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FUGUINIAO CO., LTD.

富貴鳥股份有限公司

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

(Stock Code: 1819)

**RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS
AND
CHANGES IN COMPOSITION OF BOARD COMMITTEES**

RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The board (the “**Board**”) of directors (“**Director(s)**”) of Fuguiniao Co., Ltd. (the “**Company**”) announces that on 14 June 2017 the Company received a joint letter of resignation (the “**Resignation Letter**”) from Ms. Long Xiaoning (“**Ms. Long**”) and Ms. Chan Wah Man, Carman (“**Ms. Chan**”) resigning from their positions as independent non-executive Directors with effect from 14 June 2017 (the “**Resignations**”). Accordingly, Ms. Long has also ceased to be the member of each of the audit committee (the “**Audit Committee**”), the nomination committee (the “**Nomination Committee**”) and strategy committee (the “**Strategy Committee**”) of the Company, and the special committee of the Board (established on 24 March 2017, the “**Special Committee**”) with effect from 14 June 2017; and Ms. Chan has also ceased to be the member of each of the Audit Committee and the Special Committee, and the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”) with effect from 14 June 2017.

The following is a summary of the circumstances that in Ms. Long and Ms. Chan’s opinion affected their abilities to exercise their duties as independent non-executive Directors and members of the Audit Committee and led to their decision to resign as set out in their Resignation Letter:

- (i) The Company has failed to respond and reply to the enquiries of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) regarding factual information.
- (ii) The delay in the publication of the financial reports and the resumption exercise is due to reasons including the Company’s failure to respond and reply to the enquiries of the Stock Exchange.

- (iii) Disagreements between Ms. Long and Ms. Chan's views and that of the Board (excluding Ms. Long and Ms. Chan) regarding the financial information and the 2016 Interim Results of the Company. Failure of the Company to publish Ms. Long and Ms. Chan's disagreements as members of the Audit Committee in the announcement of the 2016 Interim Results.
- (iv) The Company has failed to provide KPMG with the full investigation report (the "**Investigation Report**") issued by the independent consulting firm appointed to perform an investigation (as disclosed in the announcement of the Company dated 11 April 2017 (the "**11 April Announcement**")).
- (v) Ms. Long and Ms. Chan disagreed with passing the resolution to suspend the office of Ms. Chan as an independent non-executive Director and member of the Audit Committee (the "**Suspension**") and the posting of the announcement in respect of the said suspension of office without their acknowledgement of receipt of the 'message' (which the Company has interpreted to mean the e-mail sent to all members of the Board at the time, containing the relevant written resolution).
- (vi) The new auditors, Zhonghui ANDA CPA Limited, appointed to replace KPMG was appointed by the Board and not appointed by the Audit Committee and there was no bidding process for the selection of professional parties (including the new auditors).

At the request of Ms. Long and Ms. Chan to set out all their views and disagreements in this announcement, with the prior consent of Ms. Long and Ms. Chan, the Company has reproduced a redacted version of the Resignation Letter in the appendix to this announcement.

The Board's preliminary response to the Resignation Letter

In the Resignation Letter, Ms. Chan and Ms. Long again made serious unfounded allegations against certain professional parties and previously made inappropriate demands to the Company to disclose such unfounded allegations, which based on the legal advice sought by the Company at the time, would expose the Company to potential legal actions if the Company had complied with their requests. In order to protect the Company from unnecessary potential legal actions that may arise from the disclosure of unfounded allegations made by Ms. Chan and Ms. Long in their Resignation Letter, the Board considers that it is only prudent and in the best interests of the Company not to disclose such unfounded allegations and to reproduce a redacted version of the Resignation Letter in the appendix to this announcement.

The Board wishes to note that prior to the Resignations, the Board (other than Ms. Long and Ms. Chan) had made attempts to schedule a meeting with Ms. Long to understand and resolve any concerns she may have. Ms. Long even indicated to the Board that she would be able to meet to discuss in late June 2017. However, before such meeting could be scheduled, the Company received the Resignation Letter.

