



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the 1st Quarter ended 30 June 2017 (“1Q2018”)

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 &Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Increase/ (Decrease) %
	3 months ended 30 June 2017 RMB'000	3 months ended 30 June 2016 RMB'000	
Revenue	48,023	32,432	48.1
Cost of sales	(37,805)	(29,021)	30.3
Gross profit	10,218	3,411	199.6
<u>Other Items of Income</u>			
Interest income	70	74	(5.4)
Other gains – Note (i)	591	419	41.1
<u>Other Items of Expense</u>			
Distribution costs	(5,071)	(2,975)	70.5
Administrative expenses	(7,957)	(8,484)	(6.2)
Finance costs	(684)	(912)	(25.0)
Other losses – Note (ii)	(87)	(214)	(59.3)
Loss before tax from continuing operations	(2,920)	(8,681)	N.M.
Income tax expense	(182)	(232)	(21.6)
Loss from continuing operations, net of tax	(3,102)	(8,913)	N.M.
Loss from discontinued operations, net of tax	-	(2,868)	N.M.
Loss after income tax	(3,102)	(11,781)	N.M.
Note (i) – Other Gains			
Allowance for impairment on trade receivables - reversal	157	172	(8.7)
Gain on disposal of property, plant & equipment	320	7	4471.4
Government grant	114	240	(52.5)
	591	419	41.1
Note (ii) – Other Losses			
Foreign exchange adjustment loss	(87)	(214)	(59.3)
	(87)	(214)	(59.3)

Loss before income tax from continuing operations was stated after crediting / (charging) :-

Amortisation expenses	(661)	(700)	(5.6)
Depreciation expenses	(5,184)	(4,564)	13.6
Allowance for impairment on trade receivables - reversal	157	172	(8.7)
Foreign exchange adjustment loss	(87)	(214)	(59.3)
Interest expense	(684)	(912)	(25.0)
Interest income from bank deposits	70	74	(5.4)
Gain on disposal of property, plant & equipment	320	7	4471.4

1(a)(ii) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Cont'd)

	Group		Increase/ (Decrease) %
	3 months ended 30 June 2017 RMB'000	3 months ended 30 June 2016 RMB'000	
Loss after income tax	(3,102)	(11,781)	N.M.
Foreign currency translation difference	3	171	(98.2)
Total comprehensive loss for the period	<u>(3,099)</u>	<u>(11,610)</u>	N.M.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 June 2017 RMB'000	31 March 2017 RMB'000	30 June 2017 RMB'000	31 March 2017 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	203,397	207,940	104	113
Other assets, non-current	74,905	75,566	-	-
Investment in subsidiary	-	-	110,920	111,150
Deferred tax assets	17,320	17,327	-	-
Total non-current assets	295,622	300,833	111,024	111,263
Current assets :				
Inventories	32,802	35,353	-	-
Trade and other receivables (Note 1)	57,143	61,135	16	30
Other assets, current	23,454	20,365	97	143
Cash and cash equivalents	75,584	83,250	689	200
Total current assets	188,983	200,103	802	373
Total assets	484,605	500,936	111,826	111,636
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	160,253	163,355	(7,714)	(7,816)
Other reserves	88,972	88,969	(1,368)	(1,141)
Total equity	366,074	369,173	107,767	107,892
Non-Current liabilities :				
Deferred tax liabilities	2,100	2,075	-	-
Total non-current liabilities	2,100	2,075	-	-
Current liabilities :				
Trade and other payables (Note 2)	74,057	67,489	4,059	3,744
Other financial liabilities, current	39,650	59,650	-	-
Other liabilities	2,724	2,549	-	-
Total current liabilities	116,431	129,688	4,059	3,744
Total liabilities	118,531	131,763	4,059	3,744
Total liabilities and equity	484,605	500,936	111,826	111,636
Note 1				
Trade receivables	48,862	53,284	-	-
Amount receivable from subsidiary	-	-	16	30
Other receivables	8,281	7,851	-	-
Total trade and other receivables	57,143	61,135	16	30
Note 2				
Trade payables and accruals	51,715	45,999	3,404	3,320
Other payables	22,342	21,490	655	424
Total trade and other payables	74,057	67,489	4,059	3,744

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

(RMB'000)

30 June 2017		31 March 2017	
Secured	Unsecured	Secured	Unsecured
39,650	-	59,650	-

Amount repayable after one year

(RMB'000)

30 June 2017		31 March 2017	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 June 2017, the Group has aggregate secured short-term loans from financial institutions of RMB 39.7 million.

