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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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Fujian Nuoqi Co., Ltd. (the “**Company**”) announces the unaudited results of the Company for the six months ended 30 June 2020 (the “**Period**”) together with the comparative figures for the same period in 2019.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	–	8
Cost of sales		–	(43)
		<hr/>	<hr/>
Gross loss		–	(35)
Other gains	5	7	183
Selling and distribution expenses		–	(223)
Administrative and other expenses		(7,295)	(5,948)
		<hr/>	<hr/>
Loss before tax		(7,288)	(6,023)
Income tax	6	–	–
		<hr/>	<hr/>
Loss and total comprehensive loss for the period attributable to the owners of the Company	7	(7,288)	(6,023)
		<hr/>	<hr/>
Loss per share	9		
Basic and diluted (RMB per share)		(0.01)	(0.01)
		<hr/>	<hr/>

CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
Current assets			
Other receivables and prepayments		47	2,069
Bank and cash balances		<u>17,116</u>	<u>23,034</u>
		<u>17,163</u>	<u>25,103</u>
Current liabilities			
Trade payables	10	632	641
Other payables and accruals		10,575	11,126
Amount due to a fellow subsidiary		<u>1,692</u>	<u>1,784</u>
		<u>12,899</u>	<u>13,551</u>
Net current assets		<u>4,264</u>	<u>11,552</u>
NET ASSETS		<u><u>4,264</u></u>	<u><u>11,552</u></u>
Capital and reserves			
Share capital		122,159	122,159
Reserves		<u>(117,895)</u>	<u>(110,607)</u>
TOTAL EQUITY		<u><u>4,264</u></u>	<u><u>11,552</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 31 March 2020, the Company and RaffAello Capital Limited, the replacement sponsor, have entered into a sponsor mandate on 23 March 2020 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 9 June 2020.

2. BASIS OF PREPARATION

These condensed 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 financial statements should be read in conjunction with the 2019 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 2019.

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 2020. 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 Company’s accounting policies, presentation of the Company’s financial statements and amounts reported for the current period and prior years.

The Company 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
Amendments to IFRS 3	Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting (Revised)		1 January 2020
Amendments to IFRS 16	Covid-19-Related Rent Concessions	1 June 2020

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 IFRS 7, IFRS 9 and IAS 39: 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.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments clarify the definition and explanation of “material”, aligning the definition across all IFRSs and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

The Company has not applied the new and revised IFRSs that have been issued but are not yet effective. The Company 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.

Conceptual Framework for Financial Reporting (Revised)

The revised Framework is not a Standard nor an Accounting Guideline. It does not override any Standard, any requirement in a Standard or Accounting Guideline. The revised Framework includes: new chapters on measurement and reporting financial performance; new guidance on derecognition of assets and liabilities; updated definitions of asset and liability; and clarifications in the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Amendments to IFRS 16: Covid-19-Related Rent Concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Company has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria, which in the case of the Company, occurred from January 2020 to February 2020.

Accounting for the rent concessions as lease modifications would have resulted in the Company remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Company is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

4. REVENUE

The Company's primary operating segment was the retailing of men's and women's casual apparels.

5. OTHER GAINS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grant	2	–
Gain on disposal of property, plant and equipment	–	77
Reversal of impairment losses on trade receivables	–	106
Others	5	–
	<u>7</u>	<u>183</u>

6. INCOME TAX

No provision for PRC enterprise income tax has been made for the six months ended 30 June 2020 as the Company did not generate any assessable profits arising from the PRC during the period.

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	–	43
Depreciation	–	1,827
Amortisation of prepaid land lease payments	–	78
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	432	1,280
Retirement benefits scheme contributions	31	70
	463	1,350
Professional fee	6,623	354
Gain on disposal of property, plant and equipment	–	(77)
Reversal of impairment losses on trade receivables	–	(106)
	<u>6,623</u>	<u>1,511</u>

8. DIVIDENDS

The Directors do not recommend or declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. 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 2020 of approximately RMB7,288,000 (2019: loss for the period of approximately RMB6,023,000) and the weighted average number of ordinary shares of 610,794,000 (2019: 610,794,000) in issue during the six months ended 30 June 2020.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2020 and 2019.

10. TRADE PAYABLES

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	<u>632</u>	<u>641</u>

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 2020 was over 1 year (31 December 2019: over 1 year).

11. APPROVAL OF THE CONDENSED FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the Board on 28 August 2020.

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 and the fact that the Company has scaled down its operation since the first quarter of 2019, no revenue was generated for the six months ended 30 June 2020. Administrative and other expenses increased to approximately RMB7 million for the six months ended 30 June 2020 from approximately RMB6 million for the corresponding period in 2019, due to the fact that the Company has scaled down its operation since the first quarter of 2019, aiming at minimising the operating cost, and the professional fee of approximately RMB7 million in relation to the new listing application of the Company filed with the Stock Exchange on 9 June 2020. As a result, the Company recorded a loss attributable to the owners of the Company of approximately RMB7 million for the six months ended 30 June 2020 as compared to a loss attributable to the owners of the Company of approximately RMB6 million for the corresponding period in 2019.

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 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 9 June 2020.

FINANCIAL REVIEW

Revenue

The Company did not generate any revenue for the six months ended 30 June 2020 as compared to the corresponding period in 2019 of approximately RMB8 thousand, mainly due to the fact that the Company has scaled down its operation since the first quarter of 2019.

Cost of sales and gross loss

No cost of sales for the six months ended 30 June 2020 was incurred as compared to the corresponding period in 2019 of approximately RMB43 thousand, as the Company did not generate any revenue for the six months ended 30 June 2020.

No gross loss for the six months ended 30 June 2020 was incurred as compared to the corresponding period in 2019 of approximately RMB35 thousand. The decrease in gross loss was mainly due to the fact that the Company has scaled down its operation since the first quarter of 2019.

Administrative and other expenses

Administrative and other expenses for the six months ended 30 June 2020 were approximately RMB7 million, which represented an approximately 17% increase as compared to the corresponding period in 2019 of approximately RMB6 million. Such increase 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 9 June 2020 and the fact that the Company has scaled down its operation since the first quarter of 2019.

Loss attributable to owners of the Company

Based on the above, loss attributable to the owners of the Company was approximately RMB7 million for the six months ended 30 June 2020 as compared to loss attributable to the owners of the Company of approximately RMB6 million for the corresponding period in 2019.

Liquidity, financial resources and capital structure

As at 30 June 2020, bank and cash balances of the Company were approximately RMB17 million (as at 31 December 2019: approximately RMB23 million). As at 30 June 2020, the Company had no borrowings (as at 31 December 2019: Nil).

Foreign currency risks

Most of the Company's transactions, assets and liabilities are principally denominated in Renminbi, the functional currency of the Company. Therefore, the Company had minimal exposure to foreign currency risk and hence the Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure of the Company 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 2020, the Company did not have any significant contingent liabilities and capital commitments (as at 31 December 2019: 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 Company. 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 Company with a view to promote growth in the revenue and profits of the Company, 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 Company 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 2020 (for the six months ended 30 June 2019: 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 2020, 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 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.

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 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not purchase, redeem or sell any of the Company’s listed securities during the six months ended 30 June 2020.

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 Company’s financial reporting process, risk management and internal control systems, and review of the Company’s financial information.

The Audit Committee has reviewed the unaudited interim results and the interim report of the Company for the six months ended 30 June 2020 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 Haiying
Chairman and Executive Director

Hong Kong, 28 August 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.