 and none of the Directors waived any emoluments.



# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## 14. DIVIDENDS

The proposed final dividend for the year ended 31 December 2013 had been approved by the Company's shareholders at the annual general meeting dated 13 June 2014 of which the payment have been postponed by the Directors, subject to the Incidents as set out in note 2 to the financial statements. The proposed final dividend was still outstanding as at 31 December 2014.

The Directors do not recommend or declare the payment of any dividend in respect of the year ended 31 December 2014.

## 15. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB720,871,000 (2013: profit for the year attributable to owners of the Company of approximately RMB81,741,000) and the weighted average number of ordinary shares of 606,441,715 (2013: 450,000,000, as adjusted to reflect the impact of the share spilt during the current year as set out in note 26(a)) in issue during the year.

### Diluted (loss)/earnings per share

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2014 and 2013.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold Improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2013	74,197	21,699	11,544	4,599	338	112,377
Additions	89	8,177	2,616	384	34,975	46,241
Disposal/write-off	-	(8,148)	(809)	(837)	-	(9,794)
At 31 December 2013 and 1 January 2014	74,286	21,728	13,351	4,146	35,313	148,824
Additions	-	1,554	992	361	1,247	4,154
Disposal/write-off	-	(23,282)	(1,222)	(1,005)	(338)	(25,847)
<b>At 31 December 2014</b>	<b>74,286</b>	<b>-</b>	<b>13,121</b>	<b>3,502</b>	<b>36,222</b>	<b>127,131</b>
<b>Accumulated depreciation</b>						
At 1 January 2013	-	11,438	4,695	2,522	-	18,655
Charge for the year	3,527	5,537	1,947	395	-	11,406
Disposal/write-off	-	(5,880)	(607)	(501)	-	(6,988)
At 31 December 2013 and 1 January 2014	3,527	11,095	6,035	2,416	-	23,073
Charge for the year	3,527	3,216	1,982	430	-	9,155
Disposal/write-off	-	(14,311)	(436)	(757)	-	(15,504)
At 31 December 2014	7,054	-	7,581	2,089	-	16,724
<b>Carrying amounts</b>						
At 31 December 2014	67,232	-	5,540	1,413	36,222	110,407
<b>At 31 December 2013</b>	<b>70,759</b>	<b>10,633</b>	<b>7,316</b>	<b>1,730</b>	<b>35,313</b>	<b>125,751</b>

At the end of the reporting period, the carrying amount of property, plant and equipment amounting to approximately RMB67,232,000 (2013: Nil) have been pledged as security for the Group's bank borrowings.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 17. PREPAID LAND LEASE PAYMENTS

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Non-current portion	<b>45,379</b>	46,366
Current portion	<b>987</b>	987
	<b>46,366</b>	47,353

The Company's land with a carrying value of RMB46,366,000 (2013: RMB11,029,000) at 31 December 2014 was pledged to secure general banking facilities granted to the Group (note 25).

## 18. DEFERRED TAX ASSETS

	<b>Provisions</b>	<b>Unrealised profit of inventories</b>	<b>Accrued liabilities</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	2,163	1,305	791	4,259
(Charge)/credit to profit or loss for the year (note 11)	(190)	642	521	973
At 31 December 2013	1,973	1,947	1,312	5,232
Charge to profit or loss for the year (note 11)	(1,973)	(1,947)	(1,312)	(5,232)
At 31 December 2014	-	-	-	-

No deferred tax asset has been recognised due to the unpredictability of future profit streams.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 19. INVENTORIES

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Consumables	<b>4,060</b>	4,620
Finished goods	<b>95,510</b>	108,285
	<b>99,570</b>	112,905

## 20. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by the Directors. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Within 1 month	<b>5,697</b>	59,573
1 to 2 months	<b>966</b>	18,147
2 to 3 months	<b>1,009</b>	1,343
Over 3 months	<b>224</b>	312
	<b>7,896</b>	79,375

