N&Q

福建諾奇股份有限公司

Fujian Nuoqi Co., Ltd.

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

(Stock Code: 1353)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Fujian Nuoqi Co., Ltd. (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Period**") together with the comparative figures for the same period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**8**	1,966
Cost of sales		**(43)**	(1,818)
Gross (loss) profit		**(35)**	148
Other income	*5*	**183**	1,549
Selling and distribution expenses		**(223)**	(904)
Administrative and other operating expenses		**(5,948)**	(13,133)
Loss from operations		**(6,023)**	(12,340)
Finance costs	*6*	**–**	(1,409)
Loss before tax		**(6,023)**	(13,749)
Income tax	*7*	**–**	–
Loss and total comprehensive loss for the period attributable to the owners of the Company	*8*	**(6,023)**	(13,749)
Loss per share	*10*		
Basic and diluted (RMB per share)		**(0.01)**	(0.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**179**	54,077
Prepaid land lease payments		**–**	9,615
		179	63,692
Current assets			
Inventories		**–**	50
Other receivables and prepayments		**861**	1,179
Prepaid land lease payments		**–**	236
Bank and cash balances		**344**	488
		1,205	1,953
Assets held for sales		**61,119**	–
		62,324	1,953
Current liabilities			
Trade payables	*12*	**642**	642
Other payables and accruals		**6,909**	6,528
Amount due to ultimate holding company		**3,286**	2,611
Amount due to an intermediate holding company		**323**	323
Loan from a shareholder		**15,809**	13,984
		26,969	24,088
Net current assets/(liabilities)		**35,355**	(22,135)
Total assets less current liabilities		**35,534**	41,557
NET ASSETS		**35,534**	41,557
Capital and reserves			
Share capital		**122,159**	122,159
Reserves		**(86,625)**	(80,602)
TOTAL EQUITY		**35,534**	41,557

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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

The principal activities of the Company are investment holding and retailing casual apparels. There were no significant changes in the nature of the Company's principal activities during the period.

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

Suspension of trading in shares of the Company

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

Reference to the Company's announcement date 4 December 2017, the Company and Zhong Hong Holdings Group Limited (the "**Vendor**") entered into the sale and purchase agreement in relation to the acquisition of the entire issued share capital in Zhong Hong International Limited, with consideration of HK$1,053,024,128 on 6 November 2017. The consideration shall be paid by the Company by allotting and issuing to Vendor 1,541,878,659 new H shares (the "**Acquisition**").

Reference to the Company's announcement dated 1 March 2019, the Company and Ever-Long Securities Co., Ltd., the replacement sponsor, have entered into a sponsor mandate on 27 February 2019 in relation to the Acquisition.

The Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval by the Listing Committee of the Stock Exchange of a new listing application to be made by the Company. The Company filed the new listing application with the Stock Exchange on 26 July 2019.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

These condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Company has adopted all the new and revised International Financial Reporting Standards (the "**IFRSs**") issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. IFRSs comprise International Financial Reporting Standards; International Accounting Standards (the "**IAS**"); and Interpretations, except for the changes in accounting policies due to the revised IFRSs and IASs as described below. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group financial statements and amounts reported for the current period and prior years.

The Group has adopted the following revised IFRSs and IASs for the first time for the current period's financial information:

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC– Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Venture	1 January 2019
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle	1 January 2019

IFRS 16, "Leases" replaces the previous standards HKAS 17 "Leases" and effective for annual periods beginning on or after 1 January 2019. The Group has applied HKFRS 16 for the first time in the current period.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. There is not material impact arising from adoption of IFRS 16 — Leases as at 1 January 2019.

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

4. REVENUE

The Group's primary operating segment is the retailing of men's and women'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 PRC. No further analysis on the geographical information thereof is presented.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical markets, major products and timing of revenue recognition.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Primary geographical markets		
The PRC	**8**	1,966
Major products		
Men's and women's casual apparels	**8**	1,966
Timing of revenue recognition		
Product transferred at a point in time	**8**	1,966

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grant	**–**	1,286
Bank interest income	**–**	194
Gain on disposal of property, plant and equipment	**77**	–
Reversal of impairment loss of trade receivables	**106**	–
Others	**–**	69
	183	1,549

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interests on interest-bearing borrowings	**–**	1,409

7. INCOME TAX

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.

No provision for PRC enterprise income tax has been made for the six months ended 30 June 2019 as the Group did not generate any assessable profits arising from the PRC during the period.

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**43**	1,818
Depreciation	**1,827**	2,013
Minimum lease payment	**–**	242
Amortisation of prepaid land lease payments	**78**	118
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**1,280**	1,702
Retirement benefits scheme contributions	**70**	93
	1,350	1,795
(Gain)/loss on disposal/write-off of property, plant and equipment	**(77)**	453
(Reversal of impairment losses on various assets in prior years)/ impairment losseson various assets	**(106)**	230

9. DIVIDENDS

The Directors do not recommend or declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the six months ended 30 June 2019 of approximately RMB6,023,000 (2018: loss for the period of approximately RMB13,749,000) and the weighted average number of ordinary shares of 610,794,000 (2018: 610,794,000) in issue during the six months ended 30 June 2019.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary sharing for the six months ended 30 June 2019 and 2018.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group did not acquire any property, plant and equipment (2018: Nil).

On 16 April 2019, the Company entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with the an independent third party (the "**Purchaser**"), pursuant to which, the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the land and the buildings of the company for a consideration of RMB50 million subject to and upon the terms of the Sale and Purchase Agreement. Accordingly, the respective property, plant and equipment and prepaid land lease payments amounting to approximately RMB61,119,000 as at 30 June 2019 was reallocated to assets held for sales.

12. TRADE PAYABLES

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Trade payables	**642**	642

The trade payables are non-interest-bearing and are normally settled on one month's term. The ageing of the trade payable based on the invoice date as at 30 June 2019 is over 1 year (31 December 2018: over 1 year).

13. EVENT AFTER REPORTING PERIOD

On 6 August 2019, an extraordinary general meeting of the Company has been held and approved that the Company will sell the land and building to the Purchaser for a total cash consideration of RMB50,000,000.

14. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board on 16 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Due to intense market competition in the apparel industry, revenue of the Group decreased to approximately RMB8 thousand for the six months ended 30 June 2019 from approximately RMB2 million for the corresponding period in 2018. Administrative and other operating expenses decreased to approximately RMB6 million for the six months ended 30 June 2019 from approximately RMB13 million for the corresponding period of 2018, as the Company has scaled down its operation since the first quarter of 2019, aiming at minimising the operating cost. As a result, the Company recorded a loss attributable to the owners of the Company of approximately RMB6 million for the six months ended 30 June 2019 as compared to a loss attributable to the owners of the Company of approximately RMB14 million for the corresponding period in 2018.

The Acquisition

As disclosed in the announcement of the Company dated 4 December 2017 (the "**RTO Announcement**"), the Company, Zhong Hong Holdings Group Limited (the "**Vendor**") and the Vendor's warrantor (Mr. Hu Yulin, who was interested in approximately 76% of the issued shares of the Vendor as at the date of the RTO Announcement) entered into a sale and purchase agreement on 6 November 2017 in relation to the Company's acquisition of the entire issued share capital (the "**Acquisition**") in Zhong Hong International Limited (the "**Target Company**"), which is a wholly-owned subsidiary of the Vendor. Pursuant to the sale and purchase agreement, the consideration shall be paid by the Company by allotting and issuing to the Vendor 1,541,878,659 new H Shares, credited as fully paid, at the issue price of HK$0.6829 per share. Completion of the Acquisition is conditional upon the fulfillment or waiver of a number of conditions precedents, as disclosed in the RTO Announcement.

The Target Company and its subsidiaries (the "**Target Group**") are principally engaged in the provision of construction services, mainly as a general contractor for residential construction projects, commercial and public works construction projects, and industrial and other construction projects, in the PRC.

As disclosed in the RTO Announcement, the Acquisition constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules. Accordingly, the Company will be treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval by the Listing Committee of the Stock Exchange of a new listing application to be made by the Company. The Company filed the new listing application with the Stock Exchange on 26 July 2019.

The Disposal

As disclosed in the circular of the Company dated 21 June 2019 (the "**VSD Circular**"), on 16 April 2019, the Company entered into a sale and purchase agreement with 泉州市鑫浩瀚品牌管理有限公司 (Quanzhou Xin Hao Han Brand Management Co., Ltd.*) (the "**Purchaser**"), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, property comprising a parcel of land and premises situated at Quanzhou Economic and Technological Development Zone, Quanzhou City, Fujian Province, the PRC (the "**Property**") at a consideration of RMB50 million (the "**Disposal**"). The Disposal has been approved at the extraordinary general meeting of the Company on 6 August 2019. The completion was pending from the registration of transfer of title to the Property.

FINANCIAL REVIEW

Revenue

The Group generated revenue for the six months ended 30 June 2019 of approximately RMB8 thousand, which represented an approximately 100% decrease as compared to the corresponding period of 2018 of approximately RMB2 million, mainly due to the fact that the Company has scaled down its operation since the first quarter of 2019.

Cost of sales and gross profit (loss)

Cost of sales for the six months ended 30 June 2019 was approximately RMB43 thousand, which represented an approximately 98% decrease as compared to the corresponding period of 2018 of approximately RMB2 million, mainly due to the decrease in sales.

