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

2016 Annual Report

Contents

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 on 8 September 2015)
Mr. Kong Yuquan (Resigned on 13 June 2014)
Ms. Hsu Wai Man, Helen
(Resigned on 3 September 2015)
Mr. Dai Zhongchuan (Appointed on 14 June 2014 and resigned on 8 September 2015)

REMUNERATION COMMITTEE

Mr. Qi Xiaozhai *(Chairman)*
(Resigned on 8 September 2015)
Mr. Chen Quanyi
Ms. Hsu Wai Man, Helen
(Resigned on 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 on 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 on 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

STOCK CODE

1353

Management Discussion and Analysis

BUSINESS REVIEW

The Company is a fashion casual wear apparel company in the PRC offering a wide range of fashion casual wear products such as jackets, sweaters, shirts, T-shirts, trousers, shoes and accessories under its own brand, N&Q.

During the year ended 31 December 2016, the operation of the Company was scaled down as only limited working capital were available for inventory replenishment and hence the revenue base was limited before completion of the implementation of the Reorganisation Proposal.

Upon completion of the implementation of the reorganisation proposal in relation to the reorganisation ("Reorganisation") of the Company ("Reorganisation Proposal") following the issue of a court order in relation to the execution of the Reorganisation Proposal by the Quanzhou Court on 28 December 2016, the Group had a net profit of approximately RMB406 million, which were mainly due to the gain on completion of restructuring of approximately RMB449 million.

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 on, among others, the Reorganisation during the year ended 31 December 2016, 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 2016 of approximately RMB4 million, which represented an approximately 82% decrease compared to the year of 2015 of approximately RMB22 million. The decrease was mainly due to the scale down of operation of the Company as only limited working capital was available for inventory replenishment and hence the revenue base was limited before the completion of the restructuring.

Management Discussion and Analysis

Cost of sales, gross profit and gross profit margin

Gross profit for the year ended 31 December 2016 was approximately RMB1 million, which represented an approximately 91% decrease compared to the year of 2015 of approximately RMB11 million. The decrease was mainly due to a drop in revenue.

Administrative and other expenses

During the year ended 31 December 2016, the administrative and other expenses were approximately RMB13 million (2015: approximately RMB92 million), which represented a decrease of approximately RMB79 million or 86% as compared to last year. The decrease was mainly due to the decrease in loss on disposal of prepaid land lease payment, loss on disposal/write off of items of property, plant and equipment and written-off of obsolete inventories of a total of approximately RMB69 million in 2015.

Impairment losses on various assets

Impairment losses on fixed assets, inventories, trade receivables and other receivables and prepayments for the year ended 31 December 2016 amounted to approximately RMB3 million (2015: nil), approximately RMB16 million (2015: nil), approximately RMB4 million (2015: approximately RMB10 million) and RMB7 million (2015: approximately RMB253 million) respectively.

Gain on completion of restructuring

Upon completion of the implementation of the Reorganisation Proposal, certain liabilities of the Company were discharged and recognised as gain on completion of restructuring according to the Reorganisation Proposal, which includes the discharge of approximately RMB79 million of trade and bills payables, approximately RMB261 million of other payables and accruals, approximately RMB71 million of bank borrowings and approximately RMB11 million of tax payable.

In addition, a gain on deconsolidation of subsidiaries of approximately RMB27 million was recognised upon completion of the implementation of the Reorganisation Proposal.

Profit attributable to owners of the Company

Based on the above, profit attributable to owners of the Company for the year ended 31 December 2016 amounted to approximately RMB406 million (2015: a loss of approximately RMB355 million).

Liquidity, financial resources and capital structure

As at 31 December 2016, bank and cash balances of the Group were approximately RMB1 million (2015: approximately RMB1 million).

The Group had no outstanding bank borrowings as at 31 December 2016 and the Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2015 was 42.7%. As at 31 December 2015, certain of the Group's bank borrowings were secured by its property, plant and equipment with a carrying value of approximately RMB64 million and were secured by the Group's land with a carrying value of 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.

Significant investments/Material acquisitions and disposals

The Group had not made any significant investments or material acquisitions of subsidiaries during the year.

The subsidiaries of the Group, Shanghai Nuoqi Apparel Co., Ltd. and Quanzhou Nuoqi Apparel Co., Ltd., were deconsolidated upon completion of the Group's restructuring as stated in Note 2 and Note 30 to the financial statements.

Contingent liabilities and capital commitments

As at 31 December 2016, the Group did not have any significant contingent liabilities and capital commitments.

