

N&Q

福建諾奇股份有限公司
Fujian Nuoqi Co., Ltd.

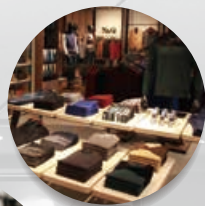
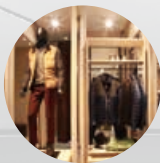
(A Joint Stock Limited Liability Company Incorporated In The People's Republic of China)
Stock Code: 1353

2015

Interim Report



N&Q



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ding Hui

(Chairman and Chief Executive Officer)

Mr. Ding Canyang

Mr. Chen Quanyi

Mr. Au Yeung Ho Yin

*(Appointed on 14 June 2014 and
resigned on 25 July 2014)*

Mr. Jin Wenge *(Resigned on 13 June 2014)*

Non-executive Directors

Mr. Han Huiyuan

Ms. Ding Lixia

Independent non-executive Directors

Mr. Qi Xiaozhai

(Resigned on 8 September 2015)

Mr. Kong Yuquan

(Resigned on 13 June 2014)

Ms. Hsu Wai Man, Helen

(Resigned on 3 September 2015)

Mr. Dai Zhongchuan

*(Appointed on 14 June 2014
and resigned on 8 September 2015)*

REMUNERATION COMMITTEE

Mr. Qi Xiaozhai *(Chairman)*

(Resigned on 8 September 2015)

Mr. Chen Quanyi

Ms. Hsu Wai Man, Helen

(Resigned on 3 September 2015)

NOMINATION COMMITTEE

Ms. Ding Lixia

Mr. Dai Zhongchuan *(Chairman)*

*(Appointed on 14 June 2014 and
resigned on 8 September 2015)*

Mr. Qi Xiaozhai

(Resigned on 8 September 2015)

SUPERVISORY COMMITTEE

Ms. Gu Tao

(Chairman and Employee Representative)

Mr. Ye Yongguan

Ms. Guo Zhuojun

COMPANY SECRETARY

Mr. Au Yeung Ho Yin, *HKICPA, GradICSA*

(Resigned on 5 September 2014)

Mr. Law Geoff Chun Mo, *HKICPA*

(Appointed on 26 January 2017)

INTERNATIONAL AUDITORS

ZhongHui Anda CPA Limited

Certified Public Accountants

LEGAL ADVISERS IN HONG KONG

Chiu and Partners

LEGAL ADVISER IN THE PRC

Fujian Junli Law Firm

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

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

PLACE OF BUSINESS IN HONG KONG

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

H SHARE REGISTRAR

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

PRINCIPAL BANKS

China Minsheng Banking Corp., Ltd.
China Construction Bank

COMPANY WEBSITE

www.nuoqi.com.hk

STOCK CODE

1353

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group continued to incur substantial losses of approximately RMB216 million, which were mainly due to additional impairment of certain assets amounted to approximately RMB179 million (2014: approximately RMB324 million). Revenue and in turn gross profit had been dropped to a very low level as there was limited working capital to support the Group's normal operation.

Financial Review

Revenue

The Group generated revenue for the six months ended 30 June 2015 of approximately RMB15 million, which represented an approximately 95% decrease compared to the last corresponding period of approximately RMB297 million. The decrease was mainly due to the limited working capital to support the Group's normal operation.

Cost of sales, gross profit and gross profit margin

Gross profit for the six months ended 30 June 2015 was approximately RMB5 million, which represents an approximately 95% decrease compared to the last corresponding period of approximately RMB101 million. The decrease was mainly due to a sharp drop in revenue.

Administrative and other expenses

During the six months ended 30 June 2015, the administrative and other expenses were approximately RMB34 million (2014: approximately RMB36 million), such decrease represented the net effect of the increase in loss on disposal/write-off of property, plant and equipment and provision for obsolete inventories by approximately RMB19 million and the substantial decrease in staff costs of approximately RMB32 million compared to the last corresponding period.

Other losses

There was no other losses incurred for the six months ended 30 June 2015. Other losses for the last corresponding period of approximately RMB227 million represented the write-off of interest in the Hong Kong subsidiary of the Company.

Impairment losses on various assets

Impairment losses on trade receivables and impairment losses on other receivables and prepayments for the six months ended 30 June 2015 amounted to approximately RMB31 million (2014: approximately RMB94 million) and RMB148 million (2014: RMB: nil) respectively.

Loss attributable to owners of the Company

Based on the above, loss attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB216 million (2014: approximately RMB324 million).

Liquidity, financial resources and capital structure

As at 30 June 2015, bank and cash balances of the Group were approximately RMB5 million (31 December 2014: approximately RMB5 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2015 was approximately 76% (31 December 2014: 48%).

As at 30 June 2015, certain of the Group's bank borrowings were secured by its property, plant and equipment with a carrying value of approximately RMB65 million (31 December 2014: approximately RMB67 million) and were secured by the Group's land with a carrying value of approximately RMB46 million (31 December 2014: RMB46 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.