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 20. TRADE RECEIVABLES (continued)

### Trade and bills receivables that are not impaired

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Neither past due nor impaired	<b>7,672</b>	62,703
Past due within 3 months	<b>224</b>	16,225
Past due over 3 months	-	447
	<b>7,896</b>	79,375

## 21. OTHER RECEIVABLES AND PREPAYMENTS

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Prepayments	<b>253,686</b>	150,292
Rental deposits	<b>3,626</b>	2,397
Other deposits	-	1,123
Other receivables	<b>2,763</b>	6,798
	<b>260,075</b>	160,610
<i>Less: non-current portion</i>		
Rental deposits	-	(1,763)
	<b>260,075</b>	158,847

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 22. BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks bills payables as set out in note 23 to the financial statements.

Conversion of RMB into foreign currencies amounted to approximately RMB5,295,000 as at 31 December 2014 (2013: RMB359,154,000) is subject to the PRC's Foreign Exchange Control Regulations.

## 23. TRADE AND BILLS PAYABLES

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Trade payables	<b>40,942</b>	31,000
Bills payables	<b>93,261</b>	32,000
	<b>134,203</b>	63,000

The trade payables are non-interest-bearing and are normally settled on one month's term. The bills payable are non-interest-bearing, and are normally settled in one to six months.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Within 1 month	-	18,360
1 to 3 months	<b>3,134</b>	11,132
3 to 6 months	<b>10</b>	1,505
6 months to 1 year	<b>29,543</b>	3
Over 1 year	<b>8,255</b>	-
	<b>40,942</b>	31,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 24. OTHER PAYABLES AND ACCRUALS

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Deposit and advance from customers	<b>8,517</b>	7,491
Accruals	<b>41,699</b>	48,663
VAT payables	<b>4,838</b>	7,376
Other payables	<b>37,014</b>	16,963
	<b>92,068</b>	80,493

## 25. BANK BORROWINGS

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Bank borrowings	<b>256,190</b>	239,040
The borrowings are repayable as follows:		
On demand or within one year	<b>256,190</b>	239,040
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(256,190)</b>	(239,040)
Amount due for settlement after 12 months	-	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 25. BANK BORROWINGS (continued)

Notes:

- (a) At 31 December 2014 and 2013, certain bank borrowings were supported by guarantees executed by 福建晉江市遠帆鞋服有限公司, Mr. Lin Qingyuan (林清遠), the independent third parties, Mr. Ding Hui and his wife, and Mr. Ding Canyang and his wife, and the pledge of the Group's land with a carrying amount of RMB46,366,000 (2013: RMB11,029,000) (note 17) and building with a carrying amount of RMB67,232,000 (2013: Nil) (note 16).
- (b) The Group, certain suppliers and a bank entered into a tripartite agreement, pursuant to which these suppliers transferred to the bank the title of the amounts due from the Group to them for bank loans granted by the bank to the Group. The outstanding amount of such loans at 31 December 2014 was RMB38,946,000 (2013: RMB69,040,000).
- (c) At 31 December 2014, certain bank loans were guaranteed by Mr. Ding Hongpai (丁鴻派), the father-in-law of Ms. Ding Lixia, a sister of Mr. Ding Hui and Mr. Ding Canyang, and 晉江市鴻升針織製衣有限公司, a company controlled by Mr. Ding Hongpai (丁鴻派).
- (d) At 31 December 2014, certain bank loans of the Group were guaranteed by the Company and its subsidiaries, namely Shanghai Nuoqi Apparel Co., Ltd. and Quanzhou Nuoqi Apparel Co., Ltd.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 26. SHARE CAPITAL

