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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 THE AFFAIRS OF THE GROUP

Reference is made to:

- (i) the holding announcements of the Company dated 25 July 2014 and 31 July 2014 in relation to, among other matters, the Incidents;
- (ii) the Dividend Postponement Announcement;
- (iii) the August Announcement;
- (iv) the announcement of the Company dated 28 August 2014 in relation to, among other matters, the delay in publication of the 2014 Interim Results and the despatch of the 2014 Interim Report;
- (v) the announcements of the Company dated 24 October 2014, 28 November 2014 and 31 December 2014, 30 January 2015, 27 February 2015, 31 March 2015 and 30 April 2015 (“**April Announcement**”) in relation to, among other matters, an update of the affairs of the Group (collectively, “**Update Announcements**”);
- (vi) the announcement of the Company dated 14 November 2014 in relation to, among other matters, the conditions imposed by the Stock Exchange for the resumption of trading in the shares of the Company; and
- (vii) the Reorganisation Announcement.

This announcement serves as an update on the latest developments in relation to, among other matters, the Demands and the financial position and business operations of the Group. Capitalised terms used in this announcement have the same meanings as those defined in the Update Announcements unless otherwise specified.

FINANCIAL POSITION AND BUSINESS OPERATIONS OF THE GROUP

Proposed plan for the resumption of trading

There has been no material development in relation to the Company's proposed plan for the resumption of trading, postponement of payment of the Final Dividend and the publication of the 2014 Interim Results and the 2014 Annual Results.

As disclosed in the April Announcement, the first creditors' meeting of the Company was scheduled to be held on 25 June 2015. After the first creditors' meeting of the Company, the Reorganisation is expected to proceed subject to, among other matters, the following requirements under the applicable PRC laws and regulations:

- (i) within six months from the date on which the Quanzhou Court officially accepted the application for the Reorganisation (i.e. 1 April 2015), the Reorganisation proposal shall be submitted to the Quanzhou Court and the creditors' meeting of the Company;
- (ii) within 30 days from the date on which the Quanzhou Court receives the Reorganisation proposal, a creditors' meeting shall be held to consider and, if thought fit, approve the Reorganisation proposal;
- (iii) (if the Reorganisation proposal has been approved in the creditors' meeting mentioned above) within 10 days from the date of such meeting, the Administrator shall apply to the Quanzhou Court for the approval of the Reorganisation proposal; and
- (iv) (if the Quanzhou Court decides that the Reorganisation proposal complies with the applicable laws and regulations) within 30 days from the date of receipt of the aforementioned application from the Administrator, the Quanzhou Court shall announce its approval on the Reorganisation proposal and the Company shall implement the Reorganisation proposal as approved by the Quanzhou Court.

Business operation of the Group

Since the date of the April Announcement, the total number of retail shops of the Group has decreased by one shop to 94 shops as at the date of this announcement. Save as disclosed above, there has been no material development in relation to the business operation of the Group since the date of the April Announcement.

Based on the recent collation of the Group's internal records, subsequent to the Company's trading suspension on 23 July 2014, the Group's business operation had been affected in the following manner:

Product planning, design and development

The Group's development plan for products for spring and summer are generally devised in the second half of the previous year and that for products for autumn and winter are generally devised in the first half of the relevant year. In view of the financial conditions of the Group subsequent to the trading suspension, during the second half of 2014, the Group planned to decrease the number of products to be developed in the first half of 2015 to approximately 750 items, as compared with approximately 13,000 items for the second half

of 2014. Accordingly, based on the Group's internal records, the number of products developed by the Group decreased from approximately 7,000 items during the three months ended 31 March 2014 to approximately 500 items during the three months ended 31 March 2015. Further, in order to reduce its expenses in research and development, the Group has downsized its design team from 60 members as at 30 June 2014 to 8 members as at 31 December 2014.

Procurement of goods

As the Group focused on the sale of inventories during the six months ended 31 December 2014, according to the Group's internal records, (i) the number of products procured by the Group decreased from approximately 1 million items during the six months ended 30 June 2014 to approximately 100,000 items during the six months ended 31 December 2014; and (ii) the total procurement costs of the Group decreased from approximately RMB274 million in the six months ended 30 June 2014 to approximately RMB23 million in the six months ended 31 December 2014.

Sales and marketing

As (i) the Group closed down certain retail shops for cost control and profit optimisation in the six months ended 31 December 2014; and (ii) the Group focused on the sale of inventories at its remaining shops in the six months ended 31 December 2014, the Company recorded a drop in the average selling price and sales volume of the Group's products in the six months ended 31 December 2014, compared with those in the six months ended 30 June 2014, according to the Group's internal records. Accordingly, the unaudited revenue of the Group as shown on its management accounts decreased from approximately RMB264 million for the six months ended 30 June 2014 to approximately RMB34 million for the six months ended 31 December 2014.

To reduce the marketing expenses of the Group in view of the financial conditions of the Group subsequent to the trading suspension, the Group stopped placing commercial advertisements and sponsoring events for the promotion of its business. Meanwhile, the Group continued to maintain its relationship with its existing customers through our customer membership programme. In spite of the lack of working capital and limited scale of business activities resulted from the Incidents, the operation of the Group continues and its financial position is expected to improve after it receives income from the continuing sale of its products through its retail shops and/or investment from potential investors in the Company.

DEMAND LETTERS FROM FINANCIAL INSTITUTIONS AND OTHER DISPUTES

Demand letters from financial institutions

There is no material development in relation to the Demands and the demand letter against Sun Power since the date of the April Announcement. It is expected that disputes regarding the Demands and the demand letter against Sun Power will be handled in the Reorganisation.

Civil actions and arbitration cases against the Group

Based on the Group's recent collation of its internal records, since the date of the April Announcement, one civil action was brought by an individual against Mr. Ding Hui and the Company in relation to a debt of approximately RMB9.4 million owed by Mr. Ding Hui to the plaintiff in that case, which was guaranteed by the Company.

In May 2015, according to the Group's internal records, the PRC courts have issued judgments in relation to two of the outstanding civil actions disclosed in the April Announcement, namely:

- (i) one civil action brought against a subsidiary of the Company by a financial institution for loan repayment from such subsidiary, in which the PRC court ordered such subsidiary to repay a total loan amount of approximately RMB19.6 million to the plaintiff in that case together with interest thereon; and
- (ii) one civil action brought by a company against the Company in relation to the plaintiff's claim for outstanding charges for exhibition services, in which the PRC court ordered the Company to repay a total amount of approximately RMB180,000.

Save as disclosed above, there has been no material development in relation to the civil actions and arbitration cases against the Group since the date of the April Announcement. Based on the Group's recent collation of its internal records, as at the date of this announcement, there were 12 civil actions against the Group and 28 arbitration cases awaiting decisions from the relevant PRC court and arbitration committees respectively.

Civil actions against Mr. Ding Hui and Mr. Ding Canyang

There has been no material development in relation to civil actions against Mr. Ding Hui and Mr. Ding Canyang since the date of the April Announcement.

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

There has been no material development in relation to the proposed formal removal of Mr. Ding Hui as director of the Company since the date of the April Announcement.

SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 11:25 a.m. on 23 July 2014, and will remain suspended pending the release of further information by the Company.

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, the Demands, the Application and other relevant matters by way of further announcement(s) in accordance with regulatory requirements.

By Order of the Board
Fujian Nuoqi Co., Ltd.
Chen Quanyi
Executive Director

Hong Kong, 29 May 2015

As at the date of this announcement, the executive Directors are Ding Hui, Ding Canyang 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.