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*(a joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 1353)*

(1) UPDATE ON THE AFFAIRS OF THE GROUP; AND (2) SECOND DELISTING STAGE

Reference is made to (i) the announcement of the Company dated 28 January 2016 (“**First Delisting Announcement**”); (ii) the announcement of the Company dated 6 July 2016 (the “**June Announcement**”) and the announcements referred to therein; and (iii) the announcement of the Company dated 27 July 2016 (“**R3.5 Announcement**”). Capitalised terms used in this announcement have the same meanings as those defined in the June Announcement unless otherwise specified.

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.

FINANCIAL POSITION AND BUSINESS OPERATIONS OF THE GROUP

Proposed plan for the resumption of trading

On 22 July 2016, a restructuring agreement was entered into between Hao Tian Investment (China) Company Limited (昊天投資(中國)有限公司) (“**Hao Tian China**”) and the Company, pursuant to which, among others, (i) Hao Tian China conditionally agreed to participate in the restructuring of the Company, in replacement of 羅馬世家(天津)服裝服飾銷售有限公司(Romaster (Tianjin)*), as the party responsible for the restructuring (重組方) under the Reorganisation Proposal; and (ii) for the retention of the Assets in the Company and the transfer of 51% equity interest in the Company to Hao Tian China. Please refer to the R3.5 Announcement for further information.

Business operation of the Group

Since the date of the June Announcement, the total number of retail shops of the Group has remained unchanged at 91 shops as at the date of this announcement. There has been no material development in relation to the business operation of the Group since the date of the June Announcement.

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 June Announcement.

Civil actions and arbitration cases against the Group

Based on the Group's recent collation of its internal records, since the date of the June Announcement:

1. two civil actions were brought against the Company regarding labour disputes at an aggregate compensation of approximately RMB460,000; and
2. four court orders were granted in relation to four civil actions against the Company and its subsidiary regarding franchising fees and such subsidiary was ordered to pay compensation of approximately RMB1.13 million in aggregate.

The compensation claimed against the Company in the cases set out above is within the estimate of the Company's debts under the Reorganisation Proposal. Save as disclosed, there has been no material development in relation to the civil actions and arbitration cases against the Group since the date of the June Announcement. As at the date of this announcement, there were 11 civil actions against the Group awaiting decisions from the relevant PRC courts.

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

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

SECOND DELISTING STAGE

On 26 July 2016, the Board received a letter from the Stock Exchange in which the Company was informed that the Stock Exchange has placed the Company in the second delisting stage under Practice Note 17 to the Listing Rules. The Company is required to submit a viable resumption proposal at least 10 business days before 25 January 2017, being the expiry date of the second delisting stage to demonstrate that the Company has sufficient operations or value of assets as required under Rule 13.24 of the Listing Rules.

The Company is also required to:

- (i) conduct an appropriate forensic investigation on the unauthorised transactions entered into by the Company without authorisation by the Board, and address issues identified;

- (ii) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems;
- (iii) demonstrate that there is no reasonable regulatory concern about management integrity which will pose a risk to investors and damage market confidence;
- (iv) publish all outstanding financial results and address any audit qualifications; and
- (v) inform the market about all material information of the Company.

The letter further states that the proposal must be clear, plausible and coherent, and contain sufficient details (including forecasts and clear plan for further business development) for the assessment of the Stock Exchange. The Company must demonstrate that it has a business of substance and the business model is viable and sustainable. The proposal should also comply with the Listing Rules and all applicable laws and regulations. The Stock Exchange will determine whether to place the Company in the third delisting stage at the end of the second delisting stage.

Further announcement(s) will be made by the Company when appropriate in accordance with the Listing Rules.

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 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, 1 August 2016

As at the date of this announcement, the executive Directors are Ding Hui, Ding Canyang and Chen Quanyi; and the non-executive Directors are Han Huiyuan and Ding Lixia.

* *For identification purposes only*