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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 2015**

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 2015 together with the comparative figures for the corresponding period in 2014 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

| | <i>Notes</i> | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Revenue | <i>7</i> | 21,541 | 322,525 |
| Cost of sales | | <u>(10,483)</u> | <u>(200,512)</u> |
| Gross profit | | 11,058 | 122,013 |
| Other income | <i>8</i> | 884 | 16,026 |
| Selling and distribution expenses | | (5,666) | (74,324) |
| Administrative and other expenses | | <u>(91,868)</u> | <u>(62,819)</u> |
| (Loss)/profit from operations | | (85,592) | 896 |
| Other losses | | – | (479,149) |
| Impairment losses on various assets | | (263,009) | (204,857) |
| Finance costs | <i>10</i> | <u>(6,684)</u> | <u>(18,718)</u> |
| Loss before tax | | (355,285) | (701,828) |
| Income tax | <i>11</i> | <u>–</u> | <u>(19,043)</u> |
| Loss and total comprehensive loss for the year attributable to the owners of the Company | <i>12</i> | <u>(355,285)</u> | <u>(720,871)</u> |
| Loss per share | <i>15</i> | | |
| Basic (<i>RMB per share</i>) | | <u>(0.58)</u> | <u>(1.19)</u> |
| Diluted (<i>RMB per share</i>) | | <u>(0.58)</u> | <u>(1.19)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | <i>Notes</i> | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-----------------------------------|--------------|-------------------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | <i>16</i> | 68,504 | 110,407 |
| Prepaid land lease payments | <i>17</i> | 10,323 | 45,379 |
| | | <u>78,827</u> | <u>155,786</u> |
| Current assets | | | |
| Inventories | <i>19</i> | 69,128 | 99,570 |
| Trade receivables | <i>20</i> | 3,635 | 7,896 |
| Other receivables and prepayments | <i>21</i> | 12,381 | 260,075 |
| Prepaid land lease payments | <i>17</i> | 236 | 987 |
| Bank and cash balances | <i>22</i> | 1,206 | 5,295 |
| | | <u>86,586</u> | <u>373,823</u> |
| Current liabilities | | | |
| Trade and bills payables | <i>23</i> | 101,914 | 134,203 |
| Other payables and accruals | <i>24</i> | 300,980 | 92,068 |
| Dividend payables | <i>14</i> | 30,540 | 30,540 |
| Bank borrowings | <i>25</i> | 70,656 | 256,190 |
| Tax payable | | 30,918 | 30,918 |
| | | <u>535,008</u> | <u>543,919</u> |
| Net current liabilities | | <u>(448,422)</u> | <u>(170,096)</u> |
| NET LIABILITIES | | <u>(369,595)</u> | <u>(14,310)</u> |
| Capital and reserves | | | |
| Share capital | <i>26</i> | 122,159 | 122,159 |
| Reserves | <i>27</i> | (491,754) | (136,469) |
| TOTAL DEFICIT | | <u>(369,595)</u> | <u>(14,310)</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

| | Share capital <i>RMB'000</i> | Share premium <i>RMB'000</i> | Statutory surplus reserve <i>RMB'000</i> | Proposed final dividends <i>RMB'000</i> | Retained profits/ (Accumulated losses) <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|------------------------------------|------------------------------------|---|--|---|-------------------------|
| At 1 January 2014 | 90,000 | 98,499 | 33,856 | – | 260,275 | 482,630 |
| Total comprehensive loss for the year | – | – | – | – | (720,871) | (720,871) |
| Dividends proposed | – | – | – | (30,540) | – | (30,540) |
| Issuance of new shares upon initial public offer | 30,000 | 206,519 | – | – | – | 236,519 |
| Issuance of new shares upon exercise of an over-allotment option | 2,159 | 15,793 | – | – | – | 17,952 |
| At 31 December 2014 | <u>122,159</u> | <u>320,811</u> | <u>33,856</u> | <u>(30,540)</u> | <u>(460,596)</u> | <u>(14,310)</u> |
| 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 | <u>122,159</u> | <u>320,811</u> | <u>33,856</u> | <u>(30,540)</u> | <u>(815,881)</u> | <u>(369,595)</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Cash flows from operating activities | | |
| Loss before tax | (355,285) | (701,828) |
| Adjustments for: | | |
| Depreciation | 5,676 | 9,155 |
| Amortisation | 717 | 987 |
| Loss on disposal/write-off of property, plant and equipment | 36,227 | 10,343 |
| Loss on disposal of prepaid land lease payments | 8,868 | – |
| Interest income | (41) | (5,806) |
| Finance costs | 6,684 | 18,718 |
| Provision for obsolete inventories, net | 23,847 | 4,636 |
| Other losses | – | 479,149 |
| Impairment losses on various assets | 263,009 | 204,857 |
| Operating cash flows before working capital changes | (10,298) | 20,211 |
| Change in inventories | 6,595 | 8,699 |
| Change in trade receivables | (6,046) | (108,411) |
| Change in other receivables and prepayments | (5,008) | (598,990) |
| Change in trade and bills payables | (32,289) | 70,079 |
| Change in other payables and accruals | 42,916 | (477) |
| Cash used in operations | (4,130) | (608,889) |
| Income tax paid | – | (8,110) |
| Net cash used in operating activities | (4,130) | (616,999) |