DIVIDENDS

The board ("Board") of directors ("Directors") of the Company does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

Management Discussion and Analysis

BUSINESS PROSPECTS

On 28 December 2016, the Quanzhou Court issued a court order in relation to the execution of the Reorganisation Proposal. The Company's PRC legal advisers have confirmed that the implementation of the Reorganisation Proposal was completed. The Company would seek to resume the trading of the H shares of the Company on the Stock Exchange at the earliest possible time in order to re-build the brand image and in order to establish a fund raising platform to be available for future expansion. The Company will use its best endeavour to satisfy the resumption conditions as stipulated by the Stock Exchange as disclosed in the announcement of the Company dated 23 February 2017.

Following completion of the implementation of the Reorganisation Proposal, the Group had net assets of approximately RMB67 million as at 31 December 2016 as compared to net liabilities of approximately RMB370 million as at 31 December 2015. For the year ended 31 December 2016, interest free loan amounted to RMB8.0 million has been provided by the controlling shareholder to support the Group's daily operation and expansion plan and it is believed that the controlling shareholder will continue to support the working capital of the Group during the time of reactivation of the business of the Group.

With the loan from the controlling shareholder and external financing, the Company would restore the business operations and implement an expansion plan from different perspectives set out as below:

(1) Sales and distribution

The Company intends to maintain its existing retail model by selling products through (i) the offline channels (the "Traditional Retail Points") including self-operated retails points (the "Self-operated Retail Points"), which comprise stand-alone stores and department store concession counters, and franchised retail points (the "Franchised Retail Points"); and (ii) the online channels (the "Online Channels") in the PRC. The Company targets to expand its retail network via both channels to regain the market share.

The Traditional Retail Points

The Company plans to establish new self-operated retail points stores in the years ending 31 December 2017 and 2018. The new Self-operated Retail Points to be launched will be operated as "experience stores" which allow targeted customers to gain an understanding of the Company's brand philosophy, product design and market position. The Company has also been establishing a new retail network of franchisees since 1 January 2017. The Company will select franchisees with reference to criteria including but not limited to financial strength, reputation, local market knowledge and sizes and locations of the stores.

The Online Channels

It has been the Company's intention to expand its utilisation and development of the Online Channels in view of the rising popularity of the Internet in the PRC.

In order to capture the blooming online sales opportunity, on 22 November 2016, 諾奇商城 (Nuoqi E-Market) (http://www.nq-shop.com), a self-operated official shopping website of the Company, was launched which allows customers to place orders and purchase products of the Company "24/7" on demand via the Internet. Following the launch of Nuoqi E-Market, the Company has set up an online store at JD.com, a well-known business-to-consumer online retail website primarily targeting PRC market. The online store at JD.com (http://nuoqi.jd.com) has been fully launched on 5 January 2017. In the future, the Company will continue to look for opportunities to cooperate with other independent online retailers.

(2) Product diversification

It is the Company's long term initiative to adopt a diversified-portfolio strategy in order to offer a wide range of apparel products to customers from different segments. The Company has been selling middle class men's fashion casual wear and men's business casual wear products under the "N&Q" brand. As part of the business plan, the Company intends to diversify its product portfolio and launch middle class women's fashion casual wear and women's business casual wear products.

Through product diversification, synergies could be gained by offering new products to existing customers whilst entering into new markets with established products and new products, ultimately increasing sales and market share of the Company within the apparel industry in the PRC.

(3) Marketing and promotions

Brand awareness has always been a primary corporate focus of the Company. Given the increasing trend in sales through online platforms, the Company will also market its products and promote its brand through online marketing. In view of the rising penetration of the Internet, the Company considers Nuoqi E-Market as one of its main platforms to enhance the brand recognition in the future. On 22 November 2016, an opening ceremony was held to celebrate the launch of Nuoqi E-Market, during which products of the Company including women's apparel products were displayed and the future development plan of the Company were communicated to different media. Through a user registration system on Nuoqi E-Market, customer membership database of the Company has been gradually developed, which provides the Company with first-hand market information such as fashion trends, customer income demographics, spending history and preferences to identify the latest market conditions and consumer trends, facilitating its product planning as well as sales and marketing activities. Further, exclusive online discounts and membership benefits will be occasionally offered to stimulate customer spending and increase customer loyalty.

On the other hand, social media such as WeChat is adopted by the Company to propagate its design philosophy and fashion concept to the public. By subscribing the page of the Company on those social media, customers will be able to receive the most up-to-date information about the newly launched products and promotional activities of the Company, and to exchange their ideas about fashion with the Company as well as other subscribers. The Company believes that the interactive communications on social media will help transform the public who share the same values as the Company into loyal customers, further expanding the customer base of the Company in the future.

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 of the Company. 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 36, 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 54, 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 degree in urban economics from the Renmin University of China（中國人民大學）in 2011 and a bachelor 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.

