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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)

UPDATE ON AFFAIRS OF GROUP

Reference is made to:

- (i) the holding announcements of Fujian Nuoqi Co., Ltd. (“**Company**”, together with its subsidiaries, the “**Group**”) dated 25 July 2014 and 31 July 2014 in relation to, among others, the incidents regarding Mr. Ding Hui, the chairman, the chief executive officer and an executive director of the Company (“**Incidents**”);
- (ii) the announcement (“**Dividend Postponement Announcement**”) of the Company dated 4 August 2014 in relation to the postponement of payment of final dividend by the Company for the year ended 31 December 2013;
- (iii) the announcement (“**August Announcement**”) of the Company dated 19 August 2014 in relation to, among others, the update on affairs of the Group and clarification of certain press articles; and
- (iv) the announcement of the Company dated 28 August 2014 in relation to, among others, the delay in publication of the interim results of the Group for the six months ended 30 June 2014 (“**2014 Interim Results**”) and the despatch of the interim report of the Group for the six months ended 30 June 2014 (“**2014 Interim Report**”).

This announcement serves as an update on the latest developments in relation to, among others, the demand letters from financial institutions served on the Group (“**Demands**”) and the financial position and business operations of the Group. Capitalised terms used herein shall have the same meanings as those defined in the August Announcement unless otherwise specified.

DEMAND LETTERS FROM FINANCIAL INSTITUTIONS

As at the date of this announcement, no formal court proceedings have been commenced in relation to the Xiamen Bank Pledge Agreements, China Minsheng Guarantees and Shandong Trust Pledge Agreements. The Company is making enquiries with the relevant financial institutions for the provision of the relevant underlying loan agreements and related guarantees and pledge agreements. Further, the Board is seeking professional advice on appropriate actions against appropriate persons to be taken in connection with the Demands and the Group's losses and damages arising from these Demands or their underlying unauthorised commitment and liabilities.

As disclosed in the August Announcement, Nuoqi Fashion, a wholly-owned subsidiary of the Company, received a demand letter from Xiamen Bank addressed to Sun Power and copied to Nuoqi Fashion for the accelerated repayment of the Xiamen Bank Loans of a principal amount of HK\$197.9 million and all accrued interest thereon owed by Sun Power under the facilities provided by Xiamen Bank as lender to Sun Power as borrower, which were allegedly secured by a total of RMB160 million cash deposit 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. The cash deposit of Nuoqi Fashion pledged with Xiamen Bank was subsequently applied by the Xiamen Bank in partial settlement of the Xiamen Bank Loans. As at the date of this announcement, the Board has issued a demand letter against Sun Power.

FINANCIAL POSITION AND BUSINESS OPERATIONS OF THE GROUP

Appointment of financial adviser and proposed plan for the resumption of trading

For the purposes of formulating restructuring plans of the Group and resuming trading in the shares of the Company, the Company appointed KPMG Advisory (China) Limited Guangzhou Branch (畢馬威企業諮詢(中國)有限公司廣州分公司) (“KPMG”) as its financial adviser on 26 September 2014 to assess and advise on the financial position of the Group after the Incidents and the approach to resolve the Incidents and the Demands. In this regard, KPMG has been engaged by the Company to provide the following services for the Group: (i) an analysis on assets and liabilities, including but not limited to the analysis of the nature, composition, value and aging conditions (where applicable) of the assets and liabilities of the Group; (ii) compilation and review of information relating to the resumption of business operation of the Group; and (iii) provision of assistance to the Company in the formulation of restructuring proposals for the Group, including but not limited to analysing financial impact of possible adjustments to the scale and mode of business operation of the Group, estimating recovery to different classes of creditors under different repayment terms and scenarios and exploration of different ways of funding for the Group. As at the date of this announcement, KPMG has commenced work on analysing the Group's assets and liabilities so as to facilitate the formulation and implementation of possible restructuring plans for the Group, and it has also commenced field work on the assessment of the quality of information available on the Group. Based on its current assessment, KPMG expects to complete its analysis on the Group's assets and liabilities, including but not limited to the compilation and review of information relating to the financial restructuring of the Group, by the end of 2014. The Board expects to formulate and implement restructuring plans to improve the financial position of the Group, taking into account the findings of KPMG.

