

18 October 2017

Sydney Stock Exchange Limited
Level 41
259 George Street
SYDNEY NSW 2000
Australia

Attention: Anita Zhao

By email: anita.zhao@ssx.sydney

Dear Anita,

Australia Samly Holdings Group Limited (Company) | Response to SSX Financial Condition Query Letter dated 11 October 2017

We refer to your letter addressed to Ms Jiajun Li dated 11 October 2017 (*Letter*). We understand that the Sydney Stock Exchange Limited (SSX) has concerns regarding the financial position of the Company in light of the Company's Annual Report for the year ended 30 June 2017, lodged with SSX on 29 September 2017.

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

1. Does the Listee reasonably believe that its level of operations is sufficient to warrant continued quotation of its securities on SSX in accordance with listing rule 13.9?

The Company has a high level of confidence that the Company's future development will be stable and sound based on several factors. Firstly, the Company has completed the construction of the second phase of its factory expansion project located in Jiangsu, China (*Jiangsu Factory*), which was disclosed to SSX in an announcement titled "*Samly Jiangsu Factory Expansion*" on 15 November 2016.¹ Secondly, the Company maintains a very positive and close relationship with its dealers, suppliers and customers. Many customers have visited the Company's new Jiangsu Factory and have expressed higher confidence in working with the Company in the future. As such, the Company has promising future operations, thereby warranting its confidence in the quotation of its securities on SSX in accordance with listing rule 13.9.

2. Does the Listee reasonably believe that its financial condition (including operating results) is adequate to warrant the continued quotation of its securities in accordance with listing rule 13.10?

¹ <https://connect.ssx.sydney/Assets/Announcements/Samly%20Jiangsu%20Factory%20Expansion-1312a2e991d8439d9064e26b55f333fd.PDF>

The costs involved with the construction of the Jiangsu Factory and the Company's weakened support for low-profit dealers has impacted the Company's sales over the past year. This may also have an adverse effect on the Company's financial performance over the short-term future. However, the Company recently liaised with a large number of its dealers and they have conveyed confidence in the Company's product sales and competitive power in the market over the long-term future. As such, the Company reasonably believes that its financial conditions (including operating results) will be adequate to warrant the continued quotation of its securities in accordance with listing rule 13.10.

- 3. If the answer to either of the above questions is "Yes", please explain the basis on which the Listee has formed such conclusion. Specifically, the Listee is required to discuss the circumstances that give rise to the auditor's opinion about the material uncertainty in relation to going concern outlined in the Independent Auditor's Report and Note 2 of the its Annual report.**

We have liaised with our auditor, Nexia Court & Co (*Auditor*). Based on our discussion with the Auditor regarding the going concerns outlined in the Independent Auditor's Report and Note 2 of the Annual Report (collectively, the *Reports*), the Company is of the opinion that, although there is inherent risk in the Reports arising from the base financial information, we are confident in the financial position of the Company. The Auditor has given detailed explanations in the Annual Report at page 17.

- 4. If the answer to either of the above questions is "No", please comment what steps the Listee has taken, or intend to take, to satisfy the requirements in the listing rule 13.9 & 13.10.**

This is not applicable.

- 5. In relation to the short term loans to be rolled over on 20 March 2018, 26 May 2018 and 16 April 2019 respectively, on what basis the Listee is confident that the rollover of these loans will be successful? Does the Listee have any contingency plan in the event that any of the short term loans fail to be rolled over?**

The Company is confident that the rollover of the abovementioned loans will be successful based on the following reasons:

(a) the Company's directors are willing to hold their own real property as collateral for the bank loans and have signed and provided relevant confirmation documents to the Auditors. The underlying securities will ensure the Company's repayment capacity in the future; and

(b) the Company's loans are collateral, and not credit, loans. As standard practice of commercial banks in China, the loan amount of a collateral loan with real estate mortgages is usually no more than 50% of the value of real estate in order to ensure the repayment capacity of the debtor. In addition, as long as the borrower has paid off the loan interests in the past, the bank will agree to renew the loan. The Company has paid off the loan interests of its collateral loans.

