



Fabchem China Limited

Company registration number : 200413128G

Financial Statements for the 1st Quarter ended 30 June 2015 (“1Q2016”)

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 2015 RMB'000	3 months ended 30 June 2014 RMB'000	
Revenue	86,635	111,765	(22.5)
Cost of sales	(57,363)	(79,509)	(27.9)
Gross profit	29,272	32,256	(9.3)
<u>Other Items of Income</u>			
Interest income	245	246	(0.4)
Other gains – Note (i)	212	865	(75.5)
<u>Other Items of Expense</u>			
Distribution costs	(6,000)	(8,129)	(26.2)
Administrative expenses	(10,119)	(10,962)	(7.7)
Finance costs	(1,922)	(2,117)	(9.2)
Other losses – Note (ii)	(35)	-	N.M.
Profit before income tax	11,653	12,159	(4.2)
Income tax expense	(4,560)	(5,140)	(11.3)
Profit attributable to shareholders	7,093	7,019	1.1
Note (i) – Other Gains			
Foreign exchange adjustment gain	-	743	N.M.
Government grant	212	122	73.8%
	212	865	(75.5)
Note (ii) – Other Losses			
Foreign exchange adjustment loss	(35)	-	N.M.
	(35)	-	N.M.
Profit before income tax was stated after crediting / (charging) :-			
Amortisation expenses	(633)	(839)	(24.6)
Depreciation expenses	(4,697)	(4,652)	1.0
Foreign exchange adjustment (loss)/gain	(35)	743	N.M.
Interest expense	(1,922)	(2,117)	(9.2)
Interest income from bank deposits	245	246	(0.4)

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 2015 RMB'000	3 months ended 30 June 2014 RMB'000	
	Profit attributable to shareholders	7,093	
Foreign currency translation difference	345	77	348.1
Total comprehensive income for the period	<u>7,438</u>	<u>7,096</u>	4.8

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 2015 RMB'000	31 March 2015 RMB'000	30 June 2015 RMB'000	31 March 2015 RMB'000
ASSETS				
Non-current assets :				
Property, plant and equipment	235,485	238,014	95	119
Other assets, non-current	89,495	90,128	-	-
Investment in subsidiary	-	-	101,969	100,411
Deferred tax assets	4,029	4,102	-	-
Total non-current assets	329,009	332,244	102,064	100,530
Current assets :				
Inventories	45,277	61,893	-	-
Trade and other receivables (Note 1)	96,271	87,101	21,092	22,512
Other assets, current	28,251	11,889	87	127
Cash and cash equivalents	139,956	125,908	607	920
Total current assets	309,755	286,791	21,786	23,559
Total assets	638,764	619,035	123,850	124,089
EQUITY AND LIABILITIES				
Capital and reserves :				
Share capital	116,849	116,849	116,849	116,849
Retained earnings	207,109	201,233	13,088	16,204
Other reserves	87,702	86,140	(10,912)	(12,815)
Total equity	411,660	404,222	119,025	120,238
Non-Current liabilities :				
Deferred tax liabilities	1,859	1,691	-	-
Total non-current liabilities	1,859	1,691	-	-
Current liabilities :				
Income tax payable	3,249	2,745	-	-
Trade and other payables (Note 2)	105,526	115,319	4,825	3,851
Other financial liabilities, current	105,663	83,672	-	-
Other liabilities	10,807	11,386	-	-
Total current liabilities	225,245	213,122	4,825	3,851
Total liabilities	227,104	214,813	4,825	3,851
Total liabilities and equity	638,764	619,035	123,850	124,089
Note 1				
Trade receivables	92,020	82,413	-	-
Amount receivable from subsidiary	-	-	21,092	22,512
Tax recoverable	3,439	3,439	-	-
Other receivables	812	1,249	-	-
Trade and other receivables	96,271	87,101	21,092	22,512
Note 2				
Trade payables and accruals	83,368	94,255	4,159	3,221
Other payables	22,158	21,064	666	630
Trade and other payables	105,526	115,319	4,825	3,851

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 2015		31 March 2015	
Secured	Unsecured	Secured	Unsecured
92,461	13,202	45,500	38,172

Amount repayable after one year

(RMB'000)

30 June 2015		31 March 2015	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 June 2015, the Group has aggregate secured short-term loans from financial institutions of RMB 92.5 million, while unsecured borrowings relates to a loan from a third party of RMB 8.2 million and a short-term loan from a financial institution of RMB 5.0 million.

Secured short-term bank loans of RMB 92.5 million are secured using our subsidiaries' land and buildings with net book value of approximately RMB 98.9 million. The secured short-term bank loans' interest rate ranged from 5.508% to 6.955% per annum.

