

# 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*



The cover features a collage of fashion items: a man in a white t-shirt with 'OPENING DESIGN' printed on it, a woman in a white top with black trim, a woman in a light green top and patterned skirt, and a woman in a blue polka-dot shirt. The background is a mix of white, light green, and grey abstract patterns. The text 'INTERIM REPORT 2017' is centered in a white diamond shape.

INTERIM  
REPORT  
2017



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **Executive Directors**

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

(removed on 21 April 2017)

Mr. Ding Canyang

(resigned on 15 May 2017)

Mr. Chen Quanyi

(resigned on 21 April 2017)

Mr. Xu Hai Ying (*Chairman*)

(appointed on 15 May 2017)

Mr. Zhang Aiping

(appointed on 21 April 2017)

Mr. Gao Shufang

(appointed on 21 April 2017)

Mr. Sit Hon Wing

(appointed on 21 April 2017)

#### **Non-executive Directors**

Mr. Han Huiyuan

Ms. Ding Lixia

(resigned on 21 April 2017)

#### **Independent non-executive Directors**

Mr. Chan Ming Sun Jonathan

(appointed on 21 April 2017)

Mr. Lee Chi Hwa Joshua

(appointed on 21 April 2017)

Mr. Mak Yiu Tong

(appointed on 21 April 2017)

### AUDIT COMMITTEE

Mr. Chan Ming Sun Jonathan (*Chairman*)

(appointed on 21 April 2017)

Mr. Lee Chi Hwa Joshua

(appointed on 21 April 2017)

Mr. Mak Yiu Tong

(appointed on 21 April 2017)

### REMUNERATION COMMITTEE

Mr. Chen Quanyi

(resigned on 21 April 2017)

Mr. Mak Yiu Tong (*Chairman*)

(appointed on 21 April 2017)

Mr. Gao Shufang

(appointed on 21 April 2017)

Mr. Lee Chi Hwa Joshua

(appointed on 21 April 2017)

### NOMINATION COMMITTEE

Ms. Ding Lixia

(resigned on 21 April 2017)

Mr. Mak Yiu Tong (*Chairman*)

(appointed on 21 April 2017)

Mr. Chan Ming Sun Jonathan

(appointed on 21 April 2017)

Mr. Gao Shufang

(appointed on 21 April 2017)

### SUPERVISORY COMMITTEE

Ms. Gu Tao (*Chairman and*

*Employee Representative*)

(resigned on 21 April 2017)

Mr. Ye Yongguan

(resigned on 21 April 2017)

Ms. Guo Zhuojun

(resigned on 21 April 2017)

Ms. Wang Zhiyu (*Chairman*)

(appointed on 21 April 2017)

Mr. Cheung Wang Lok, Anthony

(appointed on 21 April 2017)

Ms. Cai Hong (*Employee Representative*)

(elected on 21 April 2017 and

resigned on 1 August 2017)

Mr. Cai Han Zong

(*Employee Representative*)

(elected on 1 August 2017)



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## COMPANY SECRETARY

Mr. Law Geoff Chun Mo, *HKICPA*

## INTERNATIONAL AUDITORS

ZHONGHUI ANDA CPA Limited

*Certified Public Accountants*

## LEGAL ADVISERS IN HONG KONG

Chiu and Partners

## LEGAL ADVISERS IN THE PRC

Fujian Junli Law Firm

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 55 Chongwen Road

Economic and Technical Development Zone

Quanzhou

Fujian province

PRC

## PLACE OF BUSINESS IN HONG KONG

Rooms 1405–1412

14/F Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

## H SHARE REGISTRAR

Computershare Hong Kong Investor

Services Limited

Shops 1712–1716

17th Floor Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

## PRINCIPAL BANKS

China Minsheng Banking Corp., Ltd.

China Construction Bank

## COMPANY WEBSITE

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

## STOCK CODE

1353



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

Fujian Nuoqi Co., Ltd (the “Company”, together with its subsidiaries, the “Group”) 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.