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 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 degree in chemical engineering in 2007 and his bachelor 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 general manager of the Company 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.. 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 the business development and corporate management.

ZHANG Deyong (張德勇)

Mr. Zhang Deyong (張德勇), age 42, has been appointed as the 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 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 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 retailing men's and women's casual apparels. 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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 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.

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 84. The summary does not form part of the audited consolidated financial statements.

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.

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 17 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 2016, 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 2016.

Directors' Report

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.

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 2016 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 2016 are as follows:

Our largest supplier	11.51%
Five largest suppliers combined	46.76%

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 share capital) 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 percentage of the sales attributable to the Group's five largest customers is less than 30% during the year.

Directors' Report

DIRECTORS

The composition of the Board is as follows:

Executive Directors:

Mr. Ding Hui[1] *(Chairman & Chief Executive Officer)*
Mr. Ding Canyang[2]
Mr. Chen Quanyi

Non-executive Directors:

Mr. Han Huiyuan
Ms. Ding Lixia[3]

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" below, 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.

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 9 to 13 of the annual 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.

Directors' Report

EMPLOYEES AND REMUNERATION POLICY

The Group had approximately 101 employees as at 31 December 2016 (31 December 2015: 85 employees). The total remuneration of employees for the year ended 31 December 2016 amounted to approximately RMB5 million (2015: RMB6 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

Save for the information disclosed under Connected Transaction of Directors' Report, 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' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, 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 (including 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 Canyang	Beneficial owner	12,367,500 (L)	Domestic shares	2.75	2.02
Ms. Ding Lixia	Interests in controlled corporation (Note 2)	2,700,000 (L)	Domestic shares	0.60	0.44

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 2,700,000 Shares held by Nuoqi Investment by virtue of SFO.

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

As at 31 December 2016, 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
Hao Tian China	Beneficial owner	311,504,940	Domestic Shares	69.22	51.00
Chan Yuk Ming	Beneficial owner/interest in controlled corporation/ founder of a discretionary trust	42,800,000	H Shares (Note 2)	26.62	7.01
Theme Link Investments Ltd.	Beneficial owner	12,700,000	H Shares (Note 2)	7.90	2.08
Evisu (PTC) Limited	Trustee	29,400,000	H Shares (Note 3)	18.28	4.81
Pacific Success Holdings Limited	Interest in controlled corporation	29,400,000	H Shares (Note 3)	18.28	4.81
Evergreen International Holdings Limited	Interest in controlled corporation	29,400,000	H Shares (Note 3)	18.28	4.81
Sunsonic Holdings Limited	Interest in controlled corporation	29,400,000	H Shares (Note 3)	18.28	4.81
Joy Business Investments Limited	Beneficial owner	29,400,000	H Shares (Note 3)	18.28	4.81
Hong Jinjing	Interest in controlled corporation	17,840,000	H Shares (Note 4)	11.89	2.92
Sky Success Venture Holdings Limited	Beneficial owner	17,840,000	H Shares (Note 4)	11.89	2.92

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") was interested or deemed to be interested in, 700,000 H Shares were 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 were 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 were held by Joy Business Investments Limited, a company wholly-owned by Sunsonic Holdings Limited which was 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 was owned as to 51% by Pacific Success Holdings Limited, a company wholly-owned by Evisu (PTC) Limited which was 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.

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 and until 5 September 2016 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.

According to the terms of the deed of non-competition, the undertaking will cease to have effect on any of the Controlling Shareholders if he ceases to be a Controlling Shareholder of the Company. As at 5 September 2016, the aggregate shareholding of the Controlling Shareholders was approximately 2.02%. Accordingly, the deed of non-competition ceased to be effective.

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 the H Shares first commence on Stock Exchange (the "Listing Date") to 5 September 2016.

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

Hao Tian Investment (China) Company Limited（昊天投資（中國）有限公司）, the current controlling shareholder of the Company (the "Shareholder") entered into two loan agreements with the Company to provide interest-free unsecured working capital loan total RMB10 million to the Company for general working capital purposes and to support the daily operation and expansion plan. As at 31 December 2016, a total amount of RMB8 million has been provided to the Company and repayable on 1 July 2018.

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' 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 2016, 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, rendering the Company in breach of Rules 3.21 and 3.23 of the Listing Rules. Accordingly, the consolidated financial statements of the Company for the year ended 31 December 2016 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.

Directors' Report

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 audited and has expressed qualified opinion on the accompanying financial statements for the year ended 31 December 2016, 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, 20 March 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 2016.