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | – | (4,154) |
| Interest received | 41 | 5,806 |
| Change in pledged deposits | – | 8,800 |
| | <hr/> | <hr/> |
| Net cash generated from investing activities | 41 | 10,452 |
| | <hr/> | <hr/> |
| Cash flows from financing activities | | |
| New bank borrowings | – | 174,786 |
| Repayment of bank borrowings | – | (157,636) |
| Proceeds from issuance of new shares upon initial public offer | – | 236,519 |
| Proceeds from issuance of new shares upon exercise of an over-allotment option | – | 17,952 |
| Interest paid | – | (10,133) |
| | <hr/> | <hr/> |
| Net cash generated from financing activities | – | 261,488 |
| | <hr/> | <hr/> |
| Net decrease in cash and cash equivalents | (4,089) | (345,059) |
| Cash and cash equivalents at beginning of year | 5,295 | 350,354 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of year | 1,206 | 5,295 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of cash and cash equivalents | | |
| Bank and cash balances | 1,206 | 5,295 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 as Fujian Nuoqi Co., Ltd. (福建諾奇股份有限公司) and transformed into a joint stock company with limited liability. The Company's registered office is located at No. 55 Chongwen Road, Economic and Technical Development Zone, Quanzhou, Fujian Province, the PRC.

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

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

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

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

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

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;
- (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 within 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.

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 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**”), is 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.

Going concern

The Group incurred a loss of approximately RMB355,285,000 for the year ended 31 December 2015; and net current liabilities and net liabilities of approximately RMB448,422,000 and RMB369,595,000 respectively in the consolidated statement of financial position of the Group as at 31 December 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 consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

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 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 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 2015. 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 lives on a straight-line basis. The principal annual rates are as follows:

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

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

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

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

Operating leases

The Group as lessee

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

The Group as lessor

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

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

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.
- (c) Commission income is recognised on an accrual basis in accordance with the contract terms and conditions.
- (d) Membership fee from customers is recognised when the rights to receive payment are established.

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.

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

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

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

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

(e) *Income tax*

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

6. FINANCIAL RISK MANAGEMENT

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

(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 <i>RMB'000</i> | Between 1 – 2 years <i>RMB'000</i> | Between 2 – 5 years <i>RMB'000</i> | Over 5 years <i>RMB'000</i> |
|----------------------------------|---------------------------------------|--|--|--------------------------------|
| At 31 December 2015 | | | | |
| Interest-bearing bank borrowings | 70,656 | – | – | – |
| Trade and other payables | 394,590 | – | – | – |
| Dividend payables | 30,540 | – | – | – |
| At 31 December 2014 | | | | |
| Interest-bearing bank borrowings | 258,692 | – | – | – |
| Trade and other payables | 217,754 | – | – | – |
| Dividend payables | 30,540 | – | – | – |

(d) Interest rate risk

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

At 31 December 2015, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated loss after tax for the year would have been RMB1,511,000 (2014: RMB2,348,000) lower, arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 10 basis points higher, with all other variables held constant, consolidated loss after tax for the year would have been RMB1,511,000 (2014: RMB2,348,000) higher, arising mainly as a result of higher interest expense on bank borrowings.