Contingent liabilities and capital commitments

No sufficient information was available to ascertain the existence and completeness of the disclosures of capital commitments and contingent liabilities as at 30 June 2015 and 31 December 2014. Such disclosure was expected to be available upon the improvement of the internal control system of the Group.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

DISCLOSURE OF INTERESTS

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

As at 30 June 2015, the Directors and the Company's chief executive, and their respective associates had the following interests in the Shares in and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have been taken under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), or were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO:

Interests in the Company

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

Notes:

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

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

As at 30 June 2015, so far as the Directors are aware of, the interests or short positions of the persons (other than a Director or chief executive of the Company whose interests are disclosed above) and corporations in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follow:

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

Notes:

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

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 2015, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1 and those in relation to the vacancy of the company secretary of the Company. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarised below.

Pursuant to code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and these two roles were taken up by Mr. Ding Hui. In view of the recent unauthorised acts discovered of Mr. Ding Hui which adversely prejudice the Company’s assets and constitute breaches of directors’ duties, the Board has resolved to propose to remove Mr. Ding Hui as director of the Company and other subsidiaries of the Company. As at the date of this report, Mr. Ding Hui has ceased to be a director or legal representative of any subsidiary of the Company. Mr. Ding Hui no longer has any authority to act or execute documents for and on behalf of the Company and/or the Company’s subsidiaries or to bind the Company and/or the Company’s subsidiaries, notwithstanding that he remains a director of the Company. Taking into account that the Company considers that there is no imminent necessity to remove Mr. Ding Hui as director of the Company as at the date of this report, the Company is currently in the course of reviewing and discussing the appropriate steps to be taken in relation to the formal removal of Mr. Ding Hui as director of the Company.

With the resignation of Mr. Au Yeung Ho Yin as the company secretary of the Company with effect from 5 September 2014, arrangement will be made to appoint a company secretary as soon as practicable to comply with the Code.

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 2015.

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 report), 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 2015. 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 six months ended 30 June 2015.

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 six months ended 30 June 2015 have not been reviewed by the Audit Committee and there has not been discussion with the auditors of the Company on accounting principles and practices adopted by the Group and financial reporting matters.

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Revenue	4	14,999	297,002
Cost of sales		<u>(10,150)</u>	<u>(196,402)</u>
Gross profit		4,849	100,600
Other income	5	821	13,085
Selling and distribution expenses		(4,391)	(52,801)
Administrative and other expenses		<u>(33,834)</u>	<u>(35,607)</u>
(Loss)/profit from operations		(32,555)	25,277
Other losses		–	(227,494)
Impairment losses on various assets		(178,603)	(94,462)
Finance costs	6	<u>(5,149)</u>	<u>(9,463)</u>
Loss before tax		(216,307)	(306,142)
Income tax	7	<u>–</u>	<u>(17,860)</u>
Loss and total comprehensive loss for the period attributable to the owners of the Company	8	<u>(216,307)</u>	<u>(324,002)</u>
Loss per share	10		
Basic (RMB per share)		<u>(0.35)</u>	<u>(0.54)</u>
Diluted (RMB per share)		<u>(0.35)</u>	<u>(0.54)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	107,672	110,407
Prepaid land lease payments		44,886	45,379
		<u>152,558</u>	<u>155,786</u>
Current assets			
Inventories		60,498	99,570
Trade receivables	12	2,469	7,896
Other receivables and prepayments		116,898	260,075
Prepaid land lease payments		987	987
Bank and cash balances		4,597	5,295
		<u>185,449</u>	<u>373,823</u>
Current liabilities			
Trade and bills payables	13	138,042	134,203
Other payables and accruals		113,088	92,068
Dividend payables		30,540	30,540
Bank borrowings		256,036	256,190
Tax payable		30,918	30,918
		<u>568,624</u>	<u>543,919</u>
Net current liabilities		<u>(383,175)</u>	<u>(170,096)</u>
NET LIABILITIES		<u>(230,617)</u>	<u>(14,310)</u>
Capital and reserves			
Share capital		122,159	122,159
Reserves		(352,776)	(136,469)
TOTAL DEFICIT		<u>(230,617)</u>	<u>(14,310)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Proposed final dividends RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2014 (audited)	90,000	98,499	33,856	-	260,275	482,630
Total comprehensive loss for the period (unaudited)	-	-	-	-	(324,002)	(324,002)
Dividends proposed (unaudited)	-	-	-	(30,540)	-	(30,540)
Issuance of new shares upon initial public offer (unaudited)	30,000	206,519	-	-	-	236,519
Issuance of new shares upon exercise of an over-allotment option (unaudited)	2,159	15,793	-	-	-	17,952
At 30 June 2014 (unaudited)	<u>122,159</u>	<u>320,811</u>	<u>33,856</u>	<u>(30,540)</u>	<u>(63,727)</u>	<u>382,559</u>
At 1 January 2015 (audited)	122,159	320,811	33,856	(30,540)	(460,596)	(14,310)
Total comprehensive loss for the period (unaudited)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216,307)</u>	<u>(216,307)</u>
At 30 June 2015 (unaudited)	<u>122,159</u>	<u>320,811</u>	<u>33,856</u>	<u>(30,540)</u>	<u>(676,903)</u>	<u>(230,617)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(553)	(239,436)
Net cash generated from investing activities	9	10,681
Cash flows from financing activities		
Proceeds from disposal of Property, plant and equipment	–	157
New bank borrowings	–	142,886
Repayment of bank borrowings	(154)	(120,040)
Proceeds from issuance upon initial public offer	–	236,519
Proceeds from issuance upon exercise of an over-allotment option	–	17,952
Interest paid	–	(9,463)
Net cash (used in)/generated from financing activities	(154)	268,011
Net (decrease)/increase in cash and cash equivalents	(698)	39,256
Cash and cash equivalents at beginning of the period	5,295	350,354
Cash and cash equivalents at end of the period	4,597	389,610
Analysis of cash and cash equivalents		
Bank and cash balances	4,597	389,610