	Notes	Number of shares	Amount RMB'000
<b>Registered:</b>			
Ordinary shares at RMB0.20 (2013: RMB1.00) each			
At 1 January 2013, 31 December 2013 and 1 January 2014		90,000,000	90,000
Share split	(a)	360,000,000	–
Issuance of new shares on 9 January 2014 upon initial public offer	(b)	150,000,000	30,000
Issuance of new shares on 6 February 2014 upon exercise of an over-allotment option	(c)	10,794,000	2,159
At 31 December 2014		610,794,000	122,159
<b>Issued and fully paid:</b>			
Ordinary shares at RMB0.20 (2013: RMB1.00) each			
At 1 January 2013, 31 December 2013 and 1 January 2014		90,000,000	90,000
Share split	(a)	360,000,000	–
Issuance of new shares on 9 January 2014 upon initial public offer	(b)	150,000,000	30,000
Issuance of new shares on 6 February 2014 upon exercise of an over-allotment option	(c)	10,794,000	2,159
At 31 December 2014		610,794,000	122,159

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 26. SHARE CAPITAL (continued)

Notes:

- (a) As detailed in the prospectus of the Company dated 30 December 2013, the registered share capital of the Company will be subdivided in such manner that every existing share of RMB1.00 each will be subdivided into five shares of RMB0.20 each, subject to the success of the Listing on the Hong Kong Stock Exchange. As a result, the registered share capital of the Company of 90 million shares of RMB1.00 each was subdivided into 450 million shares of RMB0.20 each subsequent to the end of the reporting period.
- (b) In connection with the Company's global offering on the Stock Exchange, on 9 January 2014, 150,000,000 ordinary shares of RMB0.20 each were issued at a subscription price of HK\$2.13 per share for a total cash consideration, before expenses, of HK\$319,500,000 (approximately RMB249,466,000). Net proceeds were approximately HK\$302,918,000 (approximately RMB236,519,000) after deducting the issuing expenses of approximately HK\$16,582,000 (approximately RMB12,947,000). Dealings in these shares on the Stock Exchange commenced on 9 January 2014.
- (c) Pursuant to the international underwriting agreement dated 6 January 2014, the Company granted an option (the "Over-allotment Option") to the international underwriters, exercisable by CCB International Capital Limited on behalf of the international underwriters. On 6 February 2014, 10,794,000 ordinary shares of RMB0.20 each under the Over-Allotment Option were issued at a subscription price of HK\$2.13 per share for a total cash consideration, before expenses, of HK\$22,991,220 (approximately RMB17,952,000) to cover over-allocations in the international offering. Dealings in these shares on the Stock Exchange commenced on 6 February 2014.

## 27. RESERVES

- (a) The amounts of the Group's reserves and the 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 of the statutory reserve of the Group

#### (i) *Share premium*

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 27. RESERVES (continued)

### (b) Nature of the statutory reserve of the Group (continued)

#### (ii) Statutory surplus

Transfers from retained earnings to statutory reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

Statutory reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the statutory reserve fund after such conversion is not less than 25% of their registered capital.

The Company and its subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to owners.

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Company and its subsidiaries under the applicable laws and regulations in the PRC.

