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**福建諾奇股份有限公司**

**Fujian Nuoqi Co., Ltd.**

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

**(Stock Code: 1353)**

## **ANNOUNCEMENT**

### **(1) UPDATE ON AFFAIRS OF GROUP**

### **(2) CLARIFICATION OF PRESS ARTICLE**

#### **Demand Letters from Financial Institutions**

The Board was informed by various financial institutions that the Company and/or its subsidiaries have allegedly guaranteed and/or pledged securities for the aggregate principal amount of approximately RMB454.5 million of loans provided to various parties not within the Group. The Board was also informed by and has received demand letters from these financial institutions and understood from them that they had accelerated repayment of certain loans and had applied the deposits that the Group maintained with these financial institutions as security for the repayment of such loans.

Further, the Board understood that certain of the Company's cash deposits maintained with various other banks have been frozen.

#### **Listing Rules Implications**

If the relevant China Minsheng Guarantees and/or the Shandong Trust Pledge Agreements are valid, existing and enforceable, these transactions (whether on a standalone basis or aggregated with each other) would have constituted connected transactions of the Company which should have been subject to reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, if the Xiamen Bank Pledge Agreements are valid and enforceable, and if the China Minsheng Guarantees and/or the Shandong Trust Pledge Agreements are valid, existing and enforceable (whether on a standalone basis or aggregated with each other), these transactions would have constituted notifiable transactions of the Company under Chapter 14 of the Listing Rules which should have been subject to reporting, announcement and shareholders' approval requirements.

### **Update on the business and operations of the Group**

In view of (i) cash flow pressure of the Group resulting from the Group's cash deposits with certain financial institutions having been applied by them for repayment of certain loans guaranteed by the Company and the freezing of certain cash deposits of the Group's maintained with other banks as disclosed above, (ii) certain retail shops of the Group not having been profit-generating and (iii) high rental rates, the Board wishes to update that for cost control and profit optimization, the Group has closed down certain retail shops and decided to continue with the sale of inventories at its remaining retail shops instead of purchasing new stock for the upcoming season, and that certain suppliers of the Group have suspended supply of products to the Group.

### **Clarification on Press Article**

The Board noted recent press articles published on 21st Century Business Herald and Tai Kung Pao and wishes to clarify the contents of these press articles regarding the business and operations and going concerns of the Group and the personal debts and whereabouts of Mr. Ding.

### **Cessation of authority of Mr. Ding Hui to bind the Group**

In view of the recent unauthorized acts discovered of Mr. Ding Hui which adversely prejudice the Company's assets and constitute breaches of directors' duties, the Board has taken steps to remove Mr. Ding Hui as a director of Nuoqi Fashion and has resolved to propose to removal Mr. Ding Hui as director of the Company and other subsidiaries of the Company. The Board wishes to notify shareholders, investors and the market that Mr. Ding Hui shall no longer have any authority to act or execute documents for and on behalf of the Company and/or the Company's subsidiaries or to bind the Company and/or the Company's subsidiaries, notwithstanding Mr. Ding Hui remained as a director of the Company and/or the relevant Company's subsidiaries.

### **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 it will remain suspended pending the release of further information by the Company.

This announcement is made pursuant to Part XIVA of the Securities and Futures Ordinance and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

Reference is made to the announcements of Fujian Nuoqi Co., Ltd. ("**Company**") dated 25 July 2014, 31 July 2014 and 4 August 2014 respectively ("**Announcements**"). Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise specified.

## A. DEMAND LETTERS FROM FINANCIAL INSTITUTIONS

The Board was informed by various financial institutions that the Company and/or its subsidiaries have guaranteed and/or pledged securities for the aggregate principal amount of approximately RMB454.5 million of loans provided to various parties not within the Group. The Board was also informed by and has received demand letters from these financial institutions. The details of such loans and demand letters are disclosed below.

### 1. Xiamen International Bank (“Xiamen Bank”)

On 7 August 2014, Nuoqi Fashion, a wholly-owned subsidiary of the Company, received a demand letter from Xiamen Bank dated 24 July 2014 addressed to Sun Power Resources Holdings Limited (“**Sun Power**”) and copied to Nuoqi Fashion (“**Xiamen Bank Demand Letter**”), for the accelerated repayment of the principal amount of HK\$197.9 million (“**Xiamen Bank Loans**”) and all accrued interest thereon owed by Sun Power under the facilities provided pursuant to a loan agreement dated 10 February 2014 made between Sun Power as borrower and Xiamen Bank as lender, which was allegedly secured by a total of RMB160 million cash deposits pledged by Nuoqi Fashion in favour of Xiamen Bank under various pledge agreements purportedly executed by Mr. Ding Hui without the authority of the Board (“**Xiamen Bank Pledge Agreements**”).

