N&Q

福建諾奇股份有限公司

Fujian Nuoqi Co., Ltd.

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

(Stock Code: 1353)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 subsidiary (collectively the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Revenue	*4*	**8**	2,177
Cost of sales		**(51)**	(2,237)
Gross loss		**(43)**	(60)
Other gains and losses, net	*5*	**(15,471)**	1,697
Selling and distribution expenses		**(248)**	(1,258)
Administrative and other expenses		**(13,258)**	(17,490)
Expected credit loss on financial assets		**(767)**	(931)
Loss from operations		**(29,787)**	(18,042)
Impairment losses on various assets		**(218)**	(45)
Finance costs	*6*	**–**	(1,409)
Loss before tax	*7*	**(30,005)**	(19,496)
Income tax	*8*	**–**	–
Loss and total comprehensive income for the year attributable to the owners of the Company		**(30,005)**	(19,496)
Loss per share	*10*		
Basic (RMB per share)		**(0.05)**	(0.03)
Diluted (RMB per share)		**(0.05)**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Non-current assets			
Property, plant and equipment		**–**	54,077
Prepaid land lease payments		**–**	9,615
		–	63,692
Current assets			
Inventories	*11*	**–**	50
Trade receivables	*12*	**–**	–
Other receivables and prepayments		**2,069**	1,179
Prepaid land lease payments		**–**	236
Bank and cash balances		**23,034**	488
		25,103	1,953
Current liabilities			
Trade payables	*13*	**641**	642
Other payables and accruals		**11,126**	6,528
Amount due to a fellow subsidiary		**1,784**	2,611
Amount due to an intermediate holding company		**–**	323
Loan from a shareholder		**–**	13,984
		13,551	24,088
Net current assets/(liabilities)		**11,552**	(22,135)
Total assets less current liabilities		**11,552**	41,557
NET ASSETS		**11,552**	41,557
Capital and reserves			
Share capital		**122,159**	122,159
Reserves		**(110,607)**	(80,602)
TOTAL EQUITY		**11,552**	41,557

NOTES

1. GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 14 October 2004 as a domestic company with limited liability under the name of Quanzhou City Nuoqi Fashion Chain Sales Co., Ltd. (泉州市諾奇時裝連鎖銷售有限公司). On 22 January 2008, the Company was renamed Fujian Nuoqi Co., Ltd. (福建諾奇股份有限公司) and transformed into a joint stock company with limited liability. The Company's registered office is located at Room 2602, Block 5, Jialong Shangdu, Jitai Road, Economic and Technical Development Zone, Quanzhou, Fujian Province, the PRC.

The Company's immediate and ultimate holding company is Hao Tian Investment (China) Company Limited and Asia Link Capital Investment Holdings Limited, which are incorporated in the PRC and the British Virgin Islands, respectively.

The principal activities of the Company are investment holding and retailing of men's and women's casual apparels. 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

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable IFRSs, which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis.

During the year, the Group has incurred a loss of approximately RMB30,005,000 (2018: approximately RMB19,496,000) and at the end of the reporting period, the Group had net current assets of approximately RMB11,552,000 (2018: net current liabilities of approximately RMB22,135,000). In view of this circumstance, the Directors have given careful consideration to the performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Based on the Group's 2020 business plan and cash flow forecast, the Directors believe the Group will generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months. In preparing the cash flow forecast, the Directors also consider the Group's intermediate holding company, Hao Tian Development Group Limited will continue to support the Group to the extent necessary.

In view of the above, the Directors consider that the Group will generate sufficient financial resources for its working capital and capital expenditure requirements and that it will be able to meet its financial obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

(d) Suspension of trading in shares of the Company

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

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, (the "Target Company") which is a wholly-owned subsidiary of the Vendor 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").

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.

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 a new listing application to be made by the Company. The Company filed the new listing application with the Stock Exchange on 26 March 2018 and 26 July 2019.

Reference to the Company's announcement dated 4 March 2020, the Company received a resignation letter from the sponsor on 27 February 2020. The previous listing application was submitted on 26 July 2019. The notice of the lapse of the listing application was issued by the Stock Exchange on 29 January 2020. Based on the Company's understanding, the Stock Exchange has suspended the vetting on the listing application. The Stock Exchange will resume vetting once the newly appointed sponsor submits a new listing application. The Company will continue to liaise with the professional parties and prepare responses to the comments from the Stock Exchange and the Securities and Futures Commission on 28 August 2019, 21 October 2019 and 6 January 2020 in relation to the Application Proof, which will be submitted together with the new listing application after the appointment of a new sponsor.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised IFRSs — effective 1 January 2019

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features and Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 included in Annual Improvements to IFRSs 2015–2017 Cycle

The impact of the adoption of IFRS 16 Leases have been summarised in below. The other new or amended IFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

The following tables summarised the impact of transition to IFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB
Statement of financial position as at 1 January 2019	
Right-of-use assets presented in property, plant and equipment	736,525
Right-of-use assets presented in prepaid land lease payments	9,851,471
Lease liabilities (non-current)	460,328
Lease liabilities (current)	276,197
Accumulated losses	–

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities

	RMB
Operating lease commitment at 31 December 2018	800,000
Discounted using the incremental borrowing rate at 1 January 2019	(63,475)
Total lease liabilities as of 1 January 2019	736,525

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 4.75%.