For the purpose of resuming trading in the shares of the Company, the Board is considering to engage (i) an independent forensic specialist to conduct a forensic review on the nature and scope of the irregular transactions relating to the Incidents and on whether similar irregular transactions have occurred; and (ii) an internal control consultant to review and assess the Company's structure, in particular, its internal control systems, identify reasons for the occurrence of the Incidents and recommend solutions to improve any internal control deficiencies identified with the purpose of avoiding future occurrence of similar incidents.

Business operation of the Group

As disclosed in the August 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 for repayment of certain loans guaranteed by the Company and the freezing of certain cash deposits of the Group maintained with other banks; (ii) certain retail shops of the Group not having been profit-generating; and (iii) high rental rates for retail shops generally, the Group has closed down certain retail shops for cost control and profit optimisation.

As at the date of this announcement, the Group has 114 retail shops and the Group continues with its plan to focus mainly on the sale of inventories at its remaining retail shops. Once the financial position and cash level of the Group return to a sound level, the Group expects to resume purchase of new stock from suppliers and it also plans to develop production facilities for the manufacture of new products and expand its online sales network.

Postponement of payment of final dividend for the year ended 31 December 2013 ("Final Dividend")

As set out in the Dividend Postponement Announcement, the Company is unable to make the payment of the Final Dividend originally scheduled to be distributed on 5 August 2014. Taking into consideration the current financial position of the Group, the Board is still in the course of reviewing and reconsidering the payment of the Final Dividend. The Company will issue further announcement(s) once the Board has come to a decision regarding the payment of the Final Dividend.

2014 Interim Results

Given the resignation of Mr. Au Yeung Ho Yin as the chief financial officer and company secretary of the Company on 5 September 2014 and the recent departure of certain staff in the Company's finance department, the Company requires additional time for the preparation of the consolidated management accounts of the Group for the six months ended 30 June 2014 and the announcement of the 2014 Interim Results. Accordingly, the publication of the 2014 Interim Results and the despatch of the 2014 Interim Report will be delayed. Further announcement will be made in relation to the publication of the 2014 Interim Results and the despatch of the 2014 Interim Report as and when appropriate.

CESSATION OF AUTHORITY OF MR. DING HUI TO BIND THE GROUP

As at the date of this announcement, Mr. Ding Hui has ceased to be a director or legal representative of any subsidiary of the Company. As disclosed in the August Announcement, Mr. Ding Hui no longer has any authority to act or execute documents for and on behalf of the Company and/or the Company's subsidiaries or to bind the Company and/or the Company's subsidiaries, notwithstanding that he remains a director of the Company. However, in view of the current financial position of the Company, convening an extraordinary general meeting to remove Mr. Ding Hui as a director of the Company would impose financial burden on the Company. Further, the Company considers that it is not of imminent necessity to remove Mr. Ding Hui as director of the Company as at the date of this announcement. Accordingly, the Company expects to proceed with the formal removal of Mr. Ding Hui as director of the Company at a later stage.

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 the Incidents and the Demands by way of further announcement(s) in accordance with regulatory requirements.

By Order of the Board
Fujian Nuoqi Co., Ltd.
Ding Canyon
Executive Director

Hong Kong, 24 October 2014

As at the date of this announcement, the executive Directors are Ding Hui, Ding Canyon and Chen Quanyi; the non-executive Directors are Han Huiyuan and Ding Lixia; and the independent non-executive Directors are Qi Xiaozhai, Hsu Wai Man, Helen and Dai Zhongchuan.