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Wang Yang Holdings Limited

泓盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1735)

SUPPLEMENTAL ANNOUNCEMENT IN RESPECT OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Reference is made to the announcement of Wang Yang Holdings Limited (the “**Company**”) dated 4 October 2019 (the “**Announcement**”) in respect of, among other things, the appointment of Dr. Zhou Chunsheng (“**Dr. Zhou**”) as an independent non-executive director of the Company. Capitalised terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The Board would like to supplement the following information in respect of Dr. Zhou pursuant to Rules 13.51B(2) and 13.51(2) of the Listing Rules as follows:

The Board was informed by Dr. Zhou on 23 October 2019 that Zhonghong Holdings Co., Limited (“**Zhonghong Holdings**”), a company then listed on the Shenzhen Stock Exchange (stock code: 000979) and of which Dr. Zhou has been serving as an independent non-executive director, received an Investigation Notice (《調查通知書》) (the “**Investigation Notice**”) from the China Securities Regulatory Commission (the “**CSRC**”) on 14 August 2018. According to the Investigation Notice, Zhonghong Holdings’s financial reports in 2017 were alleged to have contained certain false information and investigation was carried out by the CSRC in respect of such allegation (the “**CSRC Incident**”). No decision has been issued by the CSRC as at the date of this announcement. In addition, the Shenzhen Stock Exchange issued a Decision on Disciplinary Actions against Zhonghong Holdings and Parties Concerned (《關於對中弘控股股份有限公司及相關當事人給予紀律處分的決定》) (the “**SZSE Decision**”) on 4 September 2018. Pursuant to the SZSE Decision, there were four incidents of irregularities (the “**SZSE Incidents**”) on the part of Zhonghong Holdings, the details of which are set out below:

- (i) *Failure to undergo approval procedures and comply with timely disclosure obligations for a major transaction*

Zhonghong Holdings entered into a share acquisition framework agreement (the “**Framework Agreement**”) with Sanya Luhuitou Tourism District Development Co., Ltd.* (三亞鹿回頭旅遊區開發有限公司) and Hainan Xinjia Travel Industry Development Co., Ltd* (海南新佳旅業開發有限公司) on 30 November 2017. On 28 December 2017, Zhonghong Holdings prepaid the acquisition price of RMB6.15 billion (the “**Payment**”) in accordance with the provisions of the Framework Agreement, accounting for approximately 63% of the audited net assets of Zhonghong Holdings for 2016. The Payment was made by the actual controller of Zhonghong Holdings without

the approval of the board of directors and the shareholders of Zhonghong Holdings, and no announcement was made by Zhonghong Holdings in respect of the Payment. The chief financial officer (who was also a director) of Zhonghong Holdings was aware of the above transaction but failed to comply with the necessary reporting obligations in a timely manner.

- (ii) *Failure to return proceeds for replenishment of working capital to the designated account upon maturity*

On 27 April 2017, the board of directors and the supervisory committee of Zhonghong Holdings considered and passed a resolution in relation to the use of certain idle funds to supplement the working capital of Zhonghong Holdings. On the same day, Zhonghong Holdings transferred RMB2.68 billion from its funds account to its basic account for the repayment of short-term borrowed funds, the payment of land price, the payment of bonds interest and the repayment of borrowings for projects. As at 27 April 2018, the above proceeds used for the replenishment of working capital totalling RMB2,578,340,000 matured but was not returned to the designated account, which was in breach of Article 6.3.8 of the Main Board Listed Company Regulated Operation Guidelines of the Shenzhen Stock Exchange, which states that the duration of a single replenishment of working capital shall not exceed 12 months.

- (iii) *Delayed disclosure of amendment of annual results forecast*

According to the annual results forecast for the year 2017 issued by Zhonghong Holdings on 31 January 2018, the net loss attributable to its shareholders for the year 2017 amounted to RMB1 billion. According to an announcement relating to the amendment of the annual results forecast for the year 2017 (the “**Clarification Announcement**”) issued by Zhonghong Holdings on 14 April 2018, the net loss attributable to its shareholders for the year 2017 amounted to RMB2.48 billion. The Shenzhen Stock Exchange was of the view that there was material delay on the issue of the Clarification Announcement.