In response to the alleged matters stated in the Resignation Letter, the Board wishes to provide its preliminary reply, corresponding to the numberings of the circumstances as set out above, as follows:

- (i) The Company disagrees with the allegation made in the Resignation Letter. The Company is aware of the urgency and importance to respond to enquiries of the Stock Exchange. As disclosed in the 11 April Announcement, the Company has appointed new auditors, Zhonghui ANDA CPA Limited, to fill the casual vacancy following the resignation of KPMG, the then external auditor of the Company, and the Board has established the Special Committee to handle matters relating to the resumption of trading in the H shares of the Company on the Stock Exchange (the “**Resumption Matters**”). Additionally, the Company has also recently engaged other professional parties to handle the Resumption Matters and the matters relating to the conditions imposed on the Company by the Stock Exchange in respect of the resumption of trading in the shares of the Company on the Stock Exchange, as disclosed in the announcement of the Company dated 18 May 2017.

The Company has been working closely with the professional parties to respond to the enquiries of the Stock Exchange. As at the date of this announcement, the Company has already responded to some of the said enquires and will continue to work with the professional parties to respond to the remaining enquiries as soon as practically possible.

In connection with the Company’s efforts to respond to the enquiries of the Stock Exchange, Ms. Long and Ms. Chan has refused to provide a written confirmation (as required by the Stock Exchange) of a reply submitted to the Stock Exchange relating to undisputed factual matters (such as the provision of the resignation letter dated 17 March 2017 from KPMG, the identification of the members of the Audit Committee during the relevant period and the identification of personnel responsible for overseeing, managing and coordinating the financial and reporting matters of the Company during the relevant periods).

- (ii) The delay in the publication of the financial reports was mainly due to the time involved in handling the disagreements with KPMG (including their fee quotation) and the time required to appoint new auditors after KPMG resigned.

The publication of the financial report is a matter independent of the status of the Company’s response to the enquiries of the Stock Exchange. As such, the Board is unable to comprehend Ms. Long and Ms. Chan’s allegation that the alleged failure by the Company to respond and reply to the enquiries of the Stock Exchange caused the delay in the publication of the financial reports. Separately, the Company would like to reiterate that the Company has responded to some of the enquiries of the Stock Exchange and will continue to work closely with the professional parties to respond to the remaining enquiries as practically soon as possible.

- (iii) As disclosed in the 11 April Announcement, the publication of the 2016 Interim Results has been delayed, and has not as at the date of this announcement been published. The Company is working closely with the auditors, Zhonghui ANDA CPA Limited, to finalise and complete the audit of the financial statements for the year ended 31 December 2016. The Company will consider the circumstances and will publish further announcement(s) in respect of the 2016 Interim Results as and when appropriate.
- (iv) Findings of the Investigation Report were provided to KPMG. Ms. Chan and Ms. Long repeatedly questioned and criticised the Board for not providing KPMG with the full investigation report. It was explained to the members of the Board in a meeting which Ms. Chan and Ms. Long had attended that the Company could not provide KPMG with a copy of the full investigation report because pursuant to the engagement letter between the Company and the consulting firm, the Company was prohibited from disclosing the full investigation report to third parties without the consent of the consulting firm and they did not give their consent. Such requirement for consent to disclose information prepared by the consulting firm is in fact a standard term for similar professional engagements.
- (v) Every member of the Board was duly notified of the proposed resolution in respect of the Suspension (the “**Resolution**”). Numerous alert and reminder messages to vote on the Resolution were sent to the group chat consisting of all members of the Board at the time via the messaging application “WeChat” and numerous attempts were also made to contact Ms. Chan to seek her views on the proposed Resolution via telephone but to no avail.

The Company has sought legal advice to confirm that in accordance with the articles of association of the Company (the “**Articles**”), the Resolution of the Board only required a majority of votes in order to be validly passed, which the Company had specifically disclosed in its announcement dated 23 May 2017. Specifically, all Directors, except for Ms. Long and Ms. Chan have voted in favour of and provided their signatures and consent to the Resolution.

Ms. Long did not respond to the above mentioned e-mail of the Resolution or any of the numerous alert or reminder messages that were sent to the members of the Board at the time until one day after the passing of the Resolution and announcement of the Suspension, when she submitted her views via e-mail to the Board in respect of the Suspension. As mentioned above, the Board (other than Ms. Long and Ms. Chan) has made attempts to schedule a meeting with Ms. Long to understand and resolve any concerns she may have. Ms. Long even indicated to the Board that she will be able to meet to discuss in late June 2017. However, before such meeting could be scheduled, the Company received the Resignation Letter.