(e) Fair values

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

(f) Categories of financial instruments

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Financial assets | | |
| Loans and receivables: | | |
| Trade receivables | 3,635 | 7,896 |
| Other receivables | 8,678 | 6,389 |
| Bank and cash balances | <u>1,206</u> | <u>5,295</u> |
| | <u>13,519</u> | <u>19,580</u> |
| Financial liabilities | | |
| Financial liabilities at amortised cost: | | |
| Trade and bills payables | 101,914 | 134,203 |
| Other payables and accruals | 292,676 | 83,551 |
| Dividend payables | 30,540 | 30,540 |
| Bank borrowings | <u>70,656</u> | <u>256,190</u> |
| | <u>495,786</u> | <u>504,484</u> |

7. REVENUE

The Group's revenue is analysed as follows:

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|----------------|-------------------------------|------------------------|
| Sales of goods | 21,541 | 322,525 |

8. OTHER INCOME

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-----------------------------------|-------------------------------|------------------------|
| Commission income | – | 4,461 |
| Government grants (<i>note</i>) | 740 | 2,817 |
| Membership fee from customers | – | 2,155 |
| Gross rental income | – | 98 |
| Bank interest income | 41 | 5,806 |
| Others | 103 | 689 |
| | 884 | 16,026 |

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.

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 2015 and 2014, as no revenue from sales to a customer of the Group has individually accounted for over 10% of the Group's total revenue, no information about major customers is presented under IFRS 8.

10. FINANCE COSTS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Interests on interest-bearing bank borrowings | <u>6,684</u> | <u>18,718</u> |

11. INCOME TAX

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current tax: | | |
| – Provision for the PRC enterprise income tax | – | 13,811 |
| Deferred tax (<i>note 18</i>) | <u>–</u> | <u>5,232</u> |
| | <u>–</u> | <u>19,043</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.

The reconciliation between the income tax and the loss before tax is as follows:

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---------------------------------------|------------------------|------------------------|
| Loss before tax | <u>(355,285)</u> | <u>(701,828)</u> |
| Tax at the PRC statutory rate of 25% | (88,821) | (175,457) |
| Tax effect of non-deductible expenses | 89,016 | 196,656 |
| Tax effect of non-taxable income | <u>(195)</u> | <u>(2,156)</u> |
| Income tax for the year | <u>–</u> | <u>19,043</u> |

12. LOSS FOR THE YEAR

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

| | 2015 | 2014 |
|---|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Auditor's remuneration | 417 | 400 |
| Cost of inventories sold | 10,483 | 200,512 |
| Depreciation | 5,676 | 9,155 |
| Minimum lease payment | 4,079 | 11,095 |
| Amortisation of prepaid land lease payments | 717 | 987 |
| Staff costs (including directors' remuneration – <i>note 13</i>): | | |
| Salaries, bonus and allowances | 5,674 | 42,733 |
| Retirement benefits scheme contributions | 686 | 5,724 |
| | 6,360 | 48,457 |
| Loss on disposal/write-off of items of property, plant and equipment | 36,227 | 10,343 |
| Loss on disposal of prepaid land lease payments | 8,868 | – |
| Provision for obsolete inventories, net | 23,847 | 4,636 |
| Impairment of trade receivables, net | 10,307 | 183,357 |
| Impairment of other receivables and prepayments, net | 252,702 | 21,500 |
| Other losses | – | 479,149 |

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

The emoluments of each Director were as follows:

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

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

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 two (2014: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2014: two) individuals are set out below:

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Basic salaries and allowances | 430 | 261 |
| Retirement benefit scheme contributions | <u>—</u> | <u>—</u> |
| | <u>430</u> | <u>261</u> |

The emoluments fell within the following band:

| | Number of individuals | |
|----------------------|------------------------------|-----------------|
| | 2015 | 2014 |
| Nil to HK\$1,000,000 | <u>3</u> | <u>2</u> |

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.

14. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: nil).

15. 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 year attributable to owners of the Company of approximately RMB355,285,000 (2014: RMB720,871,000) and the weighted average number of 610,794,000 (2014: 606,441,715) ordinary shares in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2015 and 2014.

