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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Fujian Nuoqi Co., Ltd. (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016**	2015
		RMB'000	*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)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital	Share premium	Statutory surplus reserve	Proposed final dividends	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	2015
	RMB'000	*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 (CONTINUED)

For the year ended 31 December 2016

	2016	2015
	RMB'000	*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

NOTES

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.

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;

(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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

(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.

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.

(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.

(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.

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

	2016	2015
	RMB'000	*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	2015
	RMB'000	*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

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.

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

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

21. OTHER RECEIVABLES AND PREPAYMENTS

	2016	2015
	RMB'000	*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	2015
	RMB'000	*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	2015
	RMB'000	*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.

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	2015
	RMB'000	*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

(a) 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.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The auditor of the Company has expressed qualified opinion on the Company's consolidated financial statements of the Group for the year ended 31 December 2016. An extract of which is as follows:

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 following 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
	RMB'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)

	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.

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 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.

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.

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.

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 does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

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.

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 ("**INED**") 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 announcement, 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 INEDs 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 INED 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 which was not contactable by the Company as at the date of this announcement), 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.

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.

PUBLICATION OF THE ANNUAL RESULTS AND 2016 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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.

By Order of the Board
Fujian Nuoqi Co., Ltd.
Chen Quanyi
Executive Director

Hong Kong, 20 March 2017

As at the date of this announcement, the executive Directors are Ding Hui, Ding Canyang and Chen Quanyi; and the non-executive Directors are Han Huiyuan and Ding Lixia.