



Feishang Non-metal Materials Technology Limited

飛尚非金屬材料科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8331)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2017**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Feishang Non-metal Materials Technology Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

CONDENSED THIRD QUARTERLY RESULTS FOR 2017 (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2017, together with the comparative unaudited figures for the corresponding periods in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2017

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2017	2016	2017	2016
		CNY'000	CNY'000	CNY'000	CNY'000
Revenue	3	7,371	5,238	18,830	18,866
Cost of sales		(4,570)	(3,156)	(11,523)	(11,082)
Gross profit		2,801	2,082	7,307	7,784
Other income		(80)	186	246	2,731
Selling and distribution expenses		(902)	(276)	(2,334)	(927)
Administrative and other expenses		(1,495)	(2,543)	(6,790)	(6,324)
Finance costs		(98)	(122)	(283)	(415)
(Loss) profit before tax		227	(673)	(1,853)	2,849
Income tax expense	4	(132)	(52)	(232)	(852)
(Loss) profit and total comprehensive (expense) income for the period attributable to the owners of the Company		95	(725)	(2,085)	1,997
(Loss) earnings per share (CNY):					
Basic and diluted	6	0.02 cents	(0.15) cents	(0.42) cents	0.40 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Share capital	Share premium	Other reserve	Statutory reserve	Safety fund and production maintenance fund	Retained earnings	Total
	CNY'000	CNY'000	CNY'000 (Note i)	CNY'000 (Note ii)	CNY'000 (Note iii)	CNY'000	CNY'000
At 1 January 2016	4,188	25,954	23,351	2,830	652	2,961	59,936
Profit and total comprehensive expenses for the period	-	-	-	-	-	1,997	1,997
Appropriation to statutory reserve	-	-	-	373	-	(373)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	126	(126)	-
At 30 September 2016	<u>4,188</u>	<u>25,954</u>	<u>23,351</u>	<u>3,203</u>	<u>778</u>	<u>4,459</u>	<u>61,933</u>
At 1 January 2017	4,188	25,954	23,351	3,401	808	5,034	62,736
Profit and total comprehensive income for the period	-	-	-	-	-	(2,085)	(2,085)
Appropriation to statutory reserve	-	-	-	70	-	(70)	-
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	-	-	115	(115)	-
At 30 September 2017	<u>4,188</u>	<u>25,954</u>	<u>23,351</u>	<u>3,471</u>	<u>923</u>	<u>2,764</u>	<u>60,651</u>

Notes:

(i) Other reserve

It represents (i) the capital contribution from the controlling shareholder of Feishang International Holdings Limited ("Feishang International") during the fiscal year of 2002 to 2003; and (ii) the difference between the nominal value of the issued share capital of the Company and share capital of the then holding company, Feishang International, upon the group reorganisation.

(ii) Statutory reserve

As required by applicable law and regulations, entities established and operated in the People's Republic of China (the "PRC") shall set aside/appropriate a portion of its after tax profits of each period to fund statutory reserve. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

(iii) Safety fund and production maintenance fund

As stipulated by the State Administration of Work Safety of the PRC, Wuhu Feishang Non-metallic Material Company Limited ("Feishang Material") is required to accrue the safety production fund and the production maintenance fund which is based on the production volume for the utilisation of future safety production expense.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS

For the three months and nine months ended 30 September 2017

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 15 July 2015 and its shares were listed on GEM of the Stock Exchange on 29 December 2015. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Xiao Keshan, Xingang Town, Fanchang County, Wuhu, Anhui Province, the PRC.

During the year ended 31 December 2016, the immediate holding company and ultimate holding company of the Company were Feishang Group Limited and Laitan Investments Limited respectively, both of which were incorporated in the British Virgin Islands (the "BVI").

Upon completion of the general offer on 20 April 2017, the ultimate controlling shareholder has become Mr. Zhang Qiang. Details of the general offer are set out in the Company's announcement dated 20 April 2017.

The Company is an investment holding company while the principal subsidiary is mainly engaged in bentonite mining and production and sales of drilling mud and pelletising clay.