16. PROPERTY, PLANT AND EQUIPMENT

| | Buildings <i>RMB'000</i> | Leasehold Improvements <i>RMB'000</i> | Furniture, fixtures and office equipment <i>RMB'000</i> | Motor vehicles <i>RMB'000</i> | Construction in progress <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|-----------------------------|---|---|-------------------------------------|---|-------------------------|
| Cost | | | | | | |
| At 1 January 2014 | 74,286 | 21,728 | 13,351 | 4,146 | 35,313 | 148,824 |
| Additions | – | 1,554 | 992 | 361 | 1,247 | 4,154 |
| Disposal/write-off | – | (23,282) | (1,222) | (1,005) | (338) | (25,847) |
| At 31 December 2014 and 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 | 74,286 | – | 13,111 | 3,502 | – | 90,899 |
| Accumulated depreciation | | | | | | |
| At 1 January 2014 | 3,527 | 11,095 | 6,035 | 2,416 | – | 23,073 |
| Charge for the year | 3,527 | 3,216 | 1,982 | 430 | – | 9,155 |
| Disposal/write-off | – | (14,311) | (436) | (757) | – | (15,504) |
| At 31 December 2014 and 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 | 10,581 | – | 9,295 | 2,519 | – | 22,395 |
| Carrying amounts | | | | | | |
| At 31 December 2015 | <u>63,705</u> | <u>–</u> | <u>3,816</u> | <u>983</u> | <u>–</u> | <u>68,504</u> |
| At 31 December 2014 | <u>67,232</u> | <u>–</u> | <u>5,540</u> | <u>1,413</u> | <u>36,222</u> | <u>110,407</u> |

At the end of the reporting period, the carrying amount of property, plant and equipment amounting to approximately RMB63,705,000 (2014: approximately RMB67,232,000) have been pledged as security for the Group's bank borrowings.

17. PREPAID LAND LEASE PAYMENTS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---------------------|------------------------|------------------------|
| Non-current portion | 10,323 | 45,379 |
| Current portion | <u>236</u> | <u>987</u> |
| | <u>10,559</u> | <u>46,366</u> |

The Company's land with a carrying value of approximately RMB10,559,000 (2014: RMB46,366,000) at 31 December 2015 was pledged to secure general banking facilities granted to the Group (*note 25*).

18. DEFERRED TAX ASSETS

| | Provisions <i>RMB'000</i> | Unrealised profit of inventories <i>RMB'000</i> | Accrued liabilities <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|------------------------------|--|--|-------------------------|
| At 1 January 2014 | 1,973 | 1,947 | 1,312 | 5,232 |
| Charge to profit or loss for the year (<i>note 11</i>) | <u>(1,973)</u> | <u>(1,947)</u> | <u>(1,312)</u> | <u>(5,232)</u> |
| At 31 December 2014 and 31 December 2015 | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

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

19. INVENTORIES

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| Consumables | 3,716 | 4,060 |
| Finished goods | <u>65,412</u> | <u>95,510</u> |
| | <u>69,128</u> | <u>99,570</u> |

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:

| | 2015 | 2014 |
|----------------|--------------------------|-------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 month | 3,222 | 5,697 |
| 1 to 2 months | 372 | 966 |
| 2 to 3 months | 41 | 1,009 |
| Over 3 months | – | 224 |
| | <hr/> 3,635 <hr/> | <hr/> 7,896 <hr/> |

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:

| | 2015 | 2014 |
|-------------------------------|--------------------------|-------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Neither past due nor impaired | 3,635 | 7,672 |
| Past due within 3 months | – | 224 |
| Past due over 3 months | – | – |
| | <hr/> 3,635 <hr/> | <hr/> 7,896 <hr/> |

21. OTHER RECEIVABLES AND PREPAYMENTS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-------------------|------------------------|------------------------|
| Prepayments | 3,703 | 253,686 |
| Rental deposits | 3,602 | 3,626 |
| Other receivables | <u>5,076</u> | <u>2,763</u> |
| | <u>12,381</u> | <u>260,075</u> |

22. BANK AND CASH BALANCES

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

Conversion of RMB into foreign currencies amounted to approximately RMB1,206,000 as at 31 December 2015 (2014: RMB5,295,000) is subject to the PRC's Foreign Exchange Control Regulations.