- (iv) *Failure to comply with disclosure obligations in a timely manner for a material administrative penalty*

On 19 September 2017, Hainan Ruyi Island Resort Investment Co., Ltd.* (海南如意島旅遊度假投資有限公司) (“**Hainan Ruyi**”), a wholly-owned subsidiary of Zhonghong Holdings, received an administrative decision (City Ocean and Fishery Ocean Supervision and Enforcement Penalty 2017 No. 010) from the Haikou City Ocean and Fisheries Bureau* (海口市海洋和漁業局), pursuant to which Hainan Ruyi was imposed a penalty of RMB37,330,000. Hainan Ruyi settled the entire penalty on 30 November 2017. Zhonghong Holdings had failed to comply with the necessary disclosure obligations in a timely manner with respect to the above matter.

Taking into consideration of the above, the Shenzhen Stock Exchange made a decision to (i) impose a public censure on Zhonghong Holdings; (ii) impose a public censure on each of the then actual controller, the chairman of the board of directors, and the chief financial officer (who was also a director) of Zhonghong Holdings; and (iii) issue a notice of criticism on some of the then directors and supervisors of Zhonghong Holdings, in which Dr. Zhou was not a subject of the criticism. To the best knowledge,

information and belief of the Board, Dr. Zhou is not involved in the day-to-day management of Zhonghong Holdings, and has not been subject to any censure, administrative penalty or criticism by the Shenzhen Stock Exchange and the CSRC.

The Board is of the view that Dr. Zhou's extensive management experience in listed companies in Hong Kong and the PRC will effectively promote the Company's business development in the long term. In particular, the Board is of the view that the CSRC Incident and the SZSE Incidents (collectively, the "**Incidents**") do not affect Dr. Zhou's suitability to act as an independent non-executive Director based on the best knowledge, information and belief of the Board and for the reasons that (i) Dr. Zhou was not a subject of the public censure or the notice of criticism imposed or issued by the Shenzhen Stock Exchange in respect of the SZSE Incidents; (ii) Dr. Zhou is not involved in the day-to-day management of Zhonghong Holdings, and has not been subject to any censure, administrative penalty or criticism by the Shenzhen Stock Exchange and the CSRC; (iii) there was no wrongful act on the part of Dr. Zhou leading to the Incidents; (iv) the Incidents do not impair the character and integrity of Dr. Zhou; (v) as at the date of this announcement, Dr. Zhou was not aware of any actual or potential claim that had been or would be made against him as a result of the Incidents.

Save as being an independent non-executive director of Zhonghong Holdings as disclosed above and save as disclosed in the Announcement, as at the date of the Announcement, Dr. Zhou was an independent non-executive director of Transfar Zhilian Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002010), Guosheng Financial Holding Inc. (a company listed on the Shenzhen Stock Exchange, stock code: 002670), Kunwu Jiuding Investment Holdings Co., Limited (a company listed on the Shanghai Stock Exchange, stock code: 600053) and a director of Nanda Automation Technology Jiangsu Co., Ltd (a company listed on the National Equities Exchange and Quotations Co., Ltd., stock code: 834876) and an independent director of Leshan City Commercial Bank. Dr. Zhou was an independent non-executive director of Green Leader Holdings Group Limited (a company listed on the Stock Exchange, stock code: 61) from June 2013 to August 2019.

Save as disclosed above, Dr. Zhou did not hold any directorship in any public companies, the securities of which are listed in Hong Kong or overseas, in the last three years preceding the date of the Announcement.

According to the annual reports of the listed companies of which Dr. Zhou remains as a director, Dr. Zhou had a good track record in attending meetings (including committee, board and general meetings) of the relevant companies. Based on Dr. Zhou's good attendance record in the meetings of these listed companies, the mostly non-executive nature of the roles he is assuming in such companies and his extensive management experience in listed companies in Hong Kong and the PRC, the Directors (other than Dr. Zhou) are of the view that Dr. Zhou will be able to devote sufficient time to discharge his duties as an independent non-executive Director.

Save as disclosed above, (a) there is no other information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules and there are no other matters relating to Dr. Zhou's appointment that need to be brought to the attention of the Shareholders; and (b) all other information as disclosed in the Announcement remains unchanged.

By Order of the Board
Wang Yang Holdings Limited
Yu Zhuyun
Chairman and Executive Director

Hong Kong, 25 October 2019

As at the date of this announcement, the executive directors of the Company are Mr. Yu Zhuyun (Chairman) and Mr. Zhu Fei (Chief Executive Officer); the non-executive directors of the Company are Mr. Qiao Xiaoge, Mr. Gao Jian and Ms. Zhu Yujuan; and the independent non-executive directors of the Company are Dr. Li David Xianglin, Mr. Wang Wenxing and Dr. Zhou Chunsheng.

* *For identification purpose only*