- (vi) As disclosed in the 11 April Announcement, pursuant to article 229 of the Articles, the Board has resolved to appoint Zhonghui ANDA CPA Limited as the statutory auditors of the Company to fill the casual vacancy following the resignation of KPMG and to hold office until the conclusion of the next annual general meeting of the Company. Further, pursuant to the Terms of Reference of the Audit Committee, the Audit Committee is primarily responsible for making recommendations to the Board on the appointment of the authorised independent auditors.

Accordingly, it is clear that the authority to appoint auditors of the Company to fill the said casual vacancy lies with the Board and not the Audit Committee.

Both Ms. Long and Ms. Chan did in fact vote in favour of the appointment of the professional parties (including the new auditors, Zhonghui ANDA CPA Limited). Further, upon request by Ms. Chan to meet with certain professional parties in person, the Company arranged for such professional parties to attend a meeting with Ms. Chan to discuss her concerns and queries regarding their engagement and Ms. Chan did not raise any objection to or disagreement with the appointment of such professional parties at such meeting.

CHANGES IN COMPOSITION OF BOARD COMMITTEES

The Board is pleased to announce that Mr. Cheung Ming Hung (“**Mr. Cheung**”), an independent non-executive Director and the member of each of the Remuneration Committee, Nomination Committee and Strategy Committee, has been appointed as the member of the Audit Committee and the chairman of the Remuneration Committee with effect from 23 June 2017 to replace Ms. Long.

The Board is pleased to announce that Mr. Wang, an independent non-executive Director and chairman of the Audit Committee, has been appointed as the member of each of the Remuneration Committee and the Nomination Committee with effect from 23 June 2017 to replace Ms. Chan and Ms. Long, respectively.

The Board noted that following the Resignations, the number of independent non-executive Directors and the number of members of the Audit Committee have fallen below the minimum requirements under Rule 3.10(1), Rule 3.10A and Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), respectively.

The Company is identifying suitable candidates to fill the vacancy of independent non-executive Director and a member of the Audit Committee in order to fulfill the minimum requirements under the Listing Rules as soon as practicable within three months from 14 June 2017 pursuant to Rule 3.11 and Rule 3.23 of the Listing Rules.

By order of the Board of
Fuguiniao Co., Ltd.
Lam Wo Ping
Chairman

Hong Kong, 23 June 2017

As at the date of this announcement, the executive Directors are Mr. Lam Wo Ping, Mr. Lam Wing Ho, Mr. Lam Wo Sze, Mr. Lam Kwok Keung and Mr. Hong Huihuang; and the independent non-executive Directors are Mr. Wang Zhiqiang and Mr. Cheung Ming Hung.

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.

APPENDIX

At the request of Ms. Long and Ms. Chan to set out all their views and disagreements in this announcement, with the prior consent of Ms. Long and Ms. Chan, a redacted version of the Resignation Letter is set out below:

The Board of Directors (The "Board")
Fuguiniao Co., Ltd
Fuguiniao Industrial Park
East Section, Baqi Road
Shishi City, Fujian Province, The PRC

Private and Confidential
14 June 2017
By Email

cc: The Hong Kong Exchanges and Clearing Limited (HKEX)

Dear Sirs,

Fuguiniao Co., Ltd. (the "Company")

Joint letter in respect of ceasing to act as the Company's Independent Non-Executive Directors ("INEDs")

We hereby give notice that we have resigned from the office of INEDs, effective from 14 June 2017, and set out below the circumstances that in our opinion have affected our abilities to exercise our duties as INEDs and Audit Committee members and ultimately led to our decision to resign.