The Board understood from Xiamen Bank that the RMB160 million cash deposits allegedly pledged with Xiamen Bank was the funds transferred from a bank account of Nuoqi Fashion with Bank of Communications, Hong Kong branch, to a bank account of Nuoqi Fashion with Xiamen Bank on 27 January 2014 as disclosed in the Company’s announcement dated 31 July 2014.

### 2. China Minsheng Banking Corp., Ltd. (“China Minsheng”)

On 7 August 2014 and 15 August 2014, the Company received from China Minsheng two notifications of accelerated repayment dated 22 July 2014 and 26 July 2014 respectively (collectively, “**China Minsheng Acceleration Notices**”). According to the China Minsheng Acceleration Notices, (i) it was alleged that the Company as guarantor had guaranteed various loans in the aggregate amount of RMB126 million (“**First China Minsheng Loans**”) advanced by China Minsheng to 丁鴻鳴 (transliteration as Ding Hongming\*) (as regards RMB76 million) and 張文良 (transliteration as Zhang Wenliang\*) (as regards RMB50 million) pursuant to various loan agreements; and (ii) the lenders of the First China Minsheng Loans were 莫雪華 (transliteration as Muo Xuehua\*), 顏純恩 (transliteration as Yan Chunen\*) and 陳美容 (transliteration as Chen Meirong\*).

The Board understood from China Minsheng that it is responsible for collating documents in relation to the First China Minseng Loans for the lenders, and that, in respect of the Company’s total cash deposit of RMB130 million maintained as fixed deposit with China Minsheng, (i) RMB126 million had been applied by China Minsheng in the repayment of the First China Minsheng Loans without the Company’s consent, which was alleged by China Minsheng to have been pledged as security for the China Minsheng Loans; and (ii) as verbally understood from officers of China

Minsheng by the Company, the balance of RMB4 million was transferred into a suspense account maintained by China Minsheng for repayment, and hence, the Company currently cannot deploy the usage of such cash deposit.

The Board understood from China Minsheng that in addition to the First China Minsheng Loans, China Minsheng had also accelerated repayment of loans in the aggregate principal amount of RMB45 million, comprising three loans each in the principal amount of RMB15 million (collectively, “**Second China Minsheng Loans**”) to 泉州市順興建材有限公司 (transliteration as Quanzhou Shun Hing Building Materials Co., Ltd.\*), 晉江市鴻升針織製衣有限公司 (transliteration as Jinjiang Hongsheng Knitting Garment Co., Ltd.\*) and 泉州市泰升貿易有限公司 (transliteration as Quanzhou Taixing Trading Co., Ltd.\*) as borrowers respectively, which are allegedly guaranteed by the Company, Mr. Ding Hui, 陳瑞英 (transliteration as Chen Ruiying\*) and 金文戈 (transliteration as Jin Wenge\*).

The guarantees in respect of the First China Minsheng Loans and the Second China Minsheng Loans are collectively “**China Minsheng Guarantees**”.

The Board understood from China Minsheng that China Minsheng had applied to the Fuzhou Intermediate People’s Court for an order to preserve the Company’s funds pending court’s judgment. As a result, the Company’s other cash deposits in the aggregate amount of approximately RMB3.7 million maintained with various banks have been frozen.

### 3. **Shandong Trust Co., Ltd. (“Shandong Trust”)**

On 7 August 2014, the Company received a letter dated 23 July 2014 (“**Shandong Trust Demand Letter**”) from Shandong Trust. According to the Shandong Trust Demand Letter, Shandong Trust accelerated repayment of loans in the aggregate principal amount of RMB123.5 million (“**Shandong Trust Loans**”) and all interests thereon owed by Ding Hongming\* as borrower pursuant to six loan agreements entered into between Ding Hongming\* as borrower and Shandong Trust as lender. According to the Shandong Demand Letter, it was alleged that the Shandong Trust Loans were secured by six pledge agreements (“**Shandong Trust Pledge Agreements**”) given by the Company of cash deposits maintained with Xiamen Rural Commercial Bank which acted as custodian.

The Board understood from Xiamen Rural Commercial Bank that the Company’s cash deposit of RMB123.5 million maintained with Xiamen Rural Commercial Bank had been applied by Xiamen Rural Commercial Bank for repayment of the Shandong Trust Loans.