The implementation of the reorganisation proposal in relation to the reorganisation (“Reorganisation”) of the Company (“Reorganisation Proposal”) was completed following the issue of a court order in relation to the execution of the Reorganisation Proposal by the Quanzhou Court on 28 December 2016. After completion of the Reorganisation, the Company was able to rehabilitate its business to a more meaningful level and achieve increase in sales from both the traditional retail points and online sales channels. The performance of the Company improved after Hao Tian Development Group Limited and its subsidiaries (“Hao Tian Group”), the white knight, invested into the Company and provided loans of RMB20 million to the Group for working capital purpose. The Group recorded a revenue of approximately RMB25 million for the six months ended 30 June 2017 which exceeded the revenue of approximately RMB4 million for the corresponding period of 2016. Profit attributable to the owners of the Company was approximately RMB6 million for the first half of 2017 as compared to loss attributable to the owners of the Company of approximately RMB11 million for the corresponding period of 2016.

The Group recorded total assets of approximately RMB176 million as at 30 June 2017 as compared to RMB78 million as at 31 December 2016. The improved financial position of the Group was mainly attributable to, among other things, the drawdown of a loan facility of RMB80 million. Such loan was deposited into the Company’s bank account and will be used for the Company’s expansion of businesses and other general working capital purpose.



## Financial Review

### Revenue

The Group generated revenue for the six months ended 30 June 2017 of approximately RMB25 million, which represented an approximately 525% increase as compared to the corresponding period of 2016 of approximately RMB4 million. With the loans from the controlling shareholder of the Company for working capital purpose, the Company was able to rehabilitate its business to a more meaningful level and achieve increase in sales from both the traditional retail points and online sales channels.

### Cost of sales and gross profit

Cost of sales for the six months ended 30 June 2017 was approximately RMB10 million, which represented an approximately 150% increase as compared to the corresponding period of 2016 of approximately RMB4 million, mainly due to the increase in sales.

Gross profit for the six months ended 30 June 2017 was approximately RMB15 million which improved significantly as compared to the corresponding period of 2016 of approximately RMB0.1 million. The improvement was mainly due to the rehabilitation of the business of the Company to a more meaningful level and the increase in sales.

### Administrative and other expenses

Administrative and other expenses for the six months ended 30 June 2017 were approximately RMB7 million, which represented an approximately 17% increase as compared to the corresponding period of 2016 of approximately RMB6 million. Such increase was mainly due to the increase in staff costs along with the rehabilitation of the business.

### Profit/(loss) attributable to owners of the Company

Based on the above, profit attributable to the owners of the Company was approximately RMB6 million for the first half of 2017 as compared to loss attributable to the owners of the Company of approximately RMB11 million for the corresponding period of 2016.



## Liquidity, financial resources and capital structure

As at 30 June 2017, bank and cash balances of the Group were approximately RMB92 million (31 December 2016: approximately RMB1 million). The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2017 was approximately 57% (31 December 2016: 10%). As at 30 June 2017, the Group's bank borrowings were secured by a) a charge over the 311,504,940 domestic shares of the Company by Hao Tian Investment (China) Company Limited; and b) a charge over the Company's building with a carrying value of RMB58 million (31 December 2016: Not applicable) and land with a carrying value of approximately RMB10 million (31 December 2016: Not applicable).

## 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 arises.

## Contingent liabilities and capital commitments

As at 30 June 2017, the Group did not have any significant contingent liabilities and capital commitments (31 December 2016: nil).

## FUTURE PROSPECT

With the loan from the Hao Tian Group and other external financing arrangements, the Company would continue to 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"); 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 future. 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. These new self-operated stores will supplement the online shopping experiences of the Company’s targeted customers.

## 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, 諾奇商城 (Nuoqi E-Market\*) (<http://www.nq-shop.com>), a self-operated official shopping website of the Company, and an online store at JD.com, a well-known business-to-consumer online retail website primarily targeting PRC market, have been set up. In the future, the Company will continue to look for opportunities to cooperate with other independent online retailers. Online sales are expected to be the new driver of business growth.