1. We refer to our joint letter dated 12 December 2016 ("12 Dec 2016 Letter", [REDACTED]) as our representation to the proposed draft EGM circular intending to remove us as INEDs and KPMG as auditor. The 12 Dec 2016 Letter reveals that:
 - a. upon receipt of the KPMG Letter addressed to the Board and the Audit Committee dated 26 August 2016 regarding a subsidiary of the Company that may have provided a guarantee in respect of a loan borrowed by a connected person of the Company by pledging its deposits to the relevant bank, [REDACTED];
 - b. the Company requested the Audit Committee to review the 2016 Interim Results on 29 August 2016 without prior review of Interim Results by KPMG (as adopted and in practice by the Company for the previous three years);
 - c. [REDACTED]
 - d. KPMG further disclosed to the Audit Committee members on the afternoon of 30 August 2016 that the Company might have been involved in the provision of financial assistance to other third parties. Thus, the Audit Committee members were hesitant to pass the Review of 2016 Interim Results and the previously scheduled Audit Committee meeting and Board meeting were cancelled as a consequence;
 - e. There were disagreements between us and the remaining directors in relation to their respective views in the handling of the guarantee transactions and the Company's 2016 Interim financial Results;

f. More details regarding our representation to inform the market of related material information for the shareholders and the investors to appraise the Company's position and to make an informed choice are [REDACTED].

2. We refer to our dozens of individual and joint letters addressed to the Board, the Management and the Resumption Team ("Our Letters") shortly after the Audit Committee meeting and Board meeting on 10 and 11 October 2016, respectively. In Our Letters, as two INEDs and two members of the Audit Committee,

a. we believe that since proper procedures have not been carried out by the Company, we are unable to quantify the impact of the guarantees on the Company's financial statements for the six month ended 30 June 2016 (Interim Results") and for each of the years ended 31 December 2013, 2014 and 2015 (the Relevant Period), for the following reasons:

a.i. Cancellation of voting requirements and procedures (as adopted and in practice by the Company for the previous three years) for Audit Committee members, as a requisite for the Review of the Interim Results announcement (the "Cancellation") by the Resumption Team ([REDACTED]);

a.ii. [REDACTED];

a.iii. [REDACTED];

a.iv. Failure to assess the financial impacts of the said connected transactions concerning guarantees and financial assistances on the financial statements in the Relevant Period;

a.v. [REDACTED] failure of the Resumption Team for publication of our disagreements, as Audit Committee members, in the Interim Results announcement;

a.vi. [REDACTED].

b. we hold an initial and preliminary view that

b.i. [REDACTED];

b.ii. [REDACTED];

c. we believe the Company has not put in place adequate internal control systems since the Company's executive directors did not explain about the Company's management accounts of October and November 2016 upon the repeated requests of the former CFO and of ours, as two Audit Committee members in relation to the following:

c.i. a sudden increase in other accounts receivables of RMB 450 million;

- c.ii. a sudden increase in non-current assets/prepayment of RMB150 million;
 - c.iii. other irregularities, including the increase in accounts receivables and the related collateral problems and the increase in inventory and the relatively low interest rate of certain bank deposits.
3. Since 7 November 2016, we have been asked by the Secretary of the Board on behalf of the management [REDACTED], prior to our receipt of the draft written resolution on 15 November 2016 regarding the Board's decision to remove us as INEDs and the written resolution on 21 November 2016 requested for immediate Board approval regarding the removal of us as INEDs and KPMG as auditor in a proposed EGM as issued in the Company's announcement dated 22 November 2016;
 4. On 9 February 2017, the management and all three Audit Committee members met with the HKEX and the Company agreed to provide a resumption timetable with concrete action plans to the HKEX. On 10 February 2017, the management informed KPMG that as part of its resumption plan to the HKEX, they would resume to engage KPMG to perform the review of the consolidated interim financial report of the Group for the six months ended 30 June 2016, and the audit of the consolidated financial statements of the Group for the year ended 31 December 2016. The Company also informed us, amongst others, that they would engage another independent third party to perform an independent investigation on certain guarantee(s) for related/connected party(ies) and to conduct a review of and make recommendations to improve the Company's internal control system;
 5. On 17 February 2017, the Company informed the HKEX that it was expected that the Company would finalize the engagements of the above mentioned third parties within the next week. After that, the Company and the professional parties would discuss and formulate a detailed plan and timetable for the Resumption Plan and would submit such Resumption Plan to the HKEX as soon as possible. But since then, the management and the Board have failed to respond to our repeated requests for convening a Board meeting to discuss the followings:
 - a. the current events of the Company and the arrangements and concerns of the Resumption Plan and the review/audit work that the Company had agreed to be conducted by KPMG;
 - b. the operation, financial and internal control status of the company;
 - c. the management accounts and fund movements;
 - d. the follow-ups of the investigation of the two non-disclosable transactions and/or the disclosure of any possible new transactions; and
 - e. the cash-flow forecast of the Company in the next 12 months.
 6. We were concerned that the Company's submission to the HKEX on 10 March 2017 (the "10 March Submission") regarding timetable for Resumption was neither realistic nor viable due to the management's failure to consult with KPMG and other potential professional parties despite our repeated requests;
 7. The Company has failed to respond to the HKEX request for stating clearly how the proposed action stated in the 10 March Submission can identify and resolve each of the issues leading to the continuing delay in publication of the 2016 interim results, despite our repeated requests for convening a board meeting to discuss the relevant issues.
 8. Regarding the engagement of the new CFO after the resignation of the former CFO, we disagreed with the Board's decision of recruiting a new CFO lacking the qualifications of HKICPA recognition and IAS work experiences. Despite our disagreement, without either our approval or signatures, the Company delivered and passed the written Board resolution hastily on 17 March 2017 (第二屆董事

