



Asia Pacific Stock Exchange Limited
Bridging Australian and Asian Capital Markets

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8 October 2015

Ms (Jun) Li Jia Jun
Company Secretary
Australia Samly Holdings Group Limited
c/- Baker & McKenzie
AMP Centre, Level 27
50 Bridge Street NSW 2000

By Email: ljjiajunmsn@hotmail.com

Dear Ms Li

Listing Rule 11.1 & Earnings Guidance (Rule 22.1(b))

We are writing in relation to our letter of 30 September 2015 regarding apparent non-compliance by Australia Samly Holdings Group Limited ("Samly") with its obligations under listing rule 11.1 in relation to Samly's half year financial statements for the period ending 31 December 2014 (the "half year financial statements"). A copy of that letter is attached.

APX notified Samly that APX proposed to disclose the 30 September 2015 letter to the market. APX offered Samly 5 business days in which to make a written submission. By email dated 1 October 2015 Samly advised that the board is aware of listing rules chapter 11, the management appreciates the notice from APX and that they will follow the internal control and quarterly update schedules. The management of Samly supports and would happy to follow all the internal controls and enhanced powers to ensure the compliance and continue disclosure obligations. Samly advised that there is no disagreement and further comments to potential APX future actions.

Accordingly, APX has today disclosed our letter of 30 September 2015, and this letter, to the market.

Yours sincerely,

David Lawrence
Chief Operating Officer

Cc: Ms (Elaine) Chen Dong, Company Secretary: elaine@zhykg.com
Mr Bill Fuggle, Partner, Baker & McKenzie: bill.fuggle@bakermckenzie.com



30 September 2015

Ms (Jun) Li Jia Jun
Company Secretary
Australia Samly Holdings Group Limited
c/- Baker & McKenzie
AMP Centre, Level 27
50 Bridge Street NSW 2000

By Email: lijiajunmsn@hotmail.com

Dear Ms Li

Listing Rule 11.1 & Earnings Guidance (Rule 22.1(b))

We are writing in relation to apparent non-compliance by Australia Samly Holdings Group Limited ("Samly") with its obligations under listing rule 11.1 in relation to Samly's half year financial statements for the period ending 31 December 2014 (the "half year financial statements").

Listing rule 11.1

APX listing rule 11.1 requires that "Once a listee is or becomes aware of information concerning the listee that a reasonable person would expect to have a material effect on the price or value of its listed securities, the listee must immediately disclose that information."

Listing rule 11.3 sets out that listing rule 11.1 does not apply to specific information if and so long as all of the following are satisfied:

- (a) one or more of the following applies:
 - (i) the information relates to an incomplete matter or negotiation;
 - (ii) disclosure of the information would be a breach of a law or in contempt of court;
 - (iii) the information comprises matters of supposition or is insufficiently certain or definite for it to be disclosed;
 - (iv) the information has been created for the internal management purposes of the listee; or
 - (v) the information is a trade secret;
- (b) the information is confidential and APX is not of the opinion that the information is no longer confidential; and
- (c) a reasonable person would not expect the information to be disclosed.

Background

On 17 and 28 March 2015, Samly disclosed the half year financial statements.

On 19 March 2015 APX wrote to Samly in relation to the half year financial statements and APX's concerns relating to the extent of Samly's compliance with listing rule 11.1 (the "Aware Letter"). Samly responded by letter dated 23 March 2015 (the "Response Letter").

APX disclosed the Aware Letter and the Response Letter to the market on Monday, 23 March 2015.

APX also refers to subsequent discussions and correspondence between APX and representatives of Samly and its Sponsor.

Apparent non-compliance with listing rule 11.1

APX has reviewed the half year financial statements and the Response Letter, and based on the information contained in it, APX wishes to advise that APX considers Samly may have breached listing rule 11.1 in relation to the absence of disclosures prior to the disclosure of the half year financial statements. APX does not, and cannot, make a determination as to whether or not Samly is, or may have been, in breach of section 674 of the Corporations Act.