23. TRADE AND BILLS PAYABLES

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|----------------|------------------------|------------------------|
| Trade payables | 41,510 | 40,942 |
| Bills payables | <u>60,404</u> | <u>93,261</u> |
| | <u>101,914</u> | <u>134,203</u> |

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:

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|--------------------|------------------------|------------------------|
| Within 1 month | 245 | – |
| 1 to 3 months | 404 | 3,134 |
| 3 to 6 months | 948 | 10 |
| 6 months to 1 year | 2,395 | 29,543 |
| Over 1 year | <u>37,518</u> | <u>8,255</u> |
| | <u>41,510</u> | <u>40,942</u> |

24. OTHER PAYABLES AND ACCRUALS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|------------------------------------|------------------------|------------------------|
| Deposit and advance from customers | 8,304 | 8,517 |
| Accruals | 44,301 | 41,699 |
| VAT payables | 7,431 | 4,838 |
| Other payables | 240,944 | 37,014 |
| | <u>300,980</u> | <u>92,068</u> |

25. BANK BORROWINGS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Bank borrowings | <u>70,656</u> | <u>256,190</u> |
| The borrowings are repayable as follows: | | |
| On demand or within one year | 70,656 | 256,190 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | <u>(70,656)</u> | <u>(256,190)</u> |
| Amount due for settlement after 12 months | <u>-</u> | <u>-</u> |

Notes:

- (a) At 31 December 2015 and 2014, certain bank borrowings were supported by guarantees executed by 福建晉江市遠帆鞋服有限公司, Mr. Lin Qingyuan (林清遠), the independent third parties, Mr. Ding Hui and his wife, and Mr. Ding Canyang and his wife, and the pledge of the Group's land with a carrying amount of RMB10,559,000 (2014: RMB46,366,000) (note 17) and building with a carrying amount of RMB63,705,000 (2014: RMB67,232,000) (note 16).
- (b) The Group, certain suppliers and a bank entered into a tripartite agreement, pursuant to which these suppliers transferred to the bank the title of the amounts due from the Group to them for bank loans granted by the bank to the Group. The outstanding amount of such loans at 31 December 2015 was RMB38,946,000 (2014: RMB38,946,000).

- (c) At 31 December 2015, certain bank loans were guaranteed by Mr. Ding Hongpai (丁鴻派), the father-in-law of Ms. Ding Lixia, a sister of Mr. Ding Hui and Mr. Ding Canyang, and 晉江市鴻升針織製衣有限公司, a company controlled by Mr. Ding Hongpai (丁鴻派).
- (d) At 31 December 2015, certain bank loans of the Group were guaranteed by the Company and its subsidiaries, namely Shanghai Nuoqi Apparel Co., Ltd. and Quanzhou Nuoqi Apparel Co., Ltd.

26. SHARE CAPITAL

| | <i>Notes</i> | Number of shares | Amount RMB'000 |
|--|--------------|-----------------------------|---------------------------|
| Authorised: | | | |
| Ordinary shares at RMB0.20 (2014: RMB0.20) each | | | |
| At 1 January 2014 | | 90,000,000 | 90,000 |
| Share split | <i>(a)</i> | 360,000,000 | – |
| Issuance of new shares on 9 January 2014 upon initial public offer | <i>(b)</i> | 150,000,000 | 30,000 |
| Issuance of new shares on 6 February 2014 upon exercise of an over-allotment option | <i>(c)</i> | <u>10,794,000</u> | <u>2,159</u> |
| At 31 December 2014, 1 January 2015 and 31 December 2015 | | <u><u>610,794,000</u></u> | <u><u>122,159</u></u> |
| Issued and fully paid: | | | |
| Ordinary shares at RMB0.20 (2014: RMB0.20) each | | | |
| At 1 January 2014 | | 90,000,000 | 90,000 |
| Share split | <i>(a)</i> | 360,000,000 | – |
| Issuance of new shares on 9 January 2014 upon initial public offer | <i>(b)</i> | 150,000,000 | 30,000 |
| Issuance of new shares on 6 February 2014 upon exercise of an over-allotment option | <i>(c)</i> | <u>10,794,000</u> | <u>2,159</u> |
| At 31 December 2014, 1 January 2015 and 31 December 2015 | | <u><u>610,794,000</u></u> | <u><u>122,159</u></u> |

Notes:

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

27. RESERVES

- (a) The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

- (b) **Nature of the statutory reserve of the Group**

- (i) ***Share premium***

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

- (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 <i>RMB'000</i> | Share-based payment reserve <i>RMB'000</i> | Share-based payment reserve <i>RMB'000</i> | Retained profits/ (Accumulated loss) <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|------------------------------------|---|---|---|-------------------------|
| At 1 January 2014 | 98,499 | 22,940 | – | 171,726 | 293,165 |
| Total comprehensive loss for the year | – | – | – | (618,562) | (618,562) |
| Dividend proposed | – | – | (30,540) | – | (30,540) |
| Issuance of new shares upon initial public offer | 206,519 | – | – | – | 206,519 |
| Issuance of new shares upon exercise of an over-allotment option | 15,793 | – | – | – | 15,793 |
| At 31 December 2014 | <u>320,811</u> | <u>22,940</u> | <u>(30,540)</u> | <u>(446,836)</u> | <u>(133,625)</u> |
| 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 | <u>320,811</u> | <u>22,940</u> | <u>(30,540)</u> | <u>(774,741)</u> | <u>(461,530)</u> |