Unsecured borrowing of RMB 8.2 million relates to a loan from Linxi County Nitrogenous Fertilizer Co., Ltd. Unsecured short-term bank loan of RMB 5.0 million is guaranteed by a corporate guarantee from Shandong Yinguang Chemical Group Co., Ltd, the former holding company of Hebei Yinguang Chemical Co., Ltd ("Hebei Yinguang"), and bears an interest rate of 6.955% 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 2015 RMB'000	3 months ended 30 June 2014 RMB'000
Cash flows from operating activities		
Profit before income tax	11,653	12,159
Adjustments for :		
Amortisation expenses	633	839
Depreciation expense	4,697	4,652
Interest income	(245)	(246)
Interest expenses	1,922	2,117
Provision for safety expenses	853	1,378
Net effect of exchange rate changes in translation of financial statements of Parent	343	76
Operating profit before working capital changes	19,856	20,975
Inventories	16,616	(491)
Trade and other receivables	(9,170)	(14,982)
Other assets	(5,925)	(10,874)
Trade and other payables	(9,793)	49,953
Other liabilities	(1,432)	(1,315)
Cash generated from operations	10,152	43,266
Income tax paid	(3,815)	(2,330)
Net cash from operating activities	6,337	40,936
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,166)	(6,574)
Payment for land use rights	(10,437)	(2,015)
Interest received	245	246
Net cash used in investing activities	(12,358)	(8,343)
Cash flows from financing activities		
Proceeds from bank borrowings	90,491	90,500
Repayment of borrowings	(68,500)	(74,000)
Interest paid	(1,922)	(2,117)
Net cash from financing activities	20,069	14,383
Net increase in cash	14,048	46,976
Cash at beginning of the period	125,908	99,473
Cash at end of the period	139,956	146,449

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 2015	116,849	42,224	44,000	(84)	201,233	404,222
Appropriation for the period	-	1,217	-	-	(1,217)	-
Total comprehensive income for the period	-	-	-	345	7,093	7,438
Balance at 30 June 2015	116,849	43,441	44,000	261	207,109	411,660
Balance at 1 April 2014	116,849	37,981	44,000	230	194,706	393,766
Appropriation for the period	-	1,445	-	-	(1,445)	-
Total comprehensive income for the period	-	-	-	77	7,019	7,096
Balance at 30 June 2014	116,849	39,426	44,000	307	200,280	400,862

	Share capital	Foreign currency translation reserves	Retained earnings	Total
Company (RMB'000)				
Balance at 1 April 2015	116,849	(12,815)	16,204	120,238
Total comprehensive loss for the period	-	1,903	(3,116)	(1,213)
Balance at 30 June 2015	116,849	(10,912)	13,088	119,025
Balance at 1 April 2014	116,849	(2,527)	9,720	124,042
Total comprehensive loss for the period	-	727	(2,599)	(1,872)
Balance at 30 June 2014	116,849	(1,800)	7,121	122,170

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 2015	31 March 2015
Total number of issued shares	234,000,000	234,000,000

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.

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.**

There are no material changes in the accounting policies and methods of computation.

6. **Earnings 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 2015	3 months ended 30 June 2014
	RMB cents	RMB cents
Earnings per ordinary share for the year based on net profit attributable to shareholders :		
Based on weighted average number of ordinary shares in issue	3.03	3.00
Weighted average number of ordinary shares in issue for basic earnings per share	234,000,000	234,000,000

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 2015	31 March 2015	30 June 2015	31 March 2015
	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	175.92	172.74	50.87	51.38
Number of issued shares use in calculating net asset value	234,000,000	234,000,000	234,000,000	234,000,000

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 for the 3-month period ended 30 June 2015 ("1Q2016") decreased by approximately RMB 25.1 million or 22.5%, from RMB 111.8 million of the 3-month period ended 30 June 2014 ("1Q2015") to RMB 86.6 million in 1Q2016. The lower revenue registered was mainly due to the decrease in sales of all of our product segments, except for explosives devices.

Our products can be categorised mainly into (a) explosive devices such as boosters and seismic charges; (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.