## (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 is diversifying its product portfolio and launching 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. 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.

### Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

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## DISCLOSURE OF INTERESTS

### **Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares**

As at 30 June 2017, none of the Directors and the Company's chief executive, and their respective associates had any interests in the Shares in and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the 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.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2017, so far as the Directors are aware of, the interests or short positions of the persons 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 Investment (China) Company Limited	Beneficial owner	312,068,670	Domestic Shares (Note 2)	69.35	51.09
Li Shao Yu	Interest in controlled corporation	312,068,670	Domestic Shares (Note 2)	69.35	51.09
	Interest in controlled corporation	53,991,000	H Shares (Note 3)	33.58	8.84
Asia Link Capital Investment Holdings Limited	Interest in controlled corporation	312,068,670	Domestic Shares (Note 2)	69.35	51.09
	Interest in controlled corporation	53,991,000	H Shares (Note 3)	33.58	8.84
Hao Tian Corporation Limited	Beneficial owner	53,991,000	H Shares (Note 3)	33.58	8.84
Hao Tian Development Group Limited	Interest in controlled corporation	53,991,000	H Shares (Note 3)	33.58	8.84
	Interest in controlled corporation	312,068,670	Domestic Shares (Note 2)	69.35	51.09
Chan Yuk Ming	Beneficial owner/ interest in controlled corporation/founder of a discretionary trust	42,800,000	H Shares (Note 4)	26.62	7.01
Theme Link Investments Ltd.	Beneficial owner	12,700,000	H Shares (Note 4)	7.90	2.08
Evisu (PTC) Limited	Trustee	29,400,000	H Shares (Note 5)	18.28	4.81
Pacific Success Holdings Limited	Interest in controlled corporation	29,400,000	H Shares (Note 5)	18.28	4.81
Evergreen International Holdings Limited	Interest in controlled corporation	29,400,000	H Shares (Note 5)	18.28	4.81
Sunsonic Holdings Limited	Interest in controlled corporation	29,400,000	H Shares (Note 5)	18.28	4.81
Joy Business Investments Limited	Beneficial owner	29,400,000	H Shares (Note 5)	18.28	4.81
Hong Jinjing	Interest in controlled corporation	17,840,000	H Shares (Note 6)	11.89	2.92
Sky Success Venture Holdings Limited	Beneficial owner	17,840,000	H Shares (Note 6)	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. Hao Tian Investment (China) Company Limited was wholly owned by Hao Tian Investment (Hong Kong) Limited, which was in turn wholly owned by Long Xin Holdings Limited, which was in turn wholly owned by Hao Tian Development Group Limited. Hao Tian Development Group Limited was owned by Asia Link Capital Investment Holdings Ltd as to approximately 61.67%. Asia Link Capital Investment Holdings Ltd was wholly owned by Ms. Li Shao Yu.
3. Hao Tian Corporation Limited was wholly owned by Yixin Investments Limited, which was in turn wholly owned by Hao Tian Development Group Limited. Hao Tian Development Group Limited was owned by Asia Link Capital Investment Holdings Ltd as to approximately 61.67%. Asia Link Capital Investment Holdings Ltd was wholly owned by Ms. Li Shao Yu.
4. 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 5 below).
5. 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.
6. 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.



# CORPORATE GOVERNANCE REPORT

## Code of Corporate Governance Practice

The Company has adopted the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2017, 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 (“INED(s)”) 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. Pursuant to a resolution passed on an EGM convened on 21 April 2017, Mr. Ding Hui was removed as a Director. Since then, Mr. Zhang Aiping, an executive Director, has been elected as the chairman of the Board. On 27 June 2017, the Board has resolved to appoint Mr. Xu Hai Ying, an executive Director, as the chairman of the Board. On the other hand, the Board has yet to appoint the chief executive officer of the Company.