In 2016, 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 the 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 works by abiding to 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 2016 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 2016 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

The consolidated financial statement of the Company for the year 2016 was audited by ZHONGHUI ANDA CPA Limited and an audit report of qualified 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, ZHONGHUI ANDA CPA Limited expressed its qualified opinions on the impairment losses on various assets and gain on completion on the restructuring for the year ended 31 December 2016, part of the income and expenses for the year ended 31 December 2015, part of the assets and liabilities as at 31 December 2015 as well as the segment information and other related disclosure notes, and recommended the Company to further improve its financial reporting and internal control measures.

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

The consolidated financial statement of the Company for the year 2016 was audited by ZHONGHUI ANDA CPA Limited and an audit report of qualified opinion was issued thereon. The Supervisory Committee had no objection to the audit opinion and the report.

We hereby present this report for shareholders' consideration.

Fujian Nuoqi Co., Ltd.
Supervisory Committee

Quanzhou, PRC, 20 March 2017

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 2016, 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 independent non-executive Directors and 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.

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, arrangements will be made to appoint an appropriate number of independent non-executive Directors to reconstitute the Board and the Audit, Nomination and Remuneration Committees as soon as practicable to comply with the Code. 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. 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.

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 2016. 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 2016.

BOARD OF THE DIRECTORS

Board composition

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

The composition of the Board is as follows:

Executive Directors:

Mr. Ding Hui[1] *(Chairman & Chief Executive Officer)*
Mr. Ding Canyang[2]
Mr. Chen Quanyi

Non-executive Directors:

Mr. Han Huiyuan
Ms. Ding Lixia[3]

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 9 to 13 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.

Board meetings

During the year ended 31 December 2016, 7 meetings were held by the Board. The attendance record of each Director is set out below:

Name of Board members	Number of attendance	Number of meetings
Mr. Ding Hui	0	7
Mr. Ding Canyang	7	7
Mr. Chen Quanyi	7	7
Mr. Han Huiyuan	7	7
Ms. Ding Lixia	7	7

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.

Corporate Governance Report

Independent non-executive Directors

As mentioned in the section headed "Code of corporate governance practice" above, 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.

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 2016, the Company has circulated and the Directors have received updates on changes and development on relevant laws and regulations for their reference.

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.

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.

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.

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.

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 Report

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 2016, 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.

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 2016 is set out below:

Nature of services	**Fee paid/payable**
	RMB'000
Audit services	428,000
Non-audit services	240,000
Total	668,000

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.

During the year, 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.

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.

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

中汇
ZHONGHUI

To the shareholders of Fujian Nuoqi Co., Ltd.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Fujian Nuoqi Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 83, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

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 2016 and 2015, we were unable to carry out audit procedures to satisfy ourselves as to whether the impairment losses on various assets of approximately RMB30,262,000 and gain on completion of the Group restructuring of approximately RMB448,604,000 for the year ended 31 December 2016 and the following income and expenses for the year ended 31 December 2015 and the assets and liabilities as at 31 December 2015, 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 2015 HK$'000
Income and expenses:	
Revenue	21,541
Cost of goods sold	(10,483)
Gross profit	11,058
Other income	740
Selling and distribution expenses	(3,986)
Administrative expenses	(79,448)
Impairment losses on various assets	(263,009)
Loss for the year	(334,645)

BASIS FOR QUALIFIED OPINION (continued)

Limited accounting books and records of the Group (continued)

	As at 31 December 2015 RMB'000
Assets and liabilities:	
Property, plant and equipment	3,897
Inventories	69,128
Trade receivables	3,635
Other receivables and prepayments	11,871
Trade and bills payables	(101,914)
Other payables and accruals	(140,947)
Tax payable	(30,918)
Net liabilities	(185,248)

Any adjustments to the figures as described above might have a consequential effect on the Group's financial performance and cash flows for the years ended 31 December 2016 and 2015 and the financial positions of the Group as at 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Except for the matters described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

"A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/
This description forms part of our auditor's report."

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614

Hong Kong, 20 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	7	**4,430**	21,541
Cost of sales		**(3,541)**	(10,483)
Gross profit		**889**	11,058
Other income	8	**5,136**	884
Selling and distribution expenses		**(5,154)**	(5,666)
Administrative and other expenses		**(13,018)**	(91,868)
Loss from operations		**(12,147)**	(85,592)
Impairment losses on various assets		**(30,262)**	(263,009)
Gain on completion of the restructuring	10	**448,604**	–
Finance costs	11	**–**	(6,684)
Profit/(loss) before tax		**406,195**	(355,285)
Income tax	12	**–**	–
Profit/(loss) and total comprehensive income/(loss) for the year attributable to the owners of the Company	13	**406,195**	(355,285)
Earnings/(loss) per share	16		
Basic *(RMB per share)*		**0.67**	(0.58)
Diluted *(RMB per share)*		**0.67**	(0.58)