会富贵鸟董【2017】031701号书面决议议案及草拟决议) and posted the announcement on the HKEX website on the same day.

9. Regarding the selection and appointment of Zhonghui Anda CPA Limited as the new auditor after the resignation of KPMG, we hold the initial and preliminary view as follows:
 - a. We were informed that Zhonghui Anda CPA Limited had been assigned as the new auditor in a written resolution (第二届董事会富贵鸟董【2017】32401号书面决议议案) sent to us at 16:15 on 24 March 2017, which the directors were requested to provide written approvals for on the same day. This was the first time we heard of the new auditor and we are of the view that the written resolution should not have been passed in such a hurry;
 - b. We disagree with the written resolution (第二届董事会富贵鸟董【2017】32401号书面决议议案) for the following reasons:
 - b.i. there had been no bidding process for selection of professional parties including the new auditor;
 - b.ii. price quotation/fees structure and market comparison had not been available before appointment of the new auditor;
 - b.iii. no consultation had been sought from the Audit Committee members.
10. Regarding whether the procedure of the Proposed Appointment of new Professional Parties ([REDACTED]), we share the same doubts as the HKEX:
 - a. Whether and why the Company considers it appropriate to deliver and pass the written resolution for Board approval with such short notice, without obtaining unanimous agreement of all directors on written resolution(s)?
 - b. Whether and why the Company considers its procedures of the Proposed Appointment, including board approval, appropriate and whether they comply with the Company's articles, relevant laws and regulations and the Corporate Governance Code of Appendix 14?
 - c. In case of any conflict regarding procedures of the Proposed Appointment, including Board approval between the Company's articles and relevant laws and regulations and the Corporate Governance Code of Appendix 14, whether the Company needs to consult with the Exchange on this matter and make any ratification if necessary?
11. We refer to paragraph 40 of the Guidance Letter for Long Suspended Companies HKEx-G:66-13 (September 2013), which stated that "if any director of the Company is, suspected to be, involved in the matter, the board should consider setting up a special committee to review the matter to avoid any conflict of interests which may arise during the review process". We disagree regarding the composition of the Special Committee that the Company proposed to set up upon the Board's approval of the written resolution on 24 March 2017 since,
 - a. it is not an independent board committee with the executive director involved in the non-disclosed disclosable and connected transactions being a member;
 - b. conflict of interests and ambiguous arguments to determine the nature of matters for discussion and voting may arise from time to time.

12. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED];

13. We hold the view that it is unreasonable, irrational and unprofessional for the Company's failure to respond and reply to the HKEX Faxes from 27 October 2016 to 13 April 2017, despite our repeated requests and demands, therefore causing undue delay for the publication of financial reports and the Resumption Exercise, further incurring liabilities to us as Directors of the Company for failures to comply with the obligations under the express breaches of Listing Rules 6.05, 13.49 and 13.50, respectively;