The breakdown and comparison of our revenue by the above product types and geographical segments between 1Q2016 and 1Q2015 are as follows:

	Group				% change
	3 months ended 30 June 2015 ("1Q2016")		3 months ended 30 June 2014 ("1Q2015")		
	RMB'000	%	RMB'000	%	
Explosive devices	45,456	52.5	35,551	31.8	27.9
Industrial fuse and initiating explosive devices	23,433	27.0	31,163	27.9	(24.8)
Industrial detonators	16,618	19.2	21,020	18.8	(20.9)
Ammonium Nitrate	983	1.1	23,830	21.3	(95.9)
Others ⁽¹⁾	145	0.2	201	0.2	(27.9)
	86,635	100.0	111,765	100.0	(22.5)

	Group				% change
	3 months ended 30 June 2015 ("1Q2016")		3 months ended 30 June 2014 ("1Q2015")		
	RMB'000	%	RMB'000	%	
Within PRC	47,498	54.8	81,364	72.8	(41.6)
<u>Outside PRC</u>					
Australia	37,531	43.3	26,240	23.5	43.0
Others	1,606	1.9	4,161	3.7	(61.4)
	39,137	45.2	30,401	27.2	28.7
	86,635	100.0	111,765	100.0	(22.5)

Note :

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

a) Sales within PRC

Sales within PRC decreased by approximately RMB 33.9 million or 41.6% to RMB 47.5 million in 1Q2016, as compared to RMB 81.4 million in the previous corresponding period. The decreased sales was mainly due to lower PRC sales of industrial fuse and initiating explosives devices, industrial detonators and ammonium nitrate by approximately RMB 7.6 million, RMB 4.3 million and RMB 22.8 million, respectively. The decrease in PRC sales was partially offset by the increase in PRC sales of explosive devices of approximately RMB 0.9 million.

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)**

Revenue (Cont'd)

a) **Sales within PRC (Cont'd)**

China continues to experience a slowdown in its economic growth and the broad-based weakness in global commodity prices continues to impact mining activities in China, thereby affecting the Group's overall revenue as most of our products are used in mining related activities. In particular, iron ore and coal mines in Shandong provinces are experiencing production limitation due to over-supply, cost competitiveness and environmental issues.

On the other hand, the market-driven selling prices of explosive-grade ammonium nitrate continued to experience downward pressure, which severely affected the financial performance of our ammonium nitrate business activities. There was no production of ammonium nitrate during the current period under review to mitigate the associated financial impact.

b) **Sales to Australia**

Sales to Australia increased by approximately RMB 11.3 million or 43.0% to RMB 37.5 million in 1Q2016. The increase is mainly due to increase in sales to Orica Australia and Beston Australia.

c) **Sales to other countries**

Sales to other countries decreased by approximately RMB 2.6 million or 61.4%. The decrease was mainly due to more shipments to Indonesia and Mongolia during 1Q2015.

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

Gross profit margin increased by approximately 4.9 percentage points, from 28.9% in 1Q2015 to 33.8% in 1Q2016. The improvement in the Group's gross profit margin was mainly due to the Group's product mix being skewed towards higher margin products as sales of ammonium nitrate (which accounted for the lowest gross margin among the Group's four product segments) was controlled and limited for the current period under review.

Interest income / (Finance costs)

Interest income remained relatively unchanged at RMB 245,000 in 1Q2016.

Finance costs decreased by approximately RMB 195,000 mainly due to the lower bank lending interest rates in the general market during 1Q2016 as compared to 1Q2015.

Other gains / (Other losses)

For 1Q2016, other gains relates to government grants of approximately RMB 212,000. For 1Q2015, other gains included foreign exchange adjustment gain of approximately RMB 743,000 and government grants of RMB 122,000. 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 1Q2016 relate to the foreign exchange adjustment loss of approximately RMB 35,000. There were no such charges for 1Q2015.

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

In line with the lower revenue registered in 1Q2016, the Group's distribution costs decreased by approximately 26.2% while administrative expenses declined marginally by 7.7%.

Income tax expenses

The effective tax rate for 1Q2016 was 39.1% (1Q2015: 42.3%). This is higher than the PRC concessionary tax rate of 25.0% mainly due to the loss-making position of Hebei Yinguang and the non-deductible expenses of the Group.

Balance sheet

Property, plant and equipment decreased by approximately RMB 2.5 million, mainly due to the depreciation charged for the current period under review of approximately RMB 4.7 million, which was partially offset by the acquisition of property, plant and equipment of approximately RMB 2.2 million.

Other assets, non-current relate to the Group's land use rights, which decreased by approximately RMB 0.6 million mainly due to the amortisation charges of approximately RMB 0.6 million recognized 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 and inventories and provision for safety expenses.

Inventories, trade and other receivables, other assets and cash and cash equivalents, represented approximately 14.6%, 31.1%, 9.1% and 45.2% respectively of our total current assets as at 30 June 2015.

