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**CHINA TAIFENG BEDDINGS HOLDINGS LIMITED**  
**中國泰豐床品控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 873)**

**SUSPENSION OF DIRECTORS' DUTIES;  
INVESTIGATIONS MADE BY SPECIAL INVESTIGATION  
COMMITTEE; AND  
APPOINTMENT OF PRC LEGAL ADVISOR**

Reference is made to the announcements of China Taifeng Beddings Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2015, 31 March 2015, 1 April 2015, 17 April 2015, 22 May 2015, 2 June 2015, 25 June 2015, 19 July 2015, 22 July 2015, 7 August 2015, 31 August 2015, 28 October 2015, 5 February 2016, 18 May 2016, 27 June 2016, 29 September 2016 and 22 November 2016 (the “**Previous Announcements**”), in relation to, amongst other matters, latest status of fulfilling the resumption conditions. Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as defined in the Previous Announcements.

**SUSPENSION OF DIRECTORS' DUTIES**

The board of directors (the “**Board**”) wishes to inform the Shareholders of the Company that on 26 May 2017, due to the investigation to be carried out by the Special Investigation Committee, the Board has resolved to suspend, with effect from 26 May 2017, the duties and functions of Mr. Liu Qingping (“**Mr. Liu**”) as Chairman of the Board and executive Director, pending the outcome of the investigation of the Special Investigation Committee.

## **INVESTIGATIONS MADE BY SPECIAL INVESTIGATION COMMITTEE**

As mentioned in the announcement of the Company dated 25 June 2015, the Company has established a Special Investigation Committee, comprising all independent non-executive Directors, namely Mr. Li Yuchun, Mr. Chan Kin Sang, and Mr. Dai Shunlin to investigate Audit Issues raised by BTHK that lead to the delay in publishing the Annual Results. Since Dr. CHEUNG Wai Bun Charles, the newly appointed independent non-executive Director has relevant experience in advising the listed company on the resumption of trading, the Company has appointed Dr. Cheung as one of the committee member of the Special Investigation Committee.

In October 2015, the Special Investigation Committee has engaged FTI to conduct an independent review on the Audit Issues and Elite Partners Risk Advisory Services Limited to review internal control procedures on selected areas of the Group and they would report the significant findings and will suggest the improvements on those selected areas, if any, to the Special Investigation Committee.

Since the kick off of the forensic investigation, the Special Investigation Committee has subsequently requested the company to actively cooperate with FTI and to provide supplemental information in order to resolve the Audit Issues. However, it seemed that there has been no progress and resulting in the delay in the issue of the forensic investigation report.

The first draft investigation forensic report by FTI to the Company was issued during September 2016, the draft investigation forensic report set out the major findings of the forensic investigation. Since the major findings involved a number of unsolved audit issues, the Special Investigation Committee has been actively pursuing the management of the Company to deal with the findings and deficiencies in the Company's internal control policies as identified by FTI (the "**Outstanding Issues**").

However, more than six months has lapsed since the issued a draft investigation forensic report, no further action or remedial plan has been proposed or executed by the management of the Company in this regard. The executive directors claimed that the Company has been actively cooperate with FTI and has provided all necessary documents to FTI to support its forensic investigation and FTI just do not agree with the company's views or the information provided. There is no further material available for the FTI's inspection. The Special Investigation Committee considered that the management of the Company appears to be unable to resolve the Outstanding Issues. The Special Investigation Committee therefore has been actively seeking advice from some professional parties and is currently reviewing on the current business and operation of the Company in order to work out the solutions and remedial measures to resolve the Outstanding Issues.

On 25 May 2017, the Special Investigation Committee has conducted a site visit to the bedding workshop and spinning plants of the Company in the PRC. During the site visit, the Special Investigation Committee noted that the bedding workshop and some of the spinning plants has stopped operating. Furthermore, the number of staff has also decreased significantly. The Special Investigation Committee tried to arrange an interview with the finance manager in this regard. However, no interview can be arranged during the site visit. In light of the above unusual findings and observations, the Special Investigation Committee is feeling surprised and unexpected.

Several independent directors have consistently expressed their concern and unease about the current situation. The Special Investigation Committee recommends that the directors of the company should take positive measures including but not limited to:

- (i) since the key outstanding issues are arising from major operation of the Company (including restructuring channel, sale recognition and trade receivables and the provision of guarantee, etc.), it is doubtful that the current management is still suitable for retaining their directorship in the Company. Therefore, the Special Investigation Committee proposed to suspend the Chairman, Mr. Liu Qingping from all his duties, powers, functions and authorities in the Company to prevent obstacles in the future investigations.
- (ii) based on the terms of reference of the Special Investigation Committee, to appoint appropriate professional parties to advise and assist the Company dealing with the current situation of the Company; and assist the Company on the resumption of shares.

The above proposal has been approved by the Board on 25 May 2017.

## APPOINTMENT OF PRC LEGAL ADVISOR

On 29 May 2017, through the referral from Dr. Cheung, the Special Investigation Committee has appointed Shanghai Co-effort (Xiamen) Law Firm 上海協力(廈門)律師事務所 as the PRC legal advisor (the “**PRC Legal Advisor**”) to assist the committee to follow up the current situation of the Company; and to further investigate the Audit Issues raised by BTHK and findings from FTI’s forensic investigation.

The scope of work of the PRC Legal Advisor includes but not limited to:

- (a) understand the Audit Issues, its overall impact on the Company and the remedy measures from the point of view of the PRC Laws;
- (b) understand the findings from the FTI Report, its overall impact on the Company and the remedy measures from the point of view of the PRC Laws;
- (c) understand the operating, financial, hidden liabilities and the integrity of the management and directors of the Company as a result of the above (a) and (b) from the point of view of the PRC Laws;
- (d) understand the legitimacy of documents and transactions involved, whether it involves improper management or false information from the point of view of the PRC Laws;
- (e) understand the remedies available to the company from the point of view of the PRC Laws;
- (f) understand the relevant legal advice on the channels and methods of accountability from the point of view of the PRC Laws; and
- (g) make due diligence on the company’s recent overall situation from the point of view of the PRC Laws.

The PRC legal advisor will complete all of the above works within four weeks and will submit a written report to the Independent Investigation Committee. Further announcements will be issued to update the Shareholders as and when appropriate.

## **CONTINUED SUSPENSION OF TRADING OF THE SHARES**

Trading in the Shares on the Stock Exchange remain suspended until further notice.

**The Company will keep the Shareholders and public informed of any material development in connection with the above matters by way of periodic announcements and/or further announcement(s) as and when appropriate.**

By Order of the Board  
**China Taifeng Beddings Holdings Limited**  
**Zou Shengzhong**  
*Executive Director*

Shandong, the PRC, 29 May 2017

*As at the date of this announcement, the Board comprises of three executive Directors, namely, Mr. LIU Qingping, Mr. ZOU Shengzhong, Ms. QI Tongli; and four independent non-executive Directors, namely, Dr. CHEUNG Wai Bun Charles, J.P., Mr. CHAN Kin Sang, Mr. LI Yuchun and Mr. DAI Shunlin.*