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	17	**61,150**	68,504
Prepaid land lease payments	18	**10,087**	10,323
		71,237	78,827
Current assets			
Inventories	19	**2,717**	69,128
Trade receivables	20	**12**	3,635
Other receivables and prepayments	21	**2,667**	12,381
Prepaid land lease payments	18	**236**	236
Bank and cash balances	22	**1,357**	1,206
		6,989	86,586
Current liabilities			
Trade and bills payables	23	**335**	101,914
Other payables and accruals	24	**2,751**	300,980
Dividend payables		**–**	30,540
Bank borrowings	25	**–**	70,656
Tax payable		**–**	30,918
		3,086	535,008
Net current assets/(liabilities)		**3,903**	(448,422)
Total assets less current liabilities		**75,140**	(369,595)
Non-current liabilities			
Loan from shareholder	24	**8,000**	–
NET ASSETS/(LIABILITIES)		**67,140**	(369,595)
Capital and reserves			
Share capital	26	**122,159**	122,159
Reserves	27	**(55,019)**	(491,754)
TOTAL EQUITY/(DEFICIT)		**67,140**	(369,595)

The consolidated financial statements on pages 43 to 83 were approved and authorised for issue by the Board of Directors on 20 March 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 2016

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Proposed final dividends RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	122,159	320,811	33,856	(30,540)	(460,596)	(14,310)
Total comprehensive loss for the year	–	–	–	–	(355,285)	(355,285)
At 31 December 2015	122,159	320,811	33,856	(30,540)	(815,881)	(369,595)
At 1 January 2016	**122,159**	**320,811**	**33,856**	**(30,540)**	**(815,881)**	**(369,595)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**406,195**	**406,195**
Completion of the restructuring	**-**	**-**	**(10,916)**	**30,540**	**10,916**	**30,540**
At 31 December 2016	**122,159**	**320,811**	**22,940**	**-**	**(398,770)**	**67,140**

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Profit/(loss) before tax	**406,195**	(355,285)
Adjustments for:		
Depreciation	**3,595**	5,676
Amortisation	**236**	717
Loss on disposal/write-off of property, plant and equipment	**3,174**	36,227
Loss on disposal of prepaid land lease payments	**–**	8,868
Interest income	**(3)**	(41)
Forfeiture of other loan	**(5,000)**	–
Finance costs	**–**	6,684
Gain on completion of the restructuring	**(448,604)**	–
Written-off of obsolete inventories	**16,111**	23,847
Impairment losses on various assets	**10,977**	263,009
Operating cash flows before working capital changes	**(13,319)**	(10,298)
Change in inventories	**372**	6,595
Change in trade receivables	**(175)**	(6,046)
Change in other receivables and prepayments	**(2,428)**	(5,008)
Change in trade and bills payables	**1,879**	(32,289)
Change in other payables and accruals	**973**	42,916
Net cash used in operating activities	**(12,698)**	(4,130)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Cash flows from investing activities		
Purchase of property, plant and equipment	**(205)**	–
Proceeds from disposals of property, plant and equipment	**51**	–
Interest received	**3**	41
Net cash (used in)/generated from investing activities	**(151)**	41
Cash flows from financing activities		
Other loan raised	**5,000**	–
Loan from shareholder	**8,000**	–
Net cash generated from financing activities	**13,000**	–
Net increase/(decrease) in cash and cash equivalents	**151**	(4,089)
Cash and cash equivalents at beginning of year	**1,206**	5,295
Cash and cash equivalents at end of year	**1,357**	1,206
Analysis of cash and cash equivalents		
Bank and cash balances	**1,357**	1,206

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 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.

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 instructions 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 instructions 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. Details of this event in the Company's announcements dated 19 August 2014.

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;

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 with 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 have 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.

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 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.

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 Quanzhou Economic and Technological Development Zone Foreign Trade and Economic Cooperation Bureau 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 51% of the total issued share capital of the Company.

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 required 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 the 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.

On 28 December 2016, the Quanzhou Court issued a court order in relation to the execution of the Reorganisation Proposal. The Company's PRC legal advisers have confirmed that the implementation of the Reorganisation Proposal has been completed according to the terms of the Reorganisation Proposal and the applicable laws and regulations in the PRC.

The composite document related to the General Offer has been despatched on 8 February 2017.

On 17 February 2017, the Board received a letter (the "SEHK Letter") from the Stock Exchange in relation to, among other matters, the Stock Exchange's decision to place the Company into the third delisting stage under Practice Note 17 to the Listing Rules. The Company is required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before 31 August 2017, being the expiry date of the third delisting stage.