14. In view of the prior investigation report conducted by [REDACTED] failing to provide the directors and Audit Committee members, with information, representations, submissions, evidence and documents for ascertaining the nature of the transactions of the guarantee and financial assistance, with details as indicated in Annexures 1 and thus failing for assessing the financial impacts of the said connected transactions concerning guarantees and financial assistances on the financial statements in each of the years ended 31 December 2013, 2014, 2015 and 2016 (the "New Relevant Period"), we recommended the following steps to the Board, which have been ignored:

- a. allow the Audit Committee to review the scope of audit, fees structure and the major terms of Zhonghui Anda CPA engagement;
- b. engage an independent consulting firm, which should be appointed by the Audit Committee, to conduct an independent investigation into the non-disclosed disclosable and connected transactions ("Transactions") to assist the audit of Zhonghui Anda CPA and disclosure within the circular(s) to be dispatched to the shareholders of the Company before the potential extraordinary general meeting;
- c. engage relevant professional adviser(s), which should be appointed by the Audit Committee, to review and improve the Company's internal control and relevant procedures to be adopted to prevent the reoccurrence of the Transactions and disclosure within the circular(s) to be dispatched to the shareholders of the Company before the potential extraordinary general meeting.

15. We refer to our joint letter dated 8 May 2017, requesting the following information, documents and confirmation concerning the audit of 2016 Annual Results and the Resumption Exercise, which the Company [REDACTED] have failed to provide us with:

- a. the mandate letters between the Professional Parties and the Company (except the engagement letter of Zhonghui Anda CPA provided to the Audit Committee on 26 May 2016, the same day of passing the 2016 Annual Results with the suspension of Ms. Carman Chan's office);
- b. the audit planning schedule and the scope of audit prepared by Zhonghui Anda CPA for the review of the Audit Committee;
- c. whether and when an independent investigation report and/or internal control report would be available?
- d. whether and how to quantify the impact of Transactions on the Company's financial statements in the New Relevant Period in the event that an independent investigation report is not available;
- e. whether and why [REDACTED] the Company consider proper procedures have been carried out for the Company to quantify the impact on the financial statements in each of the New Relevant Period in the event that an independent investigation report and/or internal control report is/are not available;

- f. when Zhonghui Anda CPA kicked off the 2016 annual audit and whether the expected results publishing date of 30 May 2017 is realistic;
- g. whether and why [REDACTED] the Company consider that 2016 audit results can be released on 30 May 2017 without even providing an audit planning schedule and the scope of audit for the review of the Audit Committee till now (8 May 2017);
- h. whether and why [REDACTED] the Company consider that 2016 audit results can be released on 30 May 2017 in the event that an independent investigation report is not available;
- i. whether [REDACTED] the Company consider it appropriate to issue the two overseas regulatory announcements of the expected results publishing date of 30 May 2017. If not, whether any ratification should be made;
- j. the prior analysis of the required information and documents, procedure and report(s) by the HKEX for the Resumption Exercise, as prepared by the professional parties as professional advisers to the Company;

16. At 16:32 of 23 May 2017, the Company emailed us the written resolution (第二届董事会富贵鸟董 2017052301 号书面决议议案), requesting the directors to reply before 18:00, and the announcement was posted to the HKEX website at 18:02 on the same day, claiming the written resolution to suspend Ms. Carman Chan's office as INED and Audit Committee member had been passed. Our views on the matter are as follows:

- a. We disagree with the Company to pass such resolution and posted the announcement hastily and deliberately without even the acknowledgement of our receipt of the message;
- b. We challenge whether and why the Company [REDACTED], consider the procedures for the suspension of Ms. Carman Chan's office as INED and Audit Committee member, including board approval, appropriate and comply with the Company's articles, relevant laws and regulations and the Corporate Governance Code of Appendix 14;
- c. We think the Company may have violated the relevant laws and regulations to suspend Ms. Carman Chan's office as INED and Audit Committee member without legitimate reasons, solid evidence and substantiations, shortly before the Board moved to pass the Annual Report on 26 May 2017.
- d. On 25 May 2017, Ms. Long Xiaoning received the email notice that the board would discuss via email correspondence regarding the passage of the Annual Report on 26 May 2017. Ms. Long inquired about the engagement letter and the scope of audit of the auditor, the availability of the 2016 Annual Report, as well as whether an Audit Committee meeting would be held before the board meeting, which was then scheduled for 3pm on 26 May 2017. Ms. Long Xiaoning's views of the matter are as follows:
 - d.i. the Company gave too short notice for the Audit Committee meeting and the board meeting;
 - d.ii. the 2016 annual report and relevant materials were only emailed to the directors at 22:22 on 25 May 2016, making it impossible for directors and Audit Committee members to digest and judge whether the report and the information contained in it would be accurate, reasonable, fair and in the best interest of the shareholders and the Company as a whole;
 - d.iii. while the announcement of engagement of Zhonghui Anda CPA was posted on 11 April 2017, their mandate letter was signed on 12 May 2017, and the Audit Committee was not informed when they kicked off the 2016 audit;