Ms. Hsu Wai Man, Helen, Mr. Qi Xiaozhai and Mr. Dai Zhongchuan had resigned as an INED on 3 September 2015, 8 September 2015 and 8 September 2015 respectively, rendering the Company in breach of the relevant code provisions of the Code in relation to the vacancy of the INEDs. Mr. Chan Ming Sun Jonathan, Mr. Lee Chi Hwa Joshua and Mr. Mak Yiu Tong had been appointed as the INEDs pursuant to an extraordinary general meeting convened on 21 April 2017 and the Audit Committee, Remuneration Committee and the Nomination Committee had been formed on the same day.

During the period between 5 September 2014, where Mr. Au Yeung Ho Yin had resigned as the company secretary of the Company, and 25 January 2017, the Company did not have a company secretary. Mr. Law Geoff Chun Mo has been appointed as the company secretary of the Company with effect from 26 January 2017.



## 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 all Directors, they confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2017.

## 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 six months ended 30 June 2017.

## Audit Committee

An extraordinary general meeting was convened on 21 April 2017 for the approval of, among others, the appointment of three INEDs. The Board has resolved to form the Audit Committee on the same date, which consists of three INEDs, namely Mr. Chan Ming Sun Jonathan, Mr. Lee Chi Hwa Joshua and Mr. Mak Yiu Tong. Mr. Chan Ming Sun Jonathan is the Chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control systems of our Group. The accounting information given in this interim report has not been audited but has been reviewed by the Company's independent auditor. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2017, including the accounting principles and practices adopted by the Group.

## Suspension of Trading

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.



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## INDEPENDENT REVIEW REPORT



**TO THE BOARD OF DIRECTORS OF  
FUJIAN NUOQI CO., LTD. 福建諾奇股份有限公司**

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

### **Introduction**

We have reviewed the interim financial information set out on pages 16 to 28 which comprises the condensed consolidated statement of financial position of Fujian Nuoqi Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Basis for Qualified Conclusion

### Corresponding figures

No sufficient evidence has been provided to satisfy ourselves as to the impairment losses on trade receivables of approximately RMB4,220,000 for the six months ended 30 June 2016.

## Conclusion

Based on our review, except for the possible effects of the matter as described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

### **Sze Lin Tang**

*Practising Certificate Number P03614*

Hong Kong, 28 July 2017



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

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>25,266</b>	3,994
Cost of sales		<b>(9,827)</b>	(3,917)
Gross profit		<b>15,439</b>	77
Other income	5	<b>77</b>	1,443
Selling and distribution expenses		<b>(2,353)</b>	(2,423)
Administrative and other expenses		<b>(7,348)</b>	(6,131)
<b>Profit/(loss) from operations</b>		<b>5,815</b>	(7,034)
Impairment losses on various assets		–	(4,220)
Finance costs	6	<b>(66)</b>	–
<b>Profit/(loss) before tax</b>		<b>5,749</b>	(11,254)
Income tax	7	–	–
<b>Profit/(loss) and total comprehensive income/(loss) for the period attributable to the owners of the Company</b>	8	<b>5,749</b>	(11,254)
<b>Earnings/(loss) per share</b>	10		
Basic (RMB per share)		<b>0.01</b>	(0.02)
Diluted (RMB per share)		<b>0.01</b>	(0.02)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	60,383	61,150
Prepaid land lease payments		9,969	10,087
		<b>70,352</b>	<b>71,237</b>
<b>Current assets</b>			
Inventories		10,768	2,717
Trade receivables	12	795	12
Other receivables and prepayments		2,031	2,667
Prepaid land lease payments		236	236
Bank and cash balances		92,243	1,357
		<b>106,073</b>	<b>6,989</b>
<b>Current liabilities</b>			
Trade payables	13	2,066	335
Other payables and accruals		1,470	2,751
		<b>3,536</b>	<b>3,086</b>
<b>Net current assets</b>		<b>102,537</b>	<b>3,903</b>
<b>Total assets less current liabilities</b>		<b>172,889</b>	<b>75,140</b>
<b>Non current liabilities</b>			
Loan from shareholder	14	20,000	8,000
Bank borrowings	15	80,000	–
		<b>100,000</b>	<b>8,000</b>
<b>NET ASSETS</b>		<b>72,889</b>	<b>67,140</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2017

