

23 March 2015

Asia Pacific Stock Exchange
Level 16
Central Square
323 Castlereagh Street
SYDNEY NSW 2000
Australia
Attention: Simon O'Brien
By email: simon.obrien@apx.com.au

Dear Simon,

Australia Samly Holdings Group Limited | Response to APX 'Aware' Letter dated 19 March 2015

We refer to our communication and your letter to Australia Samly Holdings Group Limited (*Company*) dated 19 March 2015 (*Letter*). We understand that Asia Pacific Exchange Limited (*APX*) has concerns regarding the Company's compliance to APX Listing Rule 11.1 with respect to the disclosure of material information in time.

Please find our responses to the questions listed in the Letter below:

1. Does the Listee believe the variation in the results (including, but not limited to, the change to profit/loss from ordinary activities after tax) set out in the Dec-2014 HY Financial Reports is material to the Listee?

We note that in the Company's disclosure of 17 March 2015 relating to the Company's half year report (the *Dec-2014 HY Financial Report*) our Dec-2014 HY Financial Report as prepared by BDO East Coast Partnership, and as disclosed to the market on 18 March 2015, the Company has recorded the following variations:

- (i) Profit/loss from ordinary activities after tax moved from a profit of \$0.402 million to a loss of \$1.064 million (down 365%);
- (ii) Marketing costs increased 111% (from \$0.795 million to \$1.678 million); and
- (iii) Working capital is down 98% (from \$1.087 million to \$0.016 million).

Based on APX Listing Rule 11.1, the Company is of the opinion that the variations above, including the change to profit/loss from ordinary activities after tax set out in the Dec-2014 HY Financial Report are material to the Company.

2. If the answer to question 1 is "yes", please advise the following:

a. When did the Listee first become aware of the variation in the results? Please include details of the relevant time and circumstances of the Listee becoming aware of the variation in results?

Please note that the Company is of the opinion that neither sales revenues nor costs of sales of the

Company have materially changed from the half-year ending 2013. Whilst the Company has expected the profits to be reduced as a result of increased promotional and marketing activities (as was disclosed in the Company's 2014 Annual Report), the Company was not aware of the extent of reduction in profit until the Dec-2014 HY Financial Report was complete on 17 March 2015.

3. Please confirm what advice from, or engagement with, the Listee's sponsor (Baker & McKenzie) occurred in relation to the determinations made by the Listee above?

The Company has consulted the advice of our sponsor team of lawyers at Baker & McKenzie regarding this matter after receiving the letter. After Baker & McKenzie expressed that they are not in the position to make any actual determinations with regard to the facts on behalf of the Company, they explained the meaning of questions listed in your letter, the meaning and operation of APX Listing Rule 11.1, as well as the consequences of failure to adequately respond to your letter.

4. Please confirm that the Listee is in compliance with Listing Rule 11.1.

The Company was only made aware of the extent of the reduction in profit on 17 March 2015, when the Company received the Dec-2014 HY Financial Report. The report was duly announced to the market on 18 March 2015. Therefore, the Company is of the conclusion that the Company is in compliance with Listing Rule 11.1.

If you require further information, please do not hesitate to contact us.

Yours sincerely

Jiajun Li

Company Secretary

On behalf of Australia Samly Holdings Group Limited



Asia Pacific Stock Exchange Limited
Bridging Australian and Asian Capital Markets

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19 March 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

Australia Samly Holdings Group Limited (the “Listee”)

APX Aware Letter re Listing Rule 11.1 (the “Letter”)

As set out in paragraph 12.17 of Guidance Note 3 – Continuous Disclosure (“GN3”), when Asia Pacific Stock Exchange (“APX”) is concerned that a listee may not have disclosed material information at the time it should have under listing rule 11.1, APX may issue an ‘aware letter’ to the listee.

The purpose of this ‘aware’ Letter is to enable APX, and the market, to be satisfied that the Listee is in compliance with its continuous disclosure obligations under the APX listing rules.