Gross loss for the six months ended 30 June 2019 was approximately RMB35 thousand as compared to the corresponding period of 2018 of gross profit of approximately RMB148 thousand. The change from gross profit to gross loss was mainly due to the fact that the Company has scaled down its operation since the first quater of 2019.

Administrative and other expenses

Administrative and other expenses for the six months ended 30 June 2019 were approximately RMB6 million, which represented an approximately 54% decrease as compared to the corresponding period of 2018 of approximately RMB13 million. Such decrease was mainly due to the professional fee of approximately RMB7 million in relation to the new listing application of the Company filed with the Stock Exchange on 26 March 2018 for the corresponding period of 2018.

Loss attributable to owners of the Company

Based on the above, loss attributable to the owners of the Company was approximately RMB6 million for the six months ended 30 June 2019 as compared to profit attributable to the owners of the Company of approximately RMB14 million for the corresponding period of 2018.

Liquidity, financial resources and capital structure

As at 30 June 2019, bank and cash balances of the Group were approximately RMB0.3 million (as at 31 December 2018: approximately RMB0.5 million). The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2019 was approximately 25% (as at 31 December 2018: 21%). As at 30 June 2019, the Group had no borrowings except for the loan from a shareholder of the Company which was unsecured and interest-free (as at 31 December 2018: nil).

Foreign currency risks

Most of the Group's transactions, assets and liabilities are principally denominated in Renminbi, the functional currency of the Group. Therefore, the Group had minimal exposure to foreign currency risk and hence the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure of the Group from time to time and will consider hedging significant foreign currency exposure should the need arises.

Contingent liabilities and capital commitments

As at 30 June 2019, the Group did not have any significant contingent liabilities and capital commitments (as at 31 December 2018: nil).

FUTURE PROSPECT

Since the suspension of the trading in shares of the Company (the "**Shares**") on the Stock Exchange in July 2014, the Company has been striving to reactivate its business and to fulfill the resumption conditions imposed by the Stock Exchange. As disclosed in its 2017 annual report, the Company would seek to resume the trading of the Shares at the earliest possible time in order to re-establish a fund raising platform to be available for the future expansion of the Group. In light of the various challenges and uncertainties lying ahead in the apparel industry under the current PRC macroeconomic environment, the Board has been continuously exploring different investment opportunities to broaden the income stream of the Group with a view to promote growth in the revenue and profits of the Group, which will be beneficial to the shareholders of the Company. Through the Acquisition, the Company can acquire the well-established business of the Target Group, which is engaged in the construction industry in the PRC and it allows the scope of business of the Group to be expanded and its existing business portfolio to be diversified.

The construction industry in the PRC has experienced rapid growth in the recent years in accordance with the improvement of urbanisation as well as investment in infrastructure in the PRC. In order to accommodate the increasing urban population in cities, there are growing opportunities for building construction projects of both residential and commercial properties. Further, as public facilities and infrastructure are necessary to drive the urbanisation, the Company is optimistic towards the growth potential in the construction industry. The Board is of the view that the growth potential and prospect of the construction industry is expected to be more promising than that of the apparel industry.

The Target Group has an established business which is a valuable asset to be added into the Company's business as diversification. After the completion of the Acquisition, subject to the condition precedents as disclosed in the RTO Announcement, the Target Group will become wholly-owned subsidiaries of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2019, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1.

The position of chief executive officer has been vacant since 21 April 2017

Pursuant to the code provision A.2.1 of the Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and these two roles were taken up by Mr. Ding Hui. Pursuant to a resolution passed at an extraordinary general meeting convened on 21 April 2017, Mr. Ding Hui was removed as a Director. Since then, Mr. Zhang Aiping, a then executive Director, has been elected as the chairman of the Board. On 27 June 2017, the Board has resolved to appoint Mr. Xu Hai Ying, an executive Director, as the chairman of the Board. On the other hand, the Board has yet to appoint the chief executive officer of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry by the Company to all Directors, they confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

AUDIT COMMITTEE OF THE COMPANY

The Audit Committee was established with written terms of reference in compliance with the Code. As at the date of this interim results announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan (as the chairman of the Audit Committee), Mr. Lee Chi Hwa Joshua and Mr. Mak Yiu Tong. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems, and review of the Group's financial information.

The Audit Committee has reviewed the unaudited consolidated interim results and the interim report of the Company for the six months ended 30 June 2019 and agreed to the accounting principles and practices adopted by the Company.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares 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.
Xu Hai Ying
Chairman and Executive Director

Hong Kong, 16 August 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Xu Hai Ying and Mr. Sit Hon Wing, one non-executive Director, namely Mr. Han Huiyuan, and three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Lee Chi Hwa Joshua and Mr. Mak Yiu Tong.