On 27 February 2017, the Company submitted an application for a review of the ruling in the SEHK Letter by the Listing Committee.

The General Offer was closed at 4:00 p.m. on 1 March 2017 and was not revised or extended by the offerors.

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 2016. 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.

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 2016. 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.

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.

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 lifes 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

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

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

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.

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.

(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.

6. FINANCIAL RISK MANAGEMENT (continued)

(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:

	Less than 1 year	**Between 1 and 2 years**
	RMB'000	RMB'000
At 31 December 2016		
Trade and other payables	**3,086**	**–**
Loan from shareholder	**–**	**8,000**
At 31 December 2015		
Interest-bearing bank borrowings	70,656	–
Trade and other payables	394,590	–
Dividend payables	30,540	–

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

6. FINANCIAL RISK MANAGEMENT (continued)

(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

	2016	2015
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade receivables	**12**	3,635
Other receivables	**1,065**	8,678
Bank and cash balances	**1,357**	1,206
	2,434	13,519
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**335**	101,914
Other payables and accruals	**2,751**	292,676
Loan from shareholder	**8,000**	–
Dividend payables	**–**	30,540
Bank borrowings	**–**	70,656
	11,086	495,786

7. REVENUE

The Group's revenue is analysed as follows:

	2016	2015
	RMB'000	RMB'000
Sales of goods	**4,430**	21,541

8. OTHER INCOME

	2016	2015
	RMB'000	RMB'000
Government grants (Note a)	**9**	740
Bank interest income	**3**	41
Forfeiture of other loan (Note b)	**5,000**	–
Others	**124**	103
	5,136	884

Note a: 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.

Note b: The forfeiture of other loan represents an interest-free loan from the Investor forfeited by the Group as stated in the note 2 to the financial statements.

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 2016 and 2015, 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. GAIN ON COMPLETION OF THE RESTRUCTURING

Upon completion of the restructuring on 28 December 2016, certain liabilities of the Company were discharged according to the Reorganisation Proposal as set out below:

	2016
	RMB'000
Debt discharged:	
Trade and bills payables	**78,968**
Other payables and accruals	**260,611**
Bank borrowings	**70,656**
Tax payable	**10,987**
	421,222
Gain on deconsolidation of subsidiaries	**27,382**
Gain on completion of the restructuring	**448,604**

11. FINANCE COSTS

	2016	2015
	RMB'000	RMB'000
Interests on interest-bearing bank borrowings	**–**	6,684

12. INCOME TAX

No provision for PRC enterprise income tax is required since the Group has no assessable profit for the year.

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.

12. INCOME TAX (continued)

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

	2016 RMB'000	2015 RMB'000
Profit/(loss) before tax	**406,195**	(355,285)
Tax at the PRC statutory rate of 25%	**101,549**	(88,821)
Tax effect of non-deductible expenses	**10,605**	89,016
Tax effect of non-taxable income	**(112,154)**	(195)
Income tax for the year	**–**	–

13. PROFIT/(LOSS) FOR THE YEAR

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

	2016 RMB'000	2015 RMB'000
Auditor's remuneration	**428**	417
Cost of inventories sold	**3,541**	10,483
Depreciation	**3,595**	5,676
Minimum lease payment	**2,329**	4,079
Amortisation of prepaid land lease payments	**236**	717
Staff costs (including directors' remuneration – note 14):		
Salaries, bonus and allowances	**4,356**	5,674
Retirement benefits scheme contributions	**590**	686
	4,946	6,360
Loss on disposal/write-off of items of property, plant and equipment	**–**	36,227
Impairment of property, plant and equipment	**3,174**	–
Loss on disposal of prepaid land lease payments	**–**	8,868
Written-off of obsolete inventories	**–**	23,847
Impairment of inventories	**16,111**	–
Impairment of trade receivables, net	**3,570**	10,307
Impairment of other receivables and prepayments, net	**7,407**	252,702
Gain on completion of the restructuring	**(448,604)**	–

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

2016	Notes	**Fee**	**Salaries and allowances**	**Retirement benefit scheme contributions**	**Total**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Executive Directors					
Mr. Ding Hui		**-**	**-**	**-**	**-**
Mr. Ding Canyang		**-**	**136**	**7**	**143**
Mr. Chen Quanyi		**-**	**-**	**-**	**-**
Non-Executive Directors					
Mr. Han Huiyuan		**-**	**-**	**-**	**-**
Ms. Ding Lixia		**-**	**-**	**-**	**-**
Total for 2016		**-**	**136**	**7**	**143**