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

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

The principal activities of the Company are investment holding and retailing of men's casual apparels. There were no significant changes in the nature of the Group'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. As at 5 September 2016, the Company became a subsidiary of Hao Tian Development Group Limited, whose shares were listed on the Stock Exchange (Stock Code: 474).

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

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

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

2. BASIS OF PREPARATION *(Continued)*

Suspension of trading in shares of the Company (Continued)

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

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

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

- (i) Demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules;
- (ii) Engage an independent forensic specialist acceptable to the Stock Exchange to conduct forensic investigations on the Incidents;
- (iii) Demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems;
- (iv) Demonstrate that there is no reasonable regulatory concern about management integrity which will pose a risk to investors and damage market confidence;

2. BASIS OF PREPARATION *(Continued)*

Suspension of trading in shares of the Company (Continued)

- (v) Publish all outstanding financial results and address any audit qualifications; and
- (vi) Inform the market about all material information of the Company.

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

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

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

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

2. BASIS OF PREPARATION *(Continued)*

Suspension of trading in shares of the Company (Continued)

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

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

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

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

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

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

2. BASIS OF PREPARATION *(Continued)*

Suspension of trading in shares of the Company (Continued)

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

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

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

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

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

2. BASIS OF PREPARATION *(Continued)*

Going concern

The Group incurred a loss of approximately RMB216,307,000 for the six months ended 30 June 2015 and has sustained significant continuing losses for the year ended 31 December 2015; and net current liabilities and net liabilities of approximately RMB383,175,000 and RMB230,617,000 respectively in the condensed consolidated statement of financial position of the Group as at 30 June 2015. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors are confident that the Group would have sufficient working capital for the Group to meet its liabilities as they fall due and for its operation, and in the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, 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 2015. 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 period 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. REVENUE

The Group's revenue is analysed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods	14,999	297,002

5. OTHER INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Commission income	–	4,461
Government grants (note)	735	351
Membership fee from customers	–	2,155
Gross rental income	60	98
Bank interest income	9	5,784
Others	17	236
	821	13,085

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

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on interest-bearing bank borrowings	<u>5,149</u>	<u>9,463</u>

7. INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
– Provision for the PRC enterprise income tax	–	12,628
Deferred tax	<u>–</u>	<u>5,232</u>
	<u>–</u>	<u>17,860</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. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	10,150	196,402
Depreciation	2,735	3,595
Minimum lease payment	2,309	6,015
Amortisation of prepaid land lease payments	493	493
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	2,622	28,714
Retirement benefits scheme contributions	132	5,914
	2,754	34,628
Loss on disposal/write-off of property, plant and equipment	-	2,263
Provision/(write-back of provision) for obsolete inventories, net	25,696	4,636
Impairment of trade receivables, net	30,195	94,462
Impairment of other receivables and prepayments, net	148,408	-
Other losses	-	227,494

9. DIVIDENDS

The Directors do not recommend or declare the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period of approximately RMB216,307,000 (2014: RMB324,002,000) and the weighted average number of ordinary shares of 610,794,000 (2014: 602,017,293) in issue during the period.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2015 and 2014.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, no property, plant and equipment have been acquired by the Group.

12. TRADE RECEIVABLES

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

	30 June	31 December
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 1 month	864	5,697
1 to 2 months	840	966
2 to 3 months	765	1,009
Over 3 months	—	224
	2,469	7,896

13. TRADE AND BILLS PAYABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade payables	44,780	40,942
Bills payables	93,262	93,261
	138,042	134,203

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Within 1 month	314	–
1 to 3 months	2,576	3,134
3 to 6 months	2,981	10
6 months to 1 year	2,131	29,543
Over 1 year	36,778	8,255
	44,780	40,942