d.iv. the scope of audit needed to be provided to the Audit Committee for review as stipulated in the Terms of Reference of the Audit Committee, was not available before Zhonghui Anda CPA kicking off the 2016 audit and is still not available as of now;

d.v. [REDACTED]
[REDACTED]
[REDACTED];

d.vi. the 2016 Annual Report has failed to provide information for assessing the financial impact of the said connected transactions concerning guarantees and financial assistances on the financial statements for the year ended 31 December 2016 and for prior years adjustments;

d.vii. several material fluctuations have occurred in the Company's financial position in the 2016 Annual Report, including significant increases in accounts receivables, prepayments, other receivables, and other current liabilities, for which neither the CFO of the Company nor the auditor has provided sufficient justifying information;

d.viii. it is not clear whether and when the Company plans to publish the overseas regulatory announcement on the HKEX website, in compliance with Rule 13.10B;

d.ix. the suspension of Ms. Carman Chan's office as INED and Audit Committee member shortly before the Board approval of 2016 Annual Results may not be legitimate as the Company's action may affect the procedure and functioning of the Audit Committee and validity of the 2016 Annual Report as a consequence.

17. We are concerned from the above that there are unresolved matters, which may be relevant to the non-disclosed disclosable and connected transactions, financial statements and fund movements of the Company and could be relevant to the holders of securities of the Company, but we have been unable to exercise our duties as INEDs to help fully explore the relevant issues or reach conclusions for the reasons set out above.

18. As INEDs and members of the Audit Committee, we have fulfilled the Directors' duties and requirements during our period of service since we have

- a. acted honestly and in good faith in the interests of the Company and the shareholders as a whole;
- b. acted for proper purpose;
- c. been answerable to the Company for the application or misapplication of its assets;
- d. avoided actual and potential conflicts of interest and duty;
- e. applied such degree of skill, care and diligence as may reasonably be expected of a person of our knowledge and experience and holding our offices within the Company;
- f. allocated sufficient time to attend to the affairs in relation to the operation, financial and internal control of the Company and utilized our best effort to enquire and communicate with the Board, the executive directors and the management of the Company in this regard;
- g. attended all board meetings as requested by the Company either in person or by means of written resolutions and/or telephone conference;
- h. satisfied the HKEX that we have the character, experience and integrity and been able to demonstrate a standard of competence commensurate with our position as a director of a listed company.

19. The Company's allegations against Ms. Carman Chan in its announcement dated 23 May 2017 are untrue, unreasonable and irrational without legitimate reasons, solid evidence and substantiation. We hereby reserve all our rights.

We take this opportunity to remind you that Rule 13.51(2) of the Listing Rules, amongst other things, requires the Company to publish an announcement as soon as practicable, in regard to the resignation of a director, the reasons given by him for his resignation (including, but not limited to, any information relating to his disagreement with the board and a statement whether or not there are any matters that need to be brought to the attention of holders of securities of the Company).

This Letter should not be disclosed, referred to or quoted in whole or in part without our prior written consent.

We also confirm that in the announcement referred to above, you may disclose those matters contained in the letter that are required to be disclosed pursuant to the above mentioned Listing Rule.

We would also like to remind you that the Company is liable for the outstanding directors' allowance due to Ms. Carman Chan starting from 1 October 2016 and Ms. Long Xiaoning starting from 1 April 2017 up till today. Further, all our rights to seek indemnification from you for all the losses and damages we may suffer during our offices as directors of the Company are hereby reserved.