### (c) Reserves of the Company

	Share premium RMB'000	Statutory surplus reserve RMB'000	Proposed final dividends RMB'000	Retained profits/ (Accumulated loss) RMB'000	Total RMB'000
At 1 January 2013	98,499	19,239	-	147,073	264,811
Total comprehensive income for the year	-	-	-	28,354	28,354
Transfer from retained profits	-	3,701	-	(3,701)	-
At 31 December 2013	98,499	22,940	-	171,726	293,165
At 1 January 2014	98,499	22,940	-	171,726	293,165
Total comprehensive loss for the year	-	-	-	(618,562)	(618,562)
Dividend proposed	-	-	(30,540)	-	(30,540)
Issuance of new shares upon initial public offer	206,519	-	-	-	206,519
Issuance of new shares upon exercise of an over-allotment option	15,793	-	-	-	15,793
<b>At 31 December 2014</b>	<b>320,811</b>	<b>22,940</b>	<b>(30,540)</b>	<b>(446,836)</b>	<b>(133,625)</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 28. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	73,142	89,129
Interests in subsidiaries	-	75,000
Prepaid land lease payments	10,559	10,793
Deposits paid	-	1,763
Deferred tax assets	-	1,612
	<b>83,701</b>	178,297
<b>Current assets</b>		
Inventories	49,470	82,499
Trade receivables	1,439	3,350
Other receivables and prepayments	256,323	150,950
Amount due from a subsidiary	33,750	-
Prepaid land lease payments	236	235
Pledged deposits	-	8,800
Bank and cash balances	4,338	348,022
	<b>345,556</b>	593,856
<b>Current liabilities</b>		
Trade and bills payables	109,713	63,000
Other payables and accruals	57,729	60,088
Dividend payables	30,540	-
Amount due to a subsidiary	-	42,931
Bank borrowings	231,755	214,040
Tax payable	10,986	8,929
	<b>440,723</b>	388,988
<b>Net current (liabilities)/assets</b>	<b>(95,167)</b>	204,868
<b>NET (LIABILITIES)/ASSETS</b>	<b>(11,466)</b>	383,165
<b>Capital and reserves</b>		
Share capital	122,159	90,000
Reserves	(133,625)	293,165
<b>TOTAL (DEFICIT)/EQUITY</b>	<b>(11,466)</b>	383,165

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

## 29. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

The emoluments of the Directors, who are also identified as members of key management of the Group, are set out in note 13.

## 30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration/ operation	Issued and paid-up capital	Percentage of the ownership interest/ voting power Direct	Principal activities
Shanghai Nuoqi Apparel Co., Ltd. *,# 上海諾奇服飾有限公司	The PRC	RMB60,000,000	100%	Trading of men's apparels
Quanzhou Nuoqi Apparel Co., Ltd. *,# 泉州諾奇服飾有限公司	The PRC	RMB15,000,000	100%	Trading of men's apparels

\* The English name is for identification purpose only

# Registered as domestic companies with limited liability under the laws of the PRC

# Notes to the Consolidated Financial Statements

*For the year ended 31 December 2014*

## **31. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to the end of the reporting period, there are certain updates in respect of the status of suspension of trading in shares of the Company, and further details of which are stated in note 2 to the financial statements.

## **32. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year's presentation. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

## **33. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board on 10 January 2017.

# Summary Financial Information

31 December 2014

A summary of the published results and of the assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below:

## RESULTS

	2014 RMB'000	Year ended 31 December			
		2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
REVENUE	<b>322,525</b>	682,466	572,138	467,778	322,166
(LOSS)/PROFIT BEFORE TAX	<b>(701,828)</b>	110,891	108,846	92,947	62,035
INCOME TAX EXPENSE	<b>(19,043)</b>	(29,150)	(27,148)	(24,589)	(16,373)
(LOSS)/PROFIT FOR THE YEAR	<b>(720,871)</b>	81,741	81,698	68,358	45,662
(Loss) profit attributable to:					
Owners of the Company	<b>(720,871)</b>	81,741	81,698	68,358	45,662

## ASSETS AND LIABILITIES

	2014 RMB'000	As at 31 December			
		2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
TOTAL ASSETS	<b>529,609</b>	890,380	619,092	470,175	279,368
TOTAL LIABILITIES	<b>(543,919)</b>	(407,750)	(218,203)	(140,484)	(114,035)
NET (LIABILITIES)/ASSETS	<b>(14,310)</b>	482,630	400,889	329,691	165,333

Notes:

- (i) The summary of the consolidated results of the Group for each of the years ended 31 December 2010, 2011 and 2012 and of the assets and liabilities as at 31 December 2010, 2011 and 2012 have been extracted from the Prospectus. Such summary is presented on the basis as set out in the Prospectus.
- (ii) The consolidated results of the Group for the year ended 31 December 2014 and the consolidated assets and liabilities of the Group as at 31 December 2014 are those set out on pages 39 to 40 of this annual report.

The above summary does not form a part of the audited financial statements.