2015	Notes	Fee	Salaries and allowances	Retirement benefit scheme contributions	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Ding Hui		–	–	–	–
Mr. Ding Canyang		–	120	–	120
Mr. Chen Quanyi		–	228	–	228
Non-Executive Directors					
Mr. Han Huiyuan		–	–	–	–
Ms. Ding Lixia		–	–	–	–
Independent Non-executive Directors					
Mr. Qi Xiaozhai	1	–	–	–	–
Ms. Hsu Wai Man, Helen	2	–	–	–	–
Mr. Dai Zhongchuan	2	–	–	–	–
Total for 2015		–	348	–	348

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS (continued)

Notes

1 Resigned on 8 September 2015

2 Resigned on 3 September 2015

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

	2016	2015
	RMB'000	RMB'000
Basic salaries and allowances	**566**	430
Retirement benefit scheme contributions	**18**	–
	584	430

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**4**	3

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.

15. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

16. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately RMB406,195,000 (2015: loss for the year attributable to owners of the Company of approximately RMB355,285,000) and the weighted average number of 610,794,000 (2015: 610,794,000) ordinary shares in issue during the year.

Diluted earnings/(loss) per share

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2016 and 2015.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2015	74,286	13,121	3,502	36,222	127,131
Disposal/write-off	–	(10)	–	(36,222)	(36,232)
At 31 December 2015 and 1 January 2016	74,286	13,111	3,502	–	90,899
Additions	–	205	–	–	205
Deconsolidation of subsidiaries	–	(1,007)	(208)	–	(1,215)
Disposal/write-off	–	(11,368)	(620)	–	(11,988)
At 31 December 2016	**74,286**	**941**	**2,674**	**-**	**77,901**
Accumulated depreciation					
At 1 January 2015	7,054	7,581	2,089	–	16,724
Charge for the year	3,527	1,719	430	–	5,676
Disposal/write-off	–	(5)	–	–	(5)
At 31 December 2015 and 1 January 2016	10,581	9,295	2,519	–	22,395
Charge for the year	3,527	35	33	–	3,595
Deconsolidation of subsidiaries	–	(347)	(129)	–	(476)
Disposal/write-off	–	(8,451)	(312)	–	(8,763)
At 31 December 2016	**14,108**	**532**	**2,111**	**-**	**16,751**
Carrying amounts					
At 31 December 2016	**60,178**	**409**	**563**	**-**	**61,150**
At 31 December 2015	63,705	3,816	983	–	68,504

17. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2015, the carrying amount of property, plant and equipment amounting to approximately RMB63,705,000 have been pledged as security for the Group's borrowings. At the end of the reporting period, the pledge of such property, plant and equipment had been released during the process of restructuring.

The Group has carried out a review of the recoverable amount of its property, plant and equipment as at 31 December 2016 with reference to the independent valuation performed by an independent professional valuer. The recoverable amount is measured based on fair value less cost of disposal by using market value approach under level 2 fair value measurement. As a result of impairment test, no impairment loss on property, plant and equipment have been recognised during the reporting period.

18. PREPAID LAND LEASE PAYMENTS

	2016	2015
	RMB'000	RMB'000
Non-current portion	**10,087**	10,323
Current portion	**236**	236
	10,323	10,559

At 31 December 2015, the carrying amount of prepaid land lease payments amounting to approximately RMB10,559,000 have been pledged as security for the Group's borrowings. At the end of the reporting period, the pledge of the prepaid land lease payments had been released during the process of the restructuring.

19. INVENTORIES

	2016	2015
	RMB'000	RMB'000
Consumables	**–**	3,716
Finished goods	**2,717**	65,412
	2,717	69,128

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:

	2016 **RMB'000**	2015 RMB'000
Within 1 month	**12**	3,222
1 to 2 months	**–**	372
2 to 3 months	**–**	41
	12	3,635

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:

	2016 **RMB'000**	2015 RMB'000
Neither past due nor impaired	**12**	3,635

21. OTHER RECEIVABLES AND PREPAYMENTS

	2016 **RMB'000**	2015 RMB'000
Prepayments	**1,602**	3,703
Rental deposits	**295**	3,602
Other receivables	**770**	5,076
	2,667	12,381

22. BANK AND CASH BALANCES

Conversion of RMB into foreign currencies amounted to approximately RMB1,357,000 as at 31 December 2016 (2015: RMB1,206,000) is subject to the PRC's Foreign Exchange Control Regulations.

23. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	RMB'000
Trade payables	**335**	41,510
Bills payables	**–**	60,404
	335	101,914

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:

	2016	2015
	RMB'000	RMB'000
Within 1 month	**242**	245
1 to 3 months	**93**	404
3 to 6 months	**–**	948
6 months to 1 year	**–**	2,395
Over 1 year	**–**	37,518
	335	41,510

24. OTHER PAYABLES AND ACCRUALS AND LOAN FROM SHAREHOLDER

	2016 **RMB'000**	2015 RMB'000
Current liabilities		
Deposit and advance from customers	**–**	8,304
Accruals	**1,157**	44,301
Value added tax payables	**–**	7,431
Other payables	**1,594**	240,944
	2,751	300,980
Non-current liabilities		
Loan from shareholder (note)	**8,000**	–

Note: The loan from shareholder is unsecured, interest-free and repayable on 1 July 2018.

25. BANK BORROWINGS

	2016 **RMB'000**	2015 RMB'000
Bank borrowings	**–**	70,656
The borrowings are repayable as follows:		
On demand or within one year	**–**	70,656
Less: Amount due for settlement within 12 months (shown under current liabilities)	**–**	(70,656)
Amount due for settlement after 12 months	**–**	–

During the year ended 31 December 2016, the bank borrowings have been discharged upon the completion of the restructuring.

26. SHARE CAPITAL

	Number of shares	Amount
		RMB'000
Registered:		
Ordinary shares at RMB0.20 (2015: RMB0.20) each		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	610,794,000	122,159
Issued and fully paid:		
Ordinary shares at RMB0.20 (2015: RMB0.20) each		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	610,794,000	122,159

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.

(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.

27. RESERVES (continued)

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

(ii) Statutory surplus (continued)

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	Statutory surplus reserve	Proposed final dividends	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	320,811	22,940	(30,540)	(446,836)	(133,625)
Total comprehensive loss for the year	–	–	–	(327,905)	(327,905)
At 31 December 2015	320,811	22,940	(30,540)	(774,741)	(461,530)
At 1 January 2016	320,811	22,940	(30,540)	(774,741)	(461,530)
Total comprehensive income for the year	–	–	–	375,971	375,971
Waiver of final dividends upon the completion of the restructuring	–	–	30,540	–	30,540
At 31 December 2016	**320,811**	**22,940**	**-**	**(398,770)**	**(55,019)**

28. SUMMARISED FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current assets		
Property, plant and equipment	**61,150**	67,765
Prepaid land lease payments	**10,087**	10,323
	71,237	78,088
Current assets		
Inventories	**2,717**	19,200
Trade receivables	**12**	3,407
Amount due from a subsidary	**–**	33,750
Other receivables and prepayments	**2,667**	7,778
Prepaid land lease payments	**236**	236
Bank and cash balances	**1,357**	1,068
	6,989	65,439
Current liabilities		
Trade and bills payables	**335**	77,424
Other payables and accruals	**2,751**	293,292
Dividend payables	**–**	30,540
Bank borrowings	**–**	70,656
Tax payable	**–**	10,986
	3,086	482,898
Net current assets/(liabilities)	**3,903**	(417,459)
Total assets less current liabilities	**75,140**	(339,371)
Non-current liabilities		
Loan from shareholders	**8,000**	–
NET ASSETS/(LIABILITIES)	**67,140**	(339,371)
Capital and reserves		
Share capital	**122,159**	122,159
Reserves	**(55,019)**	(461,530)
TOTAL EQUITY/(DEFICIT)	**67,140**	(339,371)

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 14.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists out 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 up to the date of deconsolidation upon completion of the Group restructuring as stated in note 2.

Particulars of the Company's principal subsidiaries at the date of deconsolidation are as follows:

Name	Place of incorporation/ registration	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 a domestic company with limited liability under the laws of the PRC

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. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2017.

Summary Financial Information

31 December 2016

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

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**4,430**	21,541	322,525	682,466	572,138
PROFIT/(LOSS) BEFORE TAX	**406,195**	(355,285)	(701,828)	110,891	108,846
INCOME TAX EXPENSE	**-**	–	(19,043)	(29,150)	(27,148)
PROFIT/(LOSS) FOR THE YEAR	**406,195**	(355,285)	(720,871)	81,741	81,698
Profit (loss) attributable to:					
Owners of the Company	**406,195**	(355,285)	(720,871)	81,741	81,698

ASSETS AND LIABILITIES

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**78,226**	165,413	529,609	890,380	619,092
TOTAL LIABILITIES	**(11,886)**	(535,008)	(543,919)	(407,750)	(218,203)
NET ASSETS/(LIABILITIES)	**67,140**	(369,595)	(14,310)	482,630	400,889

Notes:

(i) The summary of the consolidated results of the Group for the year ended 31 December 2012 and of the assets and liabilities as at 31 December 2012 has 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 2016 and the consolidated assets and liabilities of the Group as at 31 December 2016 are those set out on pages 43 to 44 of this annual report.

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