Secured short-term bank loans of RMB 39.7 million are secured using our subsidiary, Shandong Yinguang Technology Co., Ltd ("Yinguang Technology")'s land and buildings with net book value of approximately RMB 79.1 million. The secured short-term bank loans bear an interest rate of 4.73% per annum.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	3 months ended 30 June 2017 RMB'000	3 months ended 30 June 2016 RMB'000
Cash flows from operating activities		
Loss before tax from continuing operations	(2,920)	(8,681)
Adjustments for :		
Amortisation expenses	661	700
Depreciation expense	5,184	4,564
Interest income	(70)	(74)
Interest expenses	684	912
(Gain)/Loss on disposal of property, plant & equipment	(320)	(7)
Allowance for impairment on trade receivables – reversal	(157)	(172)
Provision for safety expenses	665	587
Net effect of exchange rate changes in translation of financial statements of Parent	3	167
Operating profit/(loss) before working capital changes	3,730	(2,004)
Inventories	2,551	(2,948)
Trade and other receivables	4,149	2,693
Other assets	(3,089)	(1,647)
Trade and other payables	6,568	4,931
Other liabilities	(490)	(625)
Net cash generated from operations before tax	13,419	400
Income tax paid	(150)	(8)
Net cash flows from operating activities, continuing operations	13,269	392
Net cash flows used in operating activities, discontinued operating activities	-	(34,409)
Net cash from/(used in) operating activities	13,269	(34,017)
Cash flows from investing activities		
Proceeds from disposal of property, plant & equipment	400	265
Purchase of property, plant and equipment	(721)	(2,440)
Payment for land use rights	-	(58)
Interest received	70	74
Net cash flows used in investing activities, continuing operations	(251)	(2,159)
Net cash flows from discontinued investing activities	-	34,944
Net cash (used in)/from investing activities	(251)	32,785
Cash flows from financing activities		
Proceeds from bank borrowings	10,000	51,890
Repayment of borrowings	(30,000)	(38,500)
Interest paid	(684)	(912)
Net cash flows (used in)/from financing activities, continuing operations	(20,684)	12,478
Net cash flows used in discontinued financing operations	-	(698)
Net cash (used in)/from financing activities	(20,684)	11,780
Net (decrease)/increase in cash	(7,666)	10,548
Cash and cash equivalents at beginning of the period	83,250	91,036
Cash and cash equivalents at end of the period	75,584	101,584

- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Share capital	Statutory reserve	Capital reserve	Foreign currency translation reserves	Retained earnings	Total
Group (RMB'000)						
Balance at 1 April 2017	116,849	44,117	44,000	852	163,355	369,173
Total comprehensive income/(loss) for the period	-	-	-	3	(3,102)	(3,099)
Balance at 30 June 2017	116,849	44,117	44,000	855	160,253	366,074
Balance at 1 April 2016	116,849	44,117	44,000	755	162,333	368,054
Total comprehensive income/(loss) for the period	-	-	-	171	(11,781)	(11,610)
Balance at 30 June 2016	116,849	44,117	44,000	926	150,552	356,444

	Share capital	Foreign currency translation reserves	Retained earnings	Total
Company (RMB'000)				
Balance at 1 April 2017	116,849	(1,141)	(7,816)	107,892
Total comprehensive (loss)/income for the period	-	(227)	102	(125)
Balance at 30 June 2017	116,849	(1,368)	(7,714)	107,767
Balance at 1 April 2016	116,849	(4,556)	2,671	114,964
Total comprehensive income/(loss) for the period	-	3,430	(2,973)	457
Balance at 30 June 2016	116,849	(1,126)	(302)	115,421