Apart from the Xiamen Bank Demand Letter, the China Minsheng Acceleration Notices and the Shandong Trust Demand Letter and the Xiamen Pledge Agreements, the Company has not sighted any guarantee, pledge agreements, loan agreements in respect of the Xiamen Bank Loans, the First China Minsheng Loans, Second China Minsheng Loans and the Shandong Trust Loans so far, and is currently making enquiries with the aforesaid financial institutions for provision of the relevant underlying loan agreements and related guarantees or pledge agreements.

The Board is currently seeking professional advice on appropriate actions against appropriate persons to be taken in connection with the recovery of such assets of the Company and Nuoqi Fashion. As at the date of this announcement, the Board has issued a demand letter against Sun Power.

## **B. LISTING RULES IMPLICATIONS**

Sun Power, being the borrower of the Xiamen Bank Loans, is not a company within the Group. The Company has reasons to believe (but has not been able to verify) that Sun Power is a company incorporated under the laws of Hong Kong. According to the records relating to a company named Sun Power available for public inspection at the Hong Kong Companies Registry and disclosed by a search made by the Company on 7 August 2014, Chan Chi Leung was the sole shareholder of Sun Power as at 7 September 2013, and Chuang Yim was the sole director of Sun Power in place of Chan Chi Leung as at 7 January 2014. To the best information, knowledge and belief of the Directors, each of Chan Chi Leung and Chuang Yim are friends of Mr. Ding Hui, the executive Director and Chairman of the Company. Save as disclosed above, the Company is not aware of any other relationships between Chan Chi Leung and Chuang Yim on the one hand and the Group and its directors on the other hand. Accordingly, in the event that Sun Power is indeed the Hong Kong incorporated entity referred in the aforesaid public companies search results, to the best information, knowledge and belief of the Directors, Sun Power is not a connected person (as defined under the Listing Rules) of the Company.

Ding Hongming\*, being one of the borrowers under the First China Minsheng Loans and the borrower under the Shandong Trust Loans, is the husband of Ding Lixia, a non-executive Director of the Company, and is therefore a connected person (as defined under the Listing Rules) of the Company. Zhang Wenliang\*, being the other borrower under the First China Minsheng Loans, is an employee of the Group. Save as disclosed above, the Company is currently not aware of any other relationships between Ding Hongming\* and Zhang Wenliang\* on the one hand and the Company and its connected persons (as defined in the Listing Rules) on the other hand. Accordingly, to the best information, knowledge and belief of the Directors, Zhang Wenliang\* is not a connected person of the Company.

To the best of the knowledge, information and belief of the Directors, in respect of the borrowers of the Second China Minsheng Loans: (i) Quanzhou Shun Hing Building Materials Co., Ltd.\* is held as to 95% by Chen Ruiying\*, who is the wife of Mr. Ding Hui, an executive Director of the Company, and as to 5% by Zhang Wenliang; (ii) Jinjiang Hongsheng Knitting Garment Co., Ltd.\* is a wholly-owned foreign enterprise held by 香港鴻升發展企業 (transliteration as Hongkong Hongsheng Development Co., Ltd.\*), whose ultimate shareholder is 丁金表 (transliteration as Ding Jing Biao\*), father-in-law of Ding Lixia, a non-executive Director of the Company; (iii) Quanzhou Taixing Trading Co., Ltd.\* was held solely by 練雅容 (transliteration as Lian Ya Rong\*), who subsequently transferred all the equity interests in Quanzhou Taixing Trading Co., Ltd.\* to 龔勝全 (transliteration as Gong Sheng Quan\*), an employee of the Group. To the best information, knowledge and belief of the Directors, each of Lian Ya Rong and Gong Sheng Quan is not a connected person (as defined under the Listing Rules) of the Company; (iv) Chen Ruiying\* is the wife of Mr. Ding Hui, an executive Director of the



Company and Jin Wenge\* was an executive director of the Company from 28 January 2011 to 13 June 2014. Accordingly, each of Quanzhou Shun Hing Building Materials Co., Ltd.\*, Jinjiang Hongsheng Knitting Garment Co., Ltd.\*, Chen Ruiying\* and Jin Wenge\* is a connected person (as defined in the Listing Rules) of the Company.

Accordingly, if the relevant China Minsheng Guarantees and/or the Shandong Trust Pledge Agreements are valid, existing and enforceable, these transactions (whether on a standalone basis or aggregated with each other) would have constituted connected transactions of the Company which should have been subject to reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, if the Xiamen Bank Pledge Agreements are valid and enforceable, and if the China Minsheng Guarantees and/or the Shandong Trust Pledge Agreements are valid, existing and enforceable (whether on a standalone basis or aggregated with each other), these transactions would have constituted notifiable transactions of the Company under Chapter 14 of the Listing Rules which should have been subject to reporting, announcement and shareholders' approval requirements.