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise leases which are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease. The Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) ***Transition***

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

IFRIC 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to IAS 19 — Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to IFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to IAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IFRS 12, Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

Annual Improvements to IFRSs 2015–2017 Cycle — Amendments to IFRS 23, Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

(b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 1	Classification of Liabilities as Current or Non-current[4]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

[4] Effective for annual period beginning on or after 1 January 2022

Amendments to IFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all IFRS Standards and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

Amendments to IFRS 9, IAS 39 and IFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

IFRS 17 — Insurance Contracts

IFRS 17 will replace IFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

Amendments to IFRS 1 — Classification of Liabilities as Current or Non-current

The amendments modify one of the criteria in IAS 1 that if an entity does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period' then it must be classified as current.

4. REVENUE AND SEGMENT REPORTING

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.

(i) Information about major customers

Revenue from one (2018: one) customer of the Group amounted to RMB5,000 (2018: RMB597,000), which represent 10% or more of the Group's revenue for the year ended 31 December 2019.

(ii) Disaggregation of revenue

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

	2019	2018
	RMB'000	*RMB'000*
Primary geographical markets		
The PRC	**8**	2,177
Major products		
Men's and women's casual apparels	**8**	2,177
Timing of revenue recognition		
Product transferred at a point in time	**8**	2,177

5. OTHER GAINS AND LOSSES, NET

		2019	2018
	Notes	***RMB'000***	*RMB'000*
Government grants	*1*	**–**	1,286
Interest incomes		**24**	195
Exchange gains		**214**	–
Gain on disposal of a subsidiary		**–**	–*
Reversal of impairment losses on trade receivables		**–**	98
Donation		**(2,000)**	–
Loss on disposal of property, plant and equipment and right-of-use assets	*2*	**(13,932)**	–
Compensation income		**223**	–
Others		**–**	118
		(15,471)	1,697

* Less than RMB1,000

1. Government grants mainly comprised of subsidy related to the Group's incentive of business development. There are no unfulfilled conditions or contingencies attaching to these grants.

2. In April 2019, the Group entered into the Sale and Purchase Agreements with the purchaser for the disposal of property, plant and equipment and right-of-use assets for an aggregate consideration of RMB50,000,000.

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interests on other borrowings	**–**	1,409

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2019	2018
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**50**	2,152
Write-down of inventories	**–**	45
Costs of inventories recognised as expenses	**50**	2,197
Auditor's remuneration	**247**	245
Depreciation	**1,850**	4,010
Minimum lease payment	**–**	392
Amortisation of prepaid land lease payments	**–**	236
Amortisation of right-of-use assets	**78**	–
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**2,311**	2,887
Retirement benefits scheme contributions	**39**	78
	2,350	2,965
Loss on disposal of property, plant and equipment and right-of-use assets	**13,932**	437
Impairment losses on property, plant and equipment	**218**	–

8. INCOME TAX

No provision for PRC enterprise income tax is required since the Group has no assessable profit for the years ended 31 December 2019 and 2018.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Company and its subsidiary is 25%.

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

	2019	2018
	RMB'000	*RMB'000*
Loss before tax	**(30,005)**	(19,496)
Tax at the PRC statutory rate of 25%	**(7,501)**	(4,874)
Tax effect of non-deductible expenses	**3,682**	2,377
Tax effect of non-taxable income	**(107)**	(38)
Tax effect of tax losses not recognised	**3,926**	2,535
Income tax for the year	**–**	–

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (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 year attributable to owners of the Company of approximately RMB30,005,000 (2018: approximately RMB19,496,000) and the weighted average number of 610,794,000 (2018: 610,794,000) 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 2019 and 2018.

11. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Finished goods	**–**	50

12. 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.

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**77**	77
Less: Loss allowance	**(77)**	(77)
	–	–

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**–**	–

13. TRADE PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**641**	642

The trade payables are non-interest-bearing and are normally settled on one month's term.

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

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**–**	–
1 to 3 months	**–**	–
3 to 6 months	**–**	–
6 months to 1 year	**–**	–
Over 1 year	**641**	642
	641	642

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by BDO 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 BDO Limited on the preliminary results announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a 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 the intense market competition in the apparel industry, revenue of the Group decreased significantly to approximately RMB8,000 for the year ended 31 December 2019 ("FY2019") from approximately RMB2 million for the year ended 31 December 2018 ("FY2018"), as the Company has scaled down its operation since the first quarter of 2019, aiming at minimising the operation cost. During FY2019, the Company completed a disposal of its leasehold land and building and record a loss on disposal of property, plant and equipment and right-of-use assets of approximately RMB14 million in FY2019. Administrative and other expenses decreased to approximately RMB13 million in FY2019 from approximately RMB17 million in FY2018. As a result, the Company recorded a loss attributable to the owners of the Company of approximately RMB30 million in FY2019 from approximately RMB19 million in FY2018.