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	Group	
	30 June 2017	31 March 2017
Total number of issued shares	46,800,000	46,800,000

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There is no sale, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

The figures have not been audited nor reviewed by the auditors.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation as in the most recently audited financial statements, except for the separate disclosure for continuing and discontinued operation's consolidated statement of comprehensive income and consolidated statement of cash flows for the reporting period from 1 April 2016 to 30 June 2016 ("1Q2017") which was made to enhance comparability. It is not a restatement of the consolidated statement of comprehensive income and consolidated statement of cash flows for the reporting period for 1Q2017. There is no change to the figures in the statement of financial position as at 30 June 2016.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Except as disclosed above, there are no material changes in the accounting policies and methods of computation.

6. **Loss per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	3 months ended 30 June 2017	3 months ended 30 June 2016
	RMB cents	RMB cents
Loss per ordinary share for the year based on net loss after income tax :		
Based on weighted average number of ordinary shares in issue	(6.63)	(25.17)
Weighted average number of ordinary shares in issue for basic earnings per share	46,800,000	46,800,000

There is no dilution of shares as there are no shares under option.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the :-**
 (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

	Group		Company	
	30 June 2017	31 March 2017	30 June 2017	31 March 2017
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share based on the issued shares at the end of the financial year	782.21	788.83	230.27	230.54
Number of issued shares use in calculating net asset value	46,800,000	46,800,000	46,800,000	46,800,000

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-
- any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.

Revenue

Revenue from continuing operations for the 3-month period ended 30 June 2017 ("1Q2018") increased by approximately RMB 15.6 million or 48.1%, from RMB 32.4 million of the 3-month period ended 30 June 2016 ("1Q2017") to RMB 48.0 million in 1Q2018. The higher revenue registered in 1Q2018 was mainly due to the increase in sales across all of our product segments as our production and sales activities have started to normalise during the period under review.

Our products can be categorised mainly into (a) explosive devices such as boosters; (b) industrial fuse and initiating explosive devices such as detonating cords and non-electric tubes; (c) industrial detonators such as non-electric detonators and piston non-electric detonators; and (d) ammonium nitrate (discontinued operation).

The breakdown and comparison of our revenue by the above product types and geographical segments between 1Q2018 and 1Q2017 are as follows:

Product Types	Group				% change
	3 months ended 30 June 2017 ("1Q2018")		3 months ended 30 June 2016 ("1Q2017")		
	RMB'000	%	RMB'000	%	
<u>Continuing operations</u>					
Explosive devices	11,471	23.9	2,198	6.8	421.9
Industrial fuse and initiating explosive devices	20,693	43.1	18,690	57.5	10.7
Industrial detonators	15,766	32.8	11,433	35.2	37.9
Others ⁽¹⁾	93	0.2	111	0.3	(16.2)
Total continuing operations	48,023	100.0	32,432	99.8	48.1
<u>Discontinued operation</u>					
Ammonium Nitrate	-	-	67	0.2	N.M.
Total discontinued operation	-	-	67	0.2	N.M.
Consolidated revenue	48,023	100.0	32,499	100.0	47.8
Geographical Segments					
	Group				% change
	3 months ended 30 June 2017 ("1Q2018")		3 months ended 30 June 2016 ("1Q2017")		
	RMB'000	%	RMB'000	%	
<u>Continuing operations</u>					
Within PRC	39,687	82.6	31,681	97.5	25.3
<u>Outside PRC</u>					
Australia	8,336	17.4	-	-	N.M.
Others	-	-	751	2.3	N.M.
	8,336	17.4	751	2.3	1010.0
Total continuing operations	48,023	100.0	32,432	99.8	48.1
<u>Discontinued operation</u>					
Within PRC	-	-	67	0.2	N.M.
Total discontinued operation	-	-	67	0.2	N.M.
Consolidated revenue	48,023	100.0	32,499	100.0	47.8

Note :

(1) Others include sales of raw materials and packaging materials.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**

- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

a) Sales within PRC from continuing operations

Sales within PRC increased by approximately RMB 8.0 million or 25.3% to RMB 39.7 million in 1Q2018, as compared to RMB 31.7 million in the previous corresponding period. The increase in PRC sales was mainly due to higher sales across all our product segments and particularly, sales from the Group's explosive devices within PRC improved by 116.7% in 1Q2018 as our boosters production only resumed on 26 May 2016 (whereby there was only close to one month of production and sales activities during 1Q2017). Also, the Group had commenced the second automatic booster production line which was approved for trial production during April 2017.

b) Sales to Australia

Sales to Australia registered a revenue of RMB 8.3 million for 1Q2018. There was no sale to Australia during the previous corresponding quarter as our boosters production facilities only resumed on 26 May 2016.

c) Sales to other countries

There was no sale to other countries during 1Q2018. During 1Q2017, sales to other countries was approximately RMB 751,000 or approximately 2.3% of the total consolidated revenue of the Group.

All local PRC sales contracts and export applications sought by export agents have been approved by the Ministry of Industry and Information Technology, Department of Work Safety ("MIIT").

Gross profit margin

As the Group's production and sales activities starts to normalise during the period under review, the Group's gross profit margin improved by approximately 10.8 percentage points, from 10.5% in 1Q2017 to 21.3% in 1Q2018.

Interest income / (Finance costs)

Interest income remained relatively unchanged at RMB 70,000 in 1Q2018.

Finance costs decreased by approximately RMB 228,000 mainly due to lower bank lending interest rates in the general market and lower average bank loan amounts during 1Q2018 as compared to 1Q2017.

Other gains / (Other losses)

For 1Q2018, other gains include the reversal of allowance for impairment on trade receivables of RMB 157,000, gain on disposal of property, plant and equipment of approximately RMB 320,000 and government grants of approximately RMB 114,000. For 1Q2017, other gains include the reversal of allowance for impairment on trade receivables of RMB 172,000, gain on disposal of property, plant and equipment of approximately RMB 7,000 and government grants of approximately RMB 240,000. Gain on disposal of property, plant & equipment relates to the disposal of certain motor vehicles and machineries that were no longer in use. Government grants relate to the miscellaneous grants from governments on an ad hoc basis and the grant for certain plant and equipment which will be amortised over 3 years.

Other losses for 1Q2018 and 1Q2017 relate to foreign exchange adjustment loss. Foreign exchange adjustment gain or loss arises from foreign exchange rate changes between Renminbi (RMB), US Dollars and Singapore Dollars.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Operating expenses

The Group's distribution costs increased by approximately RMB 2.1 million or 70.5% mainly due to higher sales activities during 1Q2018 as well as higher freight and port charges related to increased export sales during the current quarter under review.

Administrative expenses declined marginally by approximately RMB 527,000 or 6.2% in 1Q2018. Depreciation expenses increased by approximately RMB 620,000 or 13.6% in 1Q2018 mainly due to additions to property, plant and equipment during the preceding quarters.

Income tax expenses

The income tax expenses was mainly due to the provision of withholding tax for the Group.

Statement of Financial Position

Property, plant and equipment decreased by approximately RMB 4.5 million, mainly due to the depreciation charged for the current period under review of approximately RMB 5.2 million and disposal of certain property, plant and equipment, which was partially offset by the acquisition of property, plant and equipment of approximately RMB 721,000.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 0.7 million mainly due to the amortisation charges during the current period under review.

Deferred tax assets relate mainly to the deferred tax differences for the allowance for impairment on trade and other receivables, provision for safety expenses and deferred tax on tax losses incurred.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 17.4%, 30.2%, 12.4% and 40.0% respectively of our total current assets as at 30 June 2017.

Inventories decreased by approximately RMB 2.6 million or 7.2% to RMB 32.8 million as at 30 June 2017, as compared to RMB 35.4 million as at 31 March 2017. The decrease in inventories was mainly due to the lower finished goods at the end of the period under review.

During the current quarter under review, trade and other receivables decreased by approximately RMB 4.0 million or 6.5% to RMB 57.1 million as at 30 June 2017.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 3.1 million or 15.2% to RMB 23.5 million as at 30 June 2017 due to higher prepayments for raw materials as at 30 June 2017.