Yours faithfully,



Carman Chan
INED



Long Xiaoning
INED

Annexure 1

Failure to Provide Material Information and Documents for Review of 2016 Interim Results and

2016 Annual Report

Failures of [REDACTED] for providing us as directors and Audit Committee members, with information, representations, submission, evidence and documents to indicate and justify for the following transactions.

Transaction 1: Continuing Connected Transactions for the provision of HK\$ [REDACTED] guarantee

1. Five Size Test Form to ascertain the nature of the captioned transaction;
2. whether the terms of the captioned transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and the shareholders as a whole;
3. the letter of the independent financial adviser ("IFA") to substantiate that the terms of the captioned transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and the shareholders as a whole;
4. the reasons for and benefits to the Company of the captioned transactions;
5. the benefits to the connected persons at the expense of the Company;
6. the exclusion and losses of interest income suffered by the Company for providing the guarantee;
7. the defects and remedies of the internal control of the captioned transactions;
8. the financial impacts of the captioned transactions on the Company and its previously published financial results and statements;
9. the use of the proceeds from the guarantee by the connected persons of the captioned transactions;
10. the PRC legal opinions for the captioned transactions, despite our repeated requests and demands;
11. the risks of defaults of the repayment of the relevant proceeds for the guarantee, including but not limited to, relevant collaterals, corporate and personal guarantees, mortgage of properties and assets, etc.;
12. the credit check and review on financial capabilities of the connected persons for the repayment of relevant proceeds for the guarantee;
13. the relevant litigation searches, bankruptcy searches and winding up searches on the connected persons for ascertaining the solvency of the connected persons;
14. the risks of defaults of the connected persons for repayment of the relevant proceeds for the guarantee;
15. the adverse financial impact on the Company as a result of defaults of the connected persons for the said repayment, including but not limited to, the issues of going concern of the Company;
16. the contingency plans and remedies of the Company to counteract the adverse situations resulting from the said defaults.

Transaction 2: Continuing Connected Transactions for the guarantee fees for HK\$ [REDACTED] guarantee

1. Five Size Test Form to ascertain the nature of the captioned transactions;
2. whether the terms of the captioned transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and the shareholders as a whole;
3. the letter of the independent financial adviser ("IFA") to substantiate that the terms of the captioned transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and the shareholders as a whole;
4. the reasons for and benefits to the Company of the captioned transactions;
5. the benefits to the connected persons at the expense of the Company;
6. the exclusion and losses of interest income suffered by the Company for providing the guarantee;
7. the defects and remedies of the internal control of the captioned transactions;
8. the financial impacts of the captioned transactions on the Company and its previously published financial results and statements;
9. the PRC legal opinions for the captioned transaction, despite of our repeated requests and demands.

Transaction 3: Transactions for Provision of Financial Assistance of Rmb \$ [REDACTED] to the independent third parties

1. Five Size Test Form to ascertain the nature of the captioned transaction;
2. whether the relevant recipients of the financial assistance are independent third parties;
3. whether the interests charged by the Company for the financial assistance as fair and reasonable;
4. the exclusion and losses of interest income suffered by the Company for providing the financial assistance;
5. the reasons for and benefits to the Company of the captioned transaction;
6. the benefits to the relevant recipients of the financial assistance at the expense of the Company;
7. the defects and remedies of the internal control of the captioned transaction;
8. the financial impacts of the captioned transaction on the Company and its previously published financial results and statements;
9. the use of the proceeds from financial assistance by the recipients of the captioned transactions;
10. the PRC legal opinions for the captioned transactions, despite of our repeated requests and demands;
11. the risks of defaults of the repayment of the relevant proceeds for the financial assistance, including but not limited to, relevant collaterals, corporate and personal guarantees, mortgage of properties and assets, etc.;
12. the credit check and review on financial capabilities of the recipients for the repayment of relevant proceeds for financial assistance;
13. the relevant litigation searches, bankruptcy searches and winding up searches on the recipients for ascertaining the solvency of the recipients;
14. the risks of defaults of the recipients for repayment of the relevant proceeds for the financial assistance;

15. the adverse financial impact on the Company as a result of defaults of the recipients for the said repayment, including but not limited to, the issues of going concern of the Company;
16. the contingency plans and remedies of the Company to counteract the adverse situations resulting from the said defaults.