	At <b>30 June 2017</b> <b>RMB'000</b> <b>(unaudited)</b>	At 31 December 2016 RMB'000 (audited)
Notes		
<hr/>		
<b>Capital and reserves</b>		
Share capital	<b>122,159</b>	122,159
Reserves	<b>(49,270)</b>	(55,019)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>72,889</b>	67,140
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# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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 2016 (audited)	122,159	320,811	33,856	(30,540)	(815,881)	(369,595)
Total comprehensive loss for the period (unaudited)	—	—	—	—	(11,254)	(11,254)
At 30 June 2016 (unaudited)	122,159	320,811	33,856	(30,540)	(827,135)	(380,849)
At 1 January 2017 (audited)	122,159	320,811	22,940	—	(398,770)	67,140
Total comprehensive income for the period (unaudited)	—	—	—	—	5,749	5,749
At 30 June 2017 (unaudited)	122,159	320,811	22,940	—	(393,021)	72,889

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Net cash generated from operating activities</b>	<b>(72)</b>	629
<b>Net cash (used in)/generated from investing activities</b>	<b>(976)</b>	13
<b>Cash flows from financing activities</b>		
New bank borrowings raised	<b>80,000</b>	–
Loan from shareholder	<b>12,000</b>	–
Interest paid	<b>(66)</b>	–
<b>Net cash generated from financing activities</b>	<b>91,934</b>	–
<b>Net increase in cash and cash equivalents</b>	<b>90,886</b>	642
Cash and cash equivalents at beginning of the period	<b>1,357</b>	1,206
<b>Cash and cash equivalents at end of the period</b>	<b>92,243</b>	1,848
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>92,243</b>	1,848



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2017*

## 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 casual apparels. There were no significant changes in the nature of the Company's principal activities during the period.

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. Since 5 September 2016, the Company has become a subsidiary of Hao Tian Development Group Limited, whose shares are listed on the Stock Exchange (Stock Code: 474).

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2017 represent the financial information of the Company, as the subsidiaries of the Company had been deconsolidated from the Company upon the completion of restructuring on 28 December 2016.

### ***Suspension of trading in shares of the Company***

The trading of the shares of the Company on the Stock Exchange has been suspended due to the unauthorised acts discovered of Mr. Ding Hui, the former Chairman, the former chief executive officer and executive director of the Company. Reference is made to the Company's announcement dated 23 July 2014.



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

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

In accordance with the circular of the Company dated 6 March 2017 and the notice of the extraordinary general meeting (the “EGM”) incorporated thereof, an EGM was convened on 21 April 2017 for the approval of resolutions regarding the appointment of three executive Directors, three independent non-executive Directors, change in supervisors of the Company, removal of Mr. Ding Hui as a Director and relevant amendments to the articles of the Company. As set out in the EGM poll results announcement of the Company dated 21 April 2017, all the resolutions as set out in the notice of EGM were duly passed by the shareholders of the Company at the EGM.

With effect from 8 May 2017, each of Mr. Sit Hon Wing, an executive Director appointed on 21 April 2017, and Mr. Law Geoff Chun Mo, the company secretary of the Company, has been appointed as an authorised representative (the “LR Authorised Representative”) of the Company for the purpose of Rule 3.05 of the Listing Rules to replace the current LR Authorised Representatives, namely Mr. Chen Quanyi who has resigned as an executive Director on 21 April 2017, and Mr. Ding Canyang who was the then executive Director. Furthermore, Mr. Law Geoff Chun Mo has been appointed as the authorised representative (the “CR Authorised Representative”) of the Company for purpose of Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) with effect from 5 April 2017 to fill the vacancy of the CR Authorised Representative since Mr. Au Yeung Ho Yin ceased to act as the CR Authorised Representative on 22 May 2015.