28. SUMMARISED FINANCIAL POSITION OF THE COMPANY

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-----------------------------------|-------------------------|------------------------|
| Non-current assets | | |
| Property, plant and equipment | 67,765 | 73,142 |
| Interests in subsidiaries | – | – |
| Prepaid land lease payments | 10,323 | 10,559 |
| | <u>78,088</u> | <u>83,701</u> |
| Current assets | | |
| Inventories | 19,200 | 49,470 |
| Trade receivables | 3,407 | 1,439 |
| Amount due from a subsidiary | 33,750 | 33,750 |
| Other receivables and prepayments | 7,778 | 256,323 |
| Prepaid land lease payments | 236 | 236 |
| Bank and cash balances | 1,068 | 4,338 |
| | <u>65,439</u> | <u>345,556</u> |
| Current liabilities | | |
| Trade and bills payables | 77,424 | 109,713 |
| Other payables and accruals | 293,292 | 57,729 |
| Dividend payables | 30,540 | 30,540 |
| Bank borrowings | 70,656 | 231,755 |
| Tax payable | 10,986 | 10,986 |
| | <u>482,898</u> | <u>440,723</u> |
| Net current liabilities | <u>(417,459)</u> | <u>(95,167)</u> |
| NET LIABILITIES | <u><u>(339,371)</u></u> | <u><u>(11,466)</u></u> |
| Capital and reserves | | |
| Share capital | 122,159 | 122,159 |
| Reserves | (461,530) | (133,625) |
| TOTAL DEFICIT | <u><u>(339,371)</u></u> | <u><u>(11,466)</u></u> |

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 13.

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

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

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

* *The English name is for identification purpose only*

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

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 on 10 January 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 2015 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 2015. 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 2015

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 2015. An extract of which is as follows:

Basis for disclaimer of opinion

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2014, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitation on the scope of our audit and the material uncertainty relating to the going concern basis, details of which are set out in our audit report dated 10 January 2017.

There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances, corresponding figures and other related disclosures (as further detail explained in the following paragraphs) shown in the current year consolidated financial statements.

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

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 31 December 2015 and 2014, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 31 December 2015 and 2014 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

| | For the year ended | |
|-------------------------------------|---------------------------|-----------------------|
| | 31 December | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Income and expenses: | | |
| Revenue | 21,541 | 254,540 |
| Cost of goods sold | (10,483) | (162,876) |
| Gross profit | 11,058 | 91,664 |
| Other income | 740 | 4,972 |
| Selling and distribution expenses | (3,986) | (43,640) |
| Administrative expenses | (79,448) | (40,018) |
| Other losses | – | (479,149) |
| Impairment losses on various assets | (263,009) | (204,857) |
| Loss before tax | (334,645) | (671,028) |
| Income tax | – | (19,043) |
| Loss for the year | (334,645) | (690,071) |

| | As at 31 December | |
|-----------------------------------|--------------------------|-----------------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Assets and liabilities: | | |
| Inventories | 69,128 | 99,570 |
| Trade receivables | 3,635 | 7,896 |
| Other receivables and prepayments | 11,871 | 257,312 |
| Trade and bills payables | (101,914) | (134,203) |
| Other payables and accruals | (140,947) | (83,483) |
| Bank borrowings | – | (6,062) |
| Tax payable | (30,918) | (30,918) |
| | <u>(30,918)</u> | <u>(30,918)</u> |
| Net (liabilities)/assets | <u>(189,145)</u> | <u>110,112</u> |

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

The Group accounted for property, plant and equipment and prepaid land lease payments with carrying amounts of approximately RMB68,504,000 (2014: RMB110,407,000) and RMB10,559,000 (2014: RMB46,366,000) respectively as at 31 December 2015. The Group has incurred loss of approximately RMB355,285,000 for the year ended 31 December 2015 and its future profitability is uncertain. As such, there is an indication of impairment loss on the carrying amounts of the property, plant and equipment and prepaid land lease payments. We have not been provided with sufficient evidence to support the recoverable amounts of these assets. In addition, we were unable to ensure the existence of the property, plant and equipment with carrying amount of approximately RMB3,897,000 (2014: RMB5,660,000) as at 31 December 2015. We were unable to satisfy ourselves that the carrying amounts of the property, plant and equipment and prepaid land lease payments were fairly stated as at 31 December 2015 and 2014.