As at 30 June 2017, our current liabilities comprised of trade and other payables of approximately RMB 74.1 million, other current financial liabilities of approximately RMB 39.7 million and other liabilities of RMB 2.7 million. Non-current liabilities comprised of deferred tax liabilities of RMB 2.1 million.

Trade and other payables increased by approximately RMB 6.6 million mainly due to the increase in production activities and operations during 1Q2018.

As at 30 June 2017, other current financial liabilities of RMB 39.7 million relates to the secured bank loans of Yinguang Technology, of which the Group repaid some of the bank loans that were due during 1Q2018. Adhering to the customary banking practices in the PRC, the Group's bank loans are for a period of one year or less.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-**
- **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - **any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on. (Cont'd)**

Statement of Financial Position (Cont'd)

Other liabilities of RMB 2.7 million relate to the Group's provision for safety expenses, advances from customers and a deferred government grant.

Deferred tax liabilities of RMB 2.1 million relate to the deferred tax liabilities for the withholding tax on the dividend payable by our subsidiary in China.

Cash flow

For the current quarter ended 30 June 2017, the Group's net cash from operating activities, continuing operations amounted to approximately RMB 13.3 million, while net cash used in investing activities and financing activities, continuing operations amounted to approximately RMB 251,000 and RMB 20.7 million, respectively.

The net cash from operating activities, continuing operations of approximately RMB 13.3 million was mainly due to lower trade and other receivables and higher trade and other payables, partially offset by the increase in other assets due to prepayments for raw materials.

The net cash used in investing activities, continuing operations of approximately RMB 251,000 was mainly due to the purchase of property, plant and equipment of approximately RMB 721,000, partially offset by the proceeds from disposal of property, plant and equipment of approximately RMB 400,000 and interest received of approximately RMB 70,000.

The net cash used in financing activities, continuing operations of approximately RMB 20.7 million was mainly due to the net decrease in bank loans of RMB 20.0 million and the payment of interest expenses.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The current first quarter results for the 3-months period ended 30 June 2017 are in line with the Company's commentary as disclosed under paragraph 10 of the full year results announcement for the financial year ended 31 March 2017.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Update on our boosters production facilities

As previously announced, Yinguang Technology's second automated boosters production line has successfully passed the relevant authority's inspection and was approved for trial production during April 2017. However, this second automated boosters production line may require a few months to scale up its production capabilities.

As a result of the cessation of the two manual boosters production lines, our revenue and profitability will continue to be affected, however, with the commencement of the second automated boosters production line, the impact should be mitigated going forward, barring any unforeseen circumstances.

11. Dividend**(a) Current Financial Period Reported On****Any dividend declared for the current financial period reported on?**

None.

(b) Corresponding Period of the Immediately Preceding Financial Year**Any dividend declared for the corresponding period of the immediately preceding financial year?**

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the current financial period reported on.

13. Interested Person Transaction

		Aggregate value of all interested person transaction (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		1Q2018	1Q2017	1Q2018	1Q2017
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Dyno Nobel ⁽¹⁾	Sales of commercial explosives	-	-	4,150	-
Shandong Yinguang Security Services Co., Ltd ⁽²⁾	Provision of security service	6,500	-	-	-
Wulian Hanyue Blasting Services Co., Ltd ⁽²⁾	Sales of commercial explosives	5,060	-	-	-

Footnotes:

⁽¹⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 10 November 2011 and was updated and approved at the Annual General Meeting held on 31 July 2017.⁽²⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 31 July 2017, thus only transactions after 31 July 2017 will be considered under general mandate.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

15. Negative assurance confirmation pursuant to Rule 705(4) of the Listing Manual

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited 1st quarter financial statements set out above to be false or misleading in any material aspect.

For and On behalf of the Board of Directors

Sun Bowen
Managing Director

Bao Hongwei
Director

**BY ORDER OF THE BOARD
SUN BOWEN
MANAGING DIRECTOR
11 AUGUST 2017**