The Group recorded total assets of approximately RMB25 million as at 31 December 2019 as compared to approximately RMB66 million as at 31 December 2018. The decrease in total assets of the Group was mainly attributable to, among other things, the disposal of property, plant and equipment and prepaid land lease payments for approximately RMB52 million and RMB10 million respectively during FY2019.

VERY SUBSTANTIAL ACQUISITION/REVERSE TAKEOVER

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 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 Hong Kong Limited (the "Stock Exchange") for a new listing application to be made by the Company. Please refer to the announcement of the Company dated 4 March 2020 for details of the latest development in respect of the Acquisition.

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 泉州市鑫浩瀚品牌營理有限公司 (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, and completed on 26 August 2019 .

BUSINESS PROSPECTS

Since the suspension of the trading in H Shares 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 the 2016 annual report of the Group, the Company would seek to resume the trading of the H 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 macro-economic environment, the Board has continuously been 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 its shareholders. Through the Acquisition, the Company can acquire the well-established businesses of the Target Group which is engaged in the construction industry in the PRC and 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 and is a valuable asset to be added into the business as a diversification for the Company. After completion of the Acquisition subject to fulfillment of the conditions precedent as disclosed in the announcement made by the Company on 4 December 2017, the Target Group will become wholly-owned subsidiaries of the Company.

The Company has no plan to dispose of its existing business. After completion of the Acquisition subject to the fulfillment of conditions precedent as disclosed in the RTO Announcement, the Company may restructure its apparel business according to the development of the apparel industry and the then market conditions.

FINANCIAL REVIEW

Revenue

The Group generated revenue in FY2019 of approximately RMB8,000, which represented an approximately 100% decrease as compared to approximately RMB2 million in FY2018 mainly due to that the Company has scaled down its operation since the first quarter of 2019.

Cost of sales and gross loss

Cost of sales in FY2019 was approximately RMB51,000, which represented an approximately 98% decrease as compared to approximately RMB2 million in FY2018. The decrease was mainly due to the decrease in sales.

Gross loss in FY2019 was approximately RMB43,000 as compared to approximately RMB60,000 in FY2018. The decrease in gross loss was mainly due to the decrease in sales volume.

Other gains and losses, net

The Company recorded net other losses of approximately RMB15 million in FY2019, as compared to the net other gains of approximately RMB2 million in FY2018. Such significant increase in other losses was mainly attributable to the loss on disposal of property, plant and equipment and right-of-use assets of approximately RMB14 million in FY2019.

Administrative and other expenses

Administrative and other expenses in FY2019 were approximately RMB13 million, which represented an approximately 24% decrease as compared to approximately RMB17 million in FY2018. Such decrease was mainly due to decrease in depreciation expenses upon disposal of property, plant and equipment and right-of-use assets during FY2019.

Finance costs

No finance costs were incurred in FY2019 as compared to approximately RMB1 million in FY2018. The reason for the decrease in finance cost was due to the repayment of the other borrowings of RMB80 million during FY2018.

Loss attributable to owners of the Company

Based on the above, loss attributable to owners of the Company in FY2019 amounted to approximately RMB30 million, which represented an increase of approximately 54% as compared to approximately RMB19 million in FY2018.

Liquidity, financial resources and capital structure

As at 31 December 2019, bank and cash balances of the Group were approximately RMB23,034,000 (2018: approximately RMB488,000). The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2019 was 0% (31 December 2018: 21%). The decrease was mainly attributable to the repayment of the loan from a shareholder during FY2019.

Foreign currency risks

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

Significant investments/Material acquisitions and disposals

Save as the Acquisition and the Disposal, the Group had not made any significant investments or material acquisitions and disposal of subsidiaries during FY2019.

Contingent liabilities and capital commitments

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

DIVIDENDS

The Board does not recommend the payment of a final dividend for FY2019 (FY2018: nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiary purchased, redeemed or sold any of the Company's listed security during FY2019.

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 2019, the Company has complied with the code provisions under the Code, except for the deviation from the code provision A.2.1. 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, since the resolution passed on an extraordinary general meeting convened on 21 April 2017 that Mr. Ding Hui was removed as a Director, 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 Haiying, 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. The Board will keep reviewing the current structure of the Company from time to time and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post of the chief executive officer as appropriate and will make further announcement in due course.

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, they confirmed that they have complied with the required standard of dealings as set out in the Model Code during FY2019.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, namely Mr. Chan Ming Sun Jonathan, Mr. Lee Chi Hwa Joshua and Mr. Mak Yiu Tong. Mr. Chan Ming Sun Jonathan is the chairman of the audit committee of the Company. The audit committee is primarily responsible for the review and supervision of the financial reporting system, risk management and internal control systems of the Group. It has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Group for FY2019.

PUBLICATION OF THE ANNUAL RESULTS AND 2019 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 FY2019 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.
Xu Haiying
Chairman and Executive Director

Hong Kong, 20 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Xu Haiying 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.