The Company received a letter from the Stock Exchange dated 17 May 2017 which stated that the Listing Committee, having considered all the submissions (both written and oral) made by the Company and the Listing Department of the Stock Exchange, decided to uphold the decision in the letter from the Stock Exchange to place the Company into the third delisting stage under Practice Note 17 to the Listing Rules. On 26 May 2017, the Company submitted an application to the Stock Exchange for a review of the ruling in the Listing Committee’s Letter by the Listing (Review) Committee under Rule 2B.06(2) of the Listing Rules.

As set out in the poll results announcement of the annual general meeting of the Company dated 27 June 2017, Mr. Xu Hai Ying was appointed as the chairman of the Board with effect from 27 June 2017.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards (the “HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group financial statements and amounts reported for the current period and prior years.

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

### 4. REVENUE

The Group’s revenue is analysed as follows:

	Six months ended 30 June	
	2017	2016
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Sales of goods	<b>25,266</b>	3,994

### 5. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Bank interest income	<b>5</b>	13
Others	<b>72</b>	1,430
	<b>77</b>	1,443





## 6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interests on interest-bearing bank borrowings	<u>66</u>	<u>–</u>

## 7. INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Provision for the PRC enterprise income tax	–	–
Deferred tax	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

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.

## 8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	9,827	3,917
Depreciation	1,978	2,510
Minimum lease payment	784	1,392
Amortisation of prepaid land lease payments	118	118
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	4,311	1,934
Retirement benefits scheme contributions	230	110
	4,541	2,044
Gain on disposal/write-off of property, plant and equipment	(8)	–
Impairment of trade receivables, net	–	4,220

## 9. DIVIDENDS

The Directors do not recommend or declare the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

## 10. EARNINGS/(LOSS) PER SHARE

### *Basic earnings/(loss) per share*

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the period of approximately RMB5,749,000 (2016: loss for the period of approximately RMB11,254,000) and the weighted average number of ordinary shares of 610,794,000 (2016: 610,794,000) in issue during the period.

### *Diluted earnings/(loss) per share*

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing for the six months ended 30 June 2017 (2016: Nil).



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## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of approximately RMB1,200,000 (2016: Nil).

## 12. TRADE RECEIVABLES

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within 1 month	707	12
1 to 2 months	38	–
2 to 3 months	50	–
	<b>795</b>	<b>12</b>

## 13. TRADE PAYABLES

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade payables	<b>2,066</b>	<b>335</b>

### 13. TRADE PAYABLES (Continued)

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within 1 month	901	242
1 to 3 months	1,136	93
3 to 6 months	26	-
6 months to 1 year	3	-
	<b>2,066</b>	<b>335</b>

### 14. LOAN FROM SHAREHOLDER

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

### 15. BANK BORROWINGS

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Bank borrowings	<b>80,000</b>	-
The borrowings are repayable as follows:		
In the third to fifth years, inclusive	<b>80,000</b>	-
Less: Amount due for settlement within 12 months (shown under current liabilities)	-	-
Amount due for settlement after 12 months	<b>80,000</b>	-



**15. BANK BORROWINGS** *(Continued)*

The average interest rate of bank borrowings at 30 June 2017 was 7.4%.

Bank borrowings of RMB80,000,000 (2016: nil) was secured by a) a charge over the 311,504,940 domestic shares of the Company by Hao Tian Investment (China) Company Limited (“Hao Tian China”), the controlling shareholder of the Company and b) a charge over the Company’s land with a carrying amount of approximately RMB10,205,000 (2016: Not applicable) and building with a carrying amount of RMB58,408,000 (2016: Not applicable).

**16. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The condensed consolidated financial statements were approved and authorised for issue by the Board on 28 July 2017.