APX has formed its view in relation to listing rule 11.1 on the following basis:

- On 17 and 28 March 2015, Samly disclosed (in its half year financial statements for the period ending 31 December 2014) that its profit/loss from ordinary activities was down 365%, from a profit of \$0.402 million to a loss of \$1.064 million (the "Result Variation");
- Samly had not disclosed any prior earnings guidance relating to the period of 1 July 2014 to 31 December 2014;
- Samly confirmed in the Response Letter that the Result Variation was material;
- APX considers that
 - the Result Variation was material (in the context of the operation of listing rule 11.1 and the relevant paragraphs of Guidance Note 3 – Continuous Disclosure¹);
 - the information regarding the Result Variation would be expected to have a material impact on the price or value of Samly's securities; and
 - none of the provisions of listing rule 11.3 applied to the information;

¹ Available at [http://www.apx.com.au/Assets/Pages/files/Guidance_Note_3_-_Continuous_Disclosure\(1\).pdf](http://www.apx.com.au/Assets/Pages/files/Guidance_Note_3_-_Continuous_Disclosure(1).pdf)

- On 2 May 2015, Samly disclosed its first quarterly update, which highlighted the following for the March quarter (compared to the performance in the corresponding period in the prior financial year):
 - Sales revenue up 27.7%; and
 - Profit after tax down 145.19%.
- On 3 July 2015, ASIC released to APX (pursuant to section 127 of the ASIC Act) a number of documents received by ASIC from Samly in relation to its own enquiries into the Result Variation;
- On 7 August 2015, Samly disclosed its second quarterly update, which highlighted the following the June quarter (compared to the performance in the prior quarter):
 - Sales revenue up 124.3%;
 - Profit after tax down 126%;
- On 31 August 2015, Samly disclosed its preliminary final report for the year to 30 June 2015, which highlighted the following:
 - Sales revenue up 13%;
 - Profit after tax down 7,220%.

In subsequent correspondence with APX, Samly has advised as follows:

- 1) Samly (including its Board and Officers) understands its obligations under the APX listing rules, including its continuous disclosure obligations under chapter 11 of the listing rules;
- 2) Samly is putting in place further internal policies and procedures to ensure that it can meet its disclosure (including continuous disclosure) obligations under the listing rules;
- 3) Samly and its Sponsor will put in place further arrangements to ensure:
 - a. there is the proper and periodic transfer of information between Samly and its Sponsor (pursuant to the general Sponsor arrangements under the listing rules);
 - b. that Samly both understands and meets its disclosure (including continuous disclosure) obligations under the listing rules; and
- 4) Samly, with the guidance of its Sponsor, will voluntarily disclose to the market quarterly updates (which, if applicable, may include earnings guidance (as the term is used within APX Guidance Note 3 – Continuous Disclosure)) until further notice. We note that quarterly updates were disclosed to the market on and 4 May 2015 and 7 & 18 August 2015.

APX recognises that Samly has advised that it is putting in place further controls to assist with meeting its listing rule obligations (including its continuous disclosure obligations under chapter 11). However, in correspondence with APX Samly has advised that:

“... any events or change to the Company that constitutes a change of 20% or more to any of the Company’s financial statistics (including sales, expenses or profits) or other material information which, in

the reasonable view of the Company, will materially affect the share price will be disclosed to the market. The Company will consult the Sponsor in the event of uncertainty as to whether the information should be disclosed or not.”

APX reiterates that, as set out in paragraph 11.32 of Guidance Note 3 – Continuous Disclosure² (and as set out in the Aware Letter), “a positive or negative variation in excess of 10% to 15% (from the previous corresponding period) will likely be considered material, and should be disclosed as soon as a listee becomes “aware” of the variation.”

APX expects that Samly will comply with this ‘10% to 15%’ expectation and that in circumstances where Samly consults with its Sponsor in the event of uncertainty as to whether the information should be disclosed or not, such consultation between Samly and its Sponsor will reference this expectation.

We have noted that Samly is voluntarily disclosing quarterly operating updates. As noted above, the first quarterly update was compared to the performance in the corresponding period in the prior financial year whilst the second quarterly update was compared to the performance in the prior quarter. APX strongly recommends that the quarterly updates consistently use the same basis for comparison, preferably by reference to the performance in the corresponding period in the prior financial year.