This Letter is issued to you pursuant to listing rule 13.5, and has been issued to you following APX’s review of the Listee’s disclosures of 17 March 2015 and 18 March 2015 relating to the Listee’s half year report and Appendix 15-1 (together the “Dec-2014 HY Financial Reports”).

Continuous Disclosure

APX wishes to draw your attention to listing rule 11.1, which states the following:

*“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**.”*

Further, APX wishes to draw your attention to the definition of “aware”¹ in chapter 2 of the listing rules which states that:

¹ Paragraphs 7.1 to 7.7 of Guidance Note 3 – Continuous Disclosure provide more guidance in relation on the operation of the term ‘aware’ within the listing rules, particularly in the context of listing rule 11.1.



*“a **listee** becomes aware of information if, and as soon as, an officer of the **listee** has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that **listee**.”*

Please note that for a disclosure not to be required under listing rule 11.1, all of the exceptions under listing rule 11.3 must apply, being that:

11.3(a) - *One of more of the following applies:*

- *the **information** relates to an incomplete matter or negotiation;*
- ***disclosure** of the **information** would be a breach of a law or in contempt of court;*
- *the **information** comprises matters of supposition or is insufficiently certain or definite for it to be **disclosed**;*
- *the **information** has been created for the internal management purposes of the **listee**; or*
- *the **information** is a trade secret.”*

11.3(b) - *the **information** is confidential and **APX** is not of the opinion that the **information** is no longer confidential; and*

11.3(b) - *a reasonable person would not expect **the information** to be **disclosed**.*

Earnings Guidance

As noted later in the ‘Relevant Listee & Trading Information’, the Listee stated in its Appendix 15-1 that ‘no guidance has previously been provided by the Company with regard to results’.

Paragraphs 11.31 to 11.37 of GN3 set out APX’s expectations in relation to earnings guidance.

APX understands listees may wish to provide periodic earnings guidance and that this can, where appropriately prepared, be of assistance to investors and others. For this reason, APX states in footnote 53 of GN3 that ‘*in circumstances where a listee has disclosed earnings guidance at any time during the year, APX expects the listee to include in the half year and full year indicative report the date of the disclosure of the earlier earnings guidance, a summary of the earnings guidance and, if applicable, an explanation of any material difference from the most recently disclosed earnings guidance.*’

As set out as general policy in paragraph 11.32 of GN3, 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.

Paragraph 11.33 provides that in making such a disclosure, a listee must provide some details, however qualified, of the extent of the material variation. For example, a disclosure by a listee may indicate that, based on internal management accounts, its expected EBITDA or NPAT will be an approximate amount (eg,



\$10 million), within a stated range (eg, between \$10 million to \$12 million), or alternatively the listee may indicate an approximate percentage movement (eg, down by 15% to 20%). APX accepts that earnings guidance may not be precise and may be further changed on finalisation of a listee's financial statements.

Material differences to earnings guidance

Paragraphs 11.40 to 11.43 of GN3 set out APX expectations in relation to material differences to earnings guidance, and their interaction with market expectations. Market expectations can, for example, be set by earlier earnings guidance disclosed by a listee or the earnings results of the previous corresponding reporting period.

Paragraph 11.42 importantly states that:

*"If a **listee** becomes **aware** that its earnings for the current reporting period will materially differ from market expectations it needs to carefully consider whether it has an obligation to **disclose** that fact. This obligation to **disclose** may arise under **listing rule 11.1** and section 674 of the **Act**, if the difference is of such a magnitude that a reasonable person would expect it to have a material effect on the **market price** or value of a **listee's securities**. Similarly, a **listee** will need to consider its legal obligations in circumstances where it becomes **aware** that its earnings for a reporting period will materially differ from earnings guidance previously **disclosed**. This obligation may arise under section 1041H of the **Act**, as any failure by a **listee** to **disclose** to the **APX market** that its prior **disclosed** guidance is no longer accurate may constitute misleading conduct on its part."*

Relevant Listee & Trading Information

APX refers to the following:

- the Listee's corresponding half year report for the period ending 31 December 2013 (disclosed on 17 March 2014²), which stated the following:
 - Sales revenue was up 132% (from \$3.184 million to \$7.418 million);
 - Profit from ordinary activities after tax was down 12.9% (from \$0.461 million to \$0.402 million);
- the Listee's Annual Report (disclosed on 30 September 2014), which stated the following in the 'outlook' section of the Directors Report:
 - *'We expect the current rapid growth trend for the Company will continue in the future years. The Company has focused on market and brand building, increasing capacity through development of*

² Within 2 weeks of being admitted to the official list of APX.



a new factory, and increasing marketing and advertising activities. ...