The Board was not aware of any of the Xiamen Bank Pledge Agreements, China Minsheng Guarantees or the Shandong Trust Pledge Agreements or any pledge of cash deposits by the Company or its subsidiaries thereunder at the time of execution of such relevant loan, guarantee or pledge agreements thereunder and did not authorise the entry of any such guarantee or pledge agreements. Accordingly, the Company did not comply with, where applicable, the relevant Listing Rules requirements under Chapter 14 and Chapter 14A of the Listing Rules in respect of the financial assistance transactions arising as a result of these agreements. The Company is currently verifying the relevant information with the aforesaid financial institutions and will issue further announcement(s) in compliance with Chapter 14 and Chapter 14A of the Listing Rules once all relevant information is verified and the validity and enforceability of all agreements are confirmed by PRC legal advisers.

### **C. UPDATE ON THE BUSINESS AND OPERATIONS OF THE GROUP**

As disclosed in the Company's announcement dated 25 July 2014, as at the date thereof, the business and operations of the Group remain normal. The Company wishes to update the current status of the Group's business and operations. As at the date of this announcement, in view of (i) cash flow pressure of the Group resulting from the Group's cash deposits with certain financial institutions having been applied by them for repayment of certain loans guaranteed by the Company and the freezing of certain cash deposits of the Group's maintained with other banks as disclosed above, (ii) certain retail shops of the Group not having been profit-generating and (iii) high rental rates, the Board wishes to update that for cost control and profit optimization, the Group has closed down certain retail shops and decided to continue with the sale of inventories at its remaining retail shops instead of purchasing new stock for the upcoming season, and that certain suppliers of the Group have suspended supply of products to the Group.

#### **D. CLARIFICATION OF PRESS ARTICLES**

The Board has noted recent press articles published on 21st Century Business Herald and Tai Kung Pao regarding the business and operations and going concerns of the Group and the personal debts and whereabouts of Mr. Ding.

In this connection, the Board would like to clarify and confirm that:

1. the current status of the business and operations of the Group is disclosed under the section headed **“C. UPDATE ON THE BUSINESS AND OPERATIONS OF THE GROUP”** of this announcement. The Board is still trying to ascertain all relevant circumstances and explore all measures to maintain the business operations of the Group. The Board is constantly reviewing its financial positions and would consider every viable measure in all respects before arriving at the decision of liquidating the Company as and when necessary. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules; and
2. save as disclosed in the section headed **“Demand Letters from Financial Institutions — China Minsheng Banking Corp., Ltd. (“China Minsheng”)**” of this announcement, the Board is not in a position to comment on, and does not have information to verify, the accuracy of the contents of such information published in the press articles which relate to any personal debts and other personal matters of Mr. Ding Hui. The Company has been trying to contact Mr. Ding Hui but has not been successful. The Company will continue to do so using all available means of communication.

#### **E. CESSATION OF AUTHORITY OF MR. DING HUI TO BIND THE GROUP**

In view of the recent unauthorized acts discovered of Mr. Ding Hui which adversely prejudice the Company's assets and constitute breaches of directors' duties, the Board has taken steps to remove Mr. Ding Hui as a director of Nuoqi Fashion and has resolved to propose to removal Mr. Ding Hui as director of the Company and other subsidiaries of the Company. The Board wishes to notify shareholders, investors and the market that Mr. Ding Hui shall no longer have any authority to act or execute documents for and on behalf of the Company and/or the Company's subsidiaries or to bind the Company and/or the Company's subsidiaries, notwithstanding Mr. Ding Hui remained as a director of the Company and/or the relevant Company's subsidiaries.

## F. 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 it will remain suspended pending the release of further information by the Company.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

The Company will disclose any material development in connection with this matter by way of further announcement(s) in accordance with regulatory requirements.

\* *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

By order of the Board  
**Fujian Nuoqi Co., Ltd.**  
**Ding Canyang**  
*Executive Director*

Hong Kong, 19 August 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Ding Hui (Chairman), Mr. Ding Canyang and Mr. Chen Quanyi; the non-executive directors of the Company are Mr. Han Huiyuan and Ms. Ding Lixia; the independent non-executive directors of the Company are Mr. Qi Xiaozhai, Ms. Hsu Wai Man, Helen and Mr. Dai Zhongchuan.*