The unaudited condensed consolidated financial statements of the Group are presented in Chinese Yuan ("CNY"), which is the same as the functional currency of the Company. CNY is the currency of the primary economic environment in which the principal subsidiary of the Company operates (the functional currency of the principal subsidiary).

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual accounts for the year ended 31 December 2016. The Group has adopted new or revised standards, amendments to standards and interpretations of IFRSs which are effective for accounting periods commencing on or after 1 January 2017. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the consolidated accounts and does not result in substantial changes to the Group’s accounting policies.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from sales of goods in the normal course of business, net of sales related tax.

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	CNY’000	CNY’000	CNY’000	CNY’000
Drilling mud	2,365	2,360	6,848	10,937
Pelletising clay	5,006	2,878	11,982	7,929
Unprocessed clay	-	-	-	-
	<u>7,371</u>	<u>5,238</u>	<u>18,830</u>	<u>18,866</u>

The Group operates in one business unit based on its products and has one reportable and operating segment: bentonite mining and production and sales of drilling mud and pelletising clay. The Directors monitor the revenue of its business unit as a whole based on the monthly sales and delivery reports for the purpose of making decisions about resource allocation and performance assessment.

Information about geographical areas

As all of the Group’s revenue is derived from the customers based in the PRC (country of domicile) and all of the Group’s non-current assets are located in the PRC, no geographical information is presented.

4. • INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	CNY'000	CNY'000	CNY'000	CNY'000
Current tax:				
PRC Enterprise Income Tax ("EIT")	82	41	131	667
Deferred taxation:				
Current year	50	11	101	185
Attributable to change in tax rate (<i>Note iv</i>)	-	-	-	-
	<u>132</u>	<u>52</u>	<u>232</u>	<u>852</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax for both periods.
- (iii) Under the Law of the PRC on EIT and implementation regulation of the EIT Law, the tax rate of the subsidiaries established in the PRC is 25% for both periods.
- (iv) On 2 July 2014, Feishang Material was recognised as a High Technology Enterprise and subject to EIT at 15% in accordance with the EIT Law effective from 1 January 2015.

5. DIVIDEND

No dividend was paid or declared by the Group during the nine months ended 30 September 2017, nor has any dividend been proposed since the end of 30 September 2017 (nine months ended 30 September 2016: nil).

6. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following:

Three months ended		Nine months ended	
30 September		30 September	
2017	2016	2017	2016
CNY'000	CNY'000	CNY'000	CNY'000

(Loss) earnings

(Loss) earnings for the purpose of basic and diluted (loss) earnings per share

<u>95</u>	<u>(725)</u>	<u>(2,085)</u>	<u>1,997</u>
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Three months ended		Nine months ended	
30 September		30 September	
2017	2016	2017	2016

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share (*'000 shares*)

<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
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Basic and diluted (loss) earnings per share (*CNY*)

<u>0.02 cents</u>	<u>(0.15) cents</u>	<u>(0.42) cents</u>	<u>0.40 cents</u>
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Note:

The dilutive (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding for both periods.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The gradual recovery of the general economy and further advancement of the supply-side reform policy resulted in improvement in profitability in the iron and steel industry. However, as discussed in the paragraph headed “Chairman’s Statement – Outlook” of the Company’s annual report for the year ended 31 December 2016 and the business review for the 2017 interim report for the six months ended 30 June 2017 (the “2017 Interim Report”) of the Company, the iron and steel industry was still overcasted by overcapacity. Measures adopted to address overcapacity and rising costs continued to exert adverse impact on sales of pelletising clay of the Group for the year ending 31 December 2017. In spite of the difficult situation, the Group has strived to enhance major customers’ satisfaction through improved quality management, resulting in an increase in sales of pelletising clay in the first nine months of 2017 as compared to the corresponding period in 2016. It was also set out in the paragraph headed “Chairman’s Statement – Outlook” of the Company’s annual report for the year ended 31 December 2016 and the business review for the 2017 Interim Report of the Company that investment prospects of the energy industry continued to be uncertain. Although investment in infrastructure construction has increased, prices for the oil and gas market continued to fluctuate. The investment sentiment of oil and gas transportation pipelