

15 November 2016

## **Jiangsu Factory Expansion**

### **Company Announcement**

As per the 2016 Third Quarter Market Update dated 31 October 2016, Shenzhen Vitality Bio-health Technology Jiangsu Co., Ltd (**Jiangsu Samly**), a subsidiary of Australia Samly Holdings Group Limited (**Company**) was negotiating with local government to expand the current factory. In November, Jiangsu Samly entered into a factory construction agreement with Jiangsu Kunshu Industrial Park Investment & Development Co., Ltd (**Kunshu**) for the construction of a standardised factory (**Agreement**).

#### **1. Overview**

The construction site of the proposed factory is located on the southern side of Yongjia Road and western side of Ruisheng Avenue within the Kunshu Industrial Park, covering an area of 15,106.67 cm<sup>2</sup>. The total construction area of the factory will be 15,148 cm<sup>2</sup>. The proposed factory will produce vitamin supplements, calcium magnesium tablets, protein powder and other health food. The construction period is 1 year from the date of commencing the construction work.

#### **2. Key terms**

The key terms of the Agreement are as follows:

- 1) Kunshu is responsible for constructing, surveying, designing, supervising and managing the construction project (not including conducting other projects within the proposed factory zone such as road construction or planting landscape) in accordance with the current design of the factory.
- 2) The consideration to be paid by Jiangsu Samly for the factory construction is RMB 11,512,720 payable in following 3 instalments:
  - a) First payment: RMB 550,000 to be paid prior to 30 November 2016;
  - b) Second payment: RMB 6,500,000 to be paid prior to 30 November 2017; and
  - c) Third payment: RMB 4,462,720 to be paid prior to 31 December 2018.
- 3) Jiangsu Samly agrees to pay a sum of RMB 1,450,000 to Kunshu for the assignment of the construction land use right prior to 30 November 2016.
- 4) Upon receipt of the assignment payment, Kunshu agrees to finalise the registration of transferring the land use right.

#### **3. Renovation of the proposed factory**

Jiangsu Samly plans to make several investments of approximately RMB 10,000,000 in total, in renovating the workshops, purchasing new machines and etc. for the factory during two years.

#### **4. Impact of the factory expansion**

The proposed factory will have new production lines for hard capsules, powders and tablets. Two new production lines for water solution and granules will be introduced at a later stage. After the expansion, it is expected that the daily pharmaceutical production capacity will be increased by 500,000 tablets (1000 mg), 500,000 capsules (500mg) and 2 tons of powders. Jiangsu Factory will become a health food manufacturer with the capacity to produce all types of pharmaceutical formulations and further enhance the future development of the Company.

**Jiajun Li**

Company Secretary

On behalf of Australia Samly Holdings Group Limited