4. *Commitments and contingent liabilities*

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2015 and 2014.

5. *Related party transactions and balances*

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 31 December 2015 and 2014 and the balances as at those dates as required by Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.

Any adjustments to the figures as described from points 1 to 5 above might have a significant consequential effect on the Group’s results and cash flows for the two years ended 31 December 2015 and 2014 and the financial positions of the Group as at 31 December 2015 and 2014, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

The disclosures in note 2 to the consolidated financial statements indicate the Group incurred a loss for the year of approximately RMB355,285,000 for the year ended 31 December 2015; and net current liabilities and net liabilities of approximately RMB448,422,000 and RMB369,595,000 respectively in the consolidated statement of financial position of the Group as at 31 December 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. In view of the extent of the uncertainty relating to the future working capital sufficiency of the Group, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2015, the Group continued to incur substantial losses of approximately RMB355 million, which were mainly due to additional impairment of certain assets amounted to approximately HK\$263 million (2014: approximately HK\$684 million). The operation of the Company had been scaled down since the second half of 2014 and such scale down was continuing during the current year as only limited working capital were available for inventory replenishment and hence the revenue base was limited.

FINANCIAL REVIEW

Revenue

The Group generated revenue for the year ended 31 December 2015 of approximately RMB22 million, which represented an approximately 93% decrease compared to the year of 2014 of approximately RMB323 million. The decrease was mainly due to that the operation of the Company had been scaled down since the second half of 2014 and such scale down was continuing during the current year as only limited working capital were available for inventory replenishment and hence the revenue base was limited.

Cost of sales, gross profit and gross profit margin

Gross profit for the year ended 31 December 2015 was approximately RMB11 million, which represented an approximately 91% decrease compared to the year of 2014 of approximately RMB122 million. The decrease was mainly due to a sharp drop in revenue.

Administrative and other expenses

During the year ended 31 December 2015, the administrative and other expenses were approximately RMB92 million (2014: approximately RMB63 million), which represented the increase in loss on disposal of prepaid land lease payment, loss on disposal/write-off of items of property, plant and equipment and provision for obsolete inventories by approximately RMB54 million. Such effect was partially offset by the decrease in staff costs by approximately RMB42 million compared to the year of 2014.

Other losses

There was no other losses incurred during the year ended 31 December 2015. Other losses for the year ended 31 December 2014 of approximately RMB479 million represented the application of the Company's deposits maintained with financial institutions as security for the repayment of loans due to the unauthorised acts of Mr. Ding Hui and the write-off of interest in the Hong Kong subsidiary of the Company.

Impairment losses on various assets

Impairment losses on trade receivables and impairment loss on any other receivables and prepayments for the year ended 31 December 2015 amounted to approximately RMB10 million (2014: approximately RMB183 million) and approximately RMB253 million (2014: approximately RMB22 million) respectively.

Loss attributable to owners of the Company

Based on the above, loss attributable to owners of the Company for the year ended 31 December 2015 amounted to approximately RMB355 million (2014: approximately RMB721 million).

Liquidity, financial resources and capital structure

As at 31 December 2015, bank and cash balances of the Group were approximately RMB1 million (2014: approximately RMB5 million).

The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2015 was approximately 42.7% (2014: 48.4%).

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 (2014: approximately RMB67 million) and were secured by the Group's land with a carrying value of approximately RMB11 million (2014: approximately 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 31 December 2015 and 31 December 2014. Such disclosure was expected to be available upon the improvement of the internal control system of the Group.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: 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 2015.

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 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 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. 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 announcement, 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 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 of Directors and the Audit, Nomination and Remuneration Committees as soon as practicable to comply with the Code.

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.

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 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 year ended 31 December 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 year ended 31 December 2015 has not been reviewed by the Audit Committee.

PUBLICATION OF THE ANNUAL RESULTS AND 2015 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 2015 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, 10 January 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.