Current APX action

APX proposes to disclose this letter to the market pursuant to listing rule 22.1(b).

In accordance with listing rule 22.2(b), APX is notifying Samly of the proposed course of action and the basis for the action. Samly now has an opportunity to make written submissions in relation to this proposed course of action. If APX has not received written submissions from Samly within 5 business days of this letter (that is, by 5.00pm Wednesday 7 October 2015) then Samly is deemed to have waived its right under the listing rules to make a submission. If Samly does make a submission, APX will take that submission into account and may, or may not, subsequently disclose this letter.

Potential APX future actions

APX considers that compliance by a listee with its continuous disclosure obligations under chapter 11 is important to the quality and integrity of the market which APX provides for its listees and the investors in those listees.

APX will continue to monitor the extent to which Samly complies, and has in place internal controls to ensure compliance, with its continuous disclosure obligations under chapter 11.

In this regard, APX advises that it has a number of current and soon to be introduced powers upon which it can rely to enhance compliance and APX reserves its rights to rely upon one or more of those powers in the event of future apparent non-compliance.

² Available at [http://www.apx.com.au/Assets/Pages/files/Guidance_Note_3_-_Continuous_Disclosure\(1\).pdf](http://www.apx.com.au/Assets/Pages/files/Guidance_Note_3_-_Continuous_Disclosure(1).pdf)

Requirement for a Sponsor

Listing Rule 3.2 requires that for the first two years of being admitted to the Official List, the listee must engage a sponsor to advise it in relation to its obligations under the listing rules. Listing Rule 4.5 sets out that APX may grant admission to the Official List subject to any conditions APX considers appropriate in its absolute discretion (including in relation to any corporate governance requirements to be imposed). Listing rule 13.3 sets out that in addition to the requirements of the listing rules, APX may impose conditions on the admission of a listee to the official list for the purposes of ensuring compliance with the listing rules or to ensure the operation of a fair, orderly and transparent market.

In the event of future apparent non-compliance within the first two years of being admitted to the Official List, APX reserves the right to require that Samly appoint a Sponsor to advise it in relation to its obligations under the listing rules for an ongoing period beyond those first two years. APX would consider requiring Samly to engage a sponsor for, at least, a further 12 months.

Independent expert report

Listing Rule 13.17 provides that APX may require a listee to engage, at its own cost, one or more suitably qualified independent experts approved by APX to provide to APX a report and/or conduct an investigation, within the time frame specified by APX, on matters specified by APX relating to the compliance by the listee with the listing rules (or any other matter which APX considers is appropriate to assist APX in the discharge of its functions and responsibilities under the listing rules) as determined by APX.

APX reserves the right to require that, in the event of future apparent non-compliance, Samly appoint a suitably qualified independent expert approved by APX to provide to APX a report and/or conduct an investigation into the internal controls relevant to the apparent non-compliance.

Imposition of fines

Listing Rule 22.1 provides that APX may impose fines on listee, up to a maximum of \$50,000, for non-compliance with the listing rules.

APX reserves the right to impose fines upon Samly for non-compliance with the listing rules.

Quarterly cash reporting

APX has previously exposed the introduction of quarterly cash reports for mining and oil & gas exploration companies for comment³. The quarterly cash reports have been designed to be equally applicable to listees other than mining and oil & gas exploration companies. Listing rules introducing the quarterly cash reports will take effect shortly.

³ Available at http://www.apx.com.au/Assets/Pages/files/APX_Consultation_Paper_MOG_LR_Amendments_Jan_2015.pdf

In the event of future non-compliance with the listing rules, APX reserves the right to require Samly to lodge a quarterly cash report with APX for disclosure to the market.

If you have any queries regarding anything contained within this letter, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'D. Lawrence', is positioned above the typed name.

David Lawrence
Chief Operating Officer

Copy: Ms Pin Yin, Company Secretary: bod002@samly.net
Mr Bill Fuggle, Partner, Baker & McKenzie: bill.fuggle@bakermckenzie.com