Inventories decreased by approximately RMB 16.6 million or 26.8% to RMB 45.3 million as at 30 June 2015, as compared to RMB 61.9 million as at 31 March 2015. The decrease was mainly due to the decrease in raw materials and finished goods.

During the current quarter under review, trade receivables increased by approximately RMB 9.6 million mainly due to higher export sales, which generally have a longer credit term, towards the end of the reporting period.

Other assets, current comprising the Group's prepayments, increased by approximately RMB 16.3 million or 137.1% to RMB 28.2 million as at 30 June 2015. The increment was mainly due to a prepayment for land use rights of approximately RMB 10.4 million relating mainly to the new storage facility.

As at 30 June 2015, our current liabilities comprised of income tax payable of RMB 3.2 million, trade and other payables of approximately RMB 105.5 million, other current financial liabilities of approximately RMB 105.7 million and other liabilities of RMB 10.8 million. Non-current liabilities comprised of deferred tax liabilities of RMB 1.9 million.

Trade and other payables decreased by approximately RMB 9.8 million mainly due to the decrease in bills payables due of RMB 7.0 million.

As at 30 June 2015, other current financial liabilities of RMB 105.7 million comprised of bank loans of RMB 97.5 million and a third party loan of RMB 8.2 million. The increment of RMB 22.0 million from RMB 83.7 million as at 31 March 2015 was mainly due to the additional bank loans obtained by the Group during 1Q2016 upon repayment of those loan amounts that were due before 31 March 2015. 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)**

Balance sheet (Cont'd)

Other liabilities of RMB 11.4 million relate to the Group's provision for safety expenses and advances from customers.

Deferred tax liabilities of RMB 1.9 million relate mainly to the deferred tax difference upon the finalisation of the PPA exercise in relation to the acquisition of Hebei Yinguang in 2008 and the deferred tax liabilities for the withholding tax on dividend payable by our subsidiary in China.

Cash flow

For the current quarter ended 30 June 2015, the Group generated net cash from operating activities of approximately RMB 6.3 million, net cash used in investing activities of approximately RMB 12.4 million and net cash from financing activities of approximately RMB 20.1 million.

The net cash from operating activities of approximately RMB 6.3 million is RMB 34.6 million lower than 1Q2015's RMB 40.9 million. This was mainly due to the decrease in bills payable due during 1Q2016.

The net cash used in investing activities of approximately RMB 12.4 million was mainly due to the acquisition of property, plant and equipment of approximately RMB 2.2 million and the prepayment for land use rights of approximately RMB 10.4 million, which was partially offset by the interest received.

The net cash from financing activities of approximately RMB 20.1 million was mainly due to the net increase in bank loans of RMB 22.0 million, which was partially offset by 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.**

No forecast or prospect statement has been previously issued. The current first quarter results for the 3-months period ended 30 June 2015 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 2015.

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 the new ammonium nitrate production facilities

Following our earlier announcements on the new ammonium nitrate production facilities, the construction of the new facilities remained halted due to the negative market outlook for the demand of ammonium nitrate.

In light of the weak market conditions for ammonium nitrate, this product segment is projected to continue to experience an operating loss.

The management will continue to monitor the situation and update Shareholders of any other material impact to the Group accordingly.

China market updates

China continues to experience a slowdown in its economic growth and the broad-based weakness in global commodity prices continues to impact mining activities in China. In addition, as pollution and environmental issues remain key issues in China, the Chinese authorities have increased their scrutiny and regulations on the industrial activities (such as refinery and power plant facilities) that are major causes of such issues. As a result, these factors have led to reduced mining activities in China and will continue to affect our local sales in China as most of our products are used in mining related activities.

The management will continue to monitor the situation and update Shareholders of any other material impact to the Group accordingly.

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/recommendeded, a statement to that effect.**

No dividend has been declared/recommendeded 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)	
		1Q2016	1Q2015	1Q2016	1Q2015
Name of interested person	Nature	RMB'000	RMB'000	RMB'000	RMB'000
Shandong Yinguang Security Services Co., Ltd	Provision of security service	7,200	7,200	-	-
Zaozhuang Yinguang Construction Co., Ltd	Provision of construction and renovation service	-	757	-	-
Shandong Yinguang Minbao Qicai Co., Ltd ⁽¹⁾	Sales of ammonium nitrate	-	3,885	-	-
Dyno Nobel ⁽²⁾	Sales of commercial explosives	-	-	9,446	11,358

Footnotes:

⁽¹⁾ The relevant general mandate was approved at the Extraordinary General Meeting held on 25 July 2014 and was updated and approved at the Annual General Meeting held on 30 July 2015.

⁽²⁾ 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 30 July 2015.

14. 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
31 JULY 2015**