The Company is confident that its business model, in conjunction with the growth profile of the industry and the expertise of the Board and management team, provides a strong platform for growth.'

- the Dec-2014 HY Financial Reports, which identified that:
 - Profit/loss from ordinary activities after tax moved from a profit of \$0.402 million to a loss of \$1.064 million (down 365%);
 - Sales revenue was down 6.6% (from \$7.427 million to \$6.934 million);
 - Marketing Costs increased 111% (from \$0.795 million to \$1.678 million);
 - Net assets are down 4.9% (from \$5.964 million to \$5.671 million);
 - Working Capital is down 98% (from \$1.087 million to \$0.016 million); and
 - the audit review is not subject to a modified opinion, emphasis of matter or other matter paragraph;

- the Listee's Appendix 15-1, which stated that:
 - *'no guidance has previously been provided by the Company with regard to results';* and
 - *'losses incurred in the current year due to an increase in the marketing and promotional activity undertaken by the company, increasing its cost base. It is intended that revenue increases will follow as a result of this activity.'*

- since 1 January 2015, there have been 27 trades in the Listee's securities (reflecting a price increase from \$1.02 to \$1.10 over this period, and a total volume of 201,000 shares);
- the suspension of the Listee's securities from quotation before the commencement of trading on 17 March 2015, and reinstatement of the Listee's securities to quotation before the commencement of trading today, 18 March 2015; and
- there being no trades in the Listee's securities since reinstatement.

(together, the 'Relevant Listee & Trading Information').



APX Questions

Having regard to listing rule 11.1, the above definitions, GN3 and the Relevant Listee & Trading Information, APX requests that the Listee answer the following questions:

- 1) Does the Listee believe the variation in the results (including, but not limited to, the change to profit/loss from ordinary activities after tax) set out in the Dec-2014 HY Financial Reports is material to the Listee?
- 2) If the answer to question 1 is “yes”, please advise the following:
 - a. When did the Listee first become aware of the variation in the results? Please include details of the relevant time and circumstances of the Listee becoming aware of the variation in results?
 - b. If the Listee was aware of the variation in results prior to the disclosure of the Dec-2014 HY Financial Reports, please advise why the Listee did not make a disclosure at an earlier time? Please comment specifically on the application of listing rule 11.1.
- 3) If the answer to question 1) is “no”, please advise the basis on which the Listee does not consider the variation in the results to be material.
- 4) Please confirm what advice from, or engagement with, the Listee’s sponsor (Baker & McKenzie) occurred in relation to the determinations made by the Listee above?
- 5) Please confirm that the Listee is in compliance with listing rule 11.1

The Listee’s responsibility under listing rule 11.1 is not confined to, or necessarily satisfied, by answering the questions set out in this Letter.

Please note that APX reserves its right under listing rule 13.8 to disclose this Letter and the Listee’s response to the market. Accordingly, the Listee should address each question separately and be in a format suitable for disclosure. APX appreciates that the Listee will likely wish to consult with its Sponsor before responding to the questions above.

If the information requested by this Letter is information required to be disclosed under listing rule 11.1 your obligation is to disclose the information immediately. Unless the information in your response is required immediately under listing rule 11.1, a response is requested as soon as possible and, in any event, **not later than 9:00am (EDST) Monday, 23 March 2015.**

Your response to this Letter should be emailed to APX at supervision@apx.com.au. It should **not** be sent to the APX Announcements Office or APXConnect.

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



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Bridging Australian and Asian Capital Markets

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Yours sincerely,

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