As such, the Company believes that the bank will renew the loan for next year.

6. Please confirm that the Listee is in compliance with the listing rules and in particular, listing rules 11.1.

The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 11.1.

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

Yours sincerely,

Jiajun Li

On behalf of Australia Samly Holdings Group Limited



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Bridging Australian and Asian Capital Markets

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11 October 2017

Ms Jiajun Li
Company Secretary
Australia Samly Holdings Group Limited
SYDNEY NSW 2000

By Email: lijiajunmsn@hotmail.com

Dear Ms Jiajun Li

Australia Samly Holdings Group Limited (the Listee)

Financial Condition Query

Sydney Stock Exchange Limited (**SSX**) refers to the following:

1. The Listee's Annual Report for the year ended 30 June 2017, lodged with SSX on 29 September 2017 (the "Annual Report").
2. The Independent Auditor's Report in the Annual Report set out on pages 44 to 48 which highlights material uncertainty relating to going concern, stating the following:

Material uncertainty related to going concern

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the ability of the Group to continue as a going concern is dependent on its ability to roll over for a further 12-month period of the borrowing facilities and obtaining continuous financial support from the Directors including privately guaranteeing the borrowing. These conditions, along with other matters as set in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realize its assets and discharge its liability in the normal course.

Relevant listing rules

SSX also refers to the following:

- Listing rule 13.9, which stipulates that the scale of a listee's operations must, in Sydney Stock Exchange's opinion, be sufficient to warrant continued quotation of its securities and the listee's continued admission to the official list of Sydney Stock Exchange.



- Listing rule 13.10, which requires the listee's financial condition be, in Sydney Stock Exchange's opinion, be adequate to warrant the continued quotation of its securities and the listees' continued admission to the official list of the Sydney Stock Exchange.

Response required from the Listee

In light of the information in the Annual Report and the applicable listing rules mentioned above, SSX requests the Listee to provide its response to each of the questions below:

1. Does the Listee reasonably believe that its level of operations is sufficient to warrant continued quotation of its securities on SSX in accordance with listing rule 13.9?
2. Does the listee reasonably believe that its financial condition (including operating results) is adequate to warrant the continued quotation of its securities in accordance with listing rule 13.10?
3. If the answer to either of the above questions is "Yes", please explain the basis on which the Listee has formed such conclusion. Specifically, the Listee is required to discuss the circumstances that give rise to the auditor's opinion about the material uncertainty in relation to going concern outlined in the Independent Auditor's Report and Note 2 of the its Annual report.
4. If the answer to either of the above questions is "No", please comment what steps the Listee has taken, or intend to take, to satisfy the requirements in the listing rule 13.9 & 13.10.
5. In relation to the short term loans to be rolled over on 20 March 2018, 26 May 2018 and 16 April 2019 respectively, on what basis the Listee is confident that the rollover of these loans will be successful? Does the Listee have any contingency plan in the event that any of the short term loans fail to be rolled over?
6. Please confirm that the Listee is in compliance with the listing rules and in particular, listing rules 11.1.

When the response is due

Your response is required as soon as reasonably possible and, in any event, by no later than 3pm (AEST) on Wednesday, 18 October 2017. If the response is not provided by then, SSX may consider suspending trading in the Listee's securities under listing rule 14.6. Your response should be sent to me by return e- mail, not directly to APX Announcement Platform.

If any of the information the Listee provides in the response is information required to be disclosed under listing rule 11.1, such information must be disclosed "immediately without delay".

Please also note that SSX reserves its right to release this Letter and the Listee's response to this Letter to the market in accordance with listing rule 26.4(a). Therefore, the Listee's response should be presented



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in a format acceptable to release.

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

Yours sincerely,

Anita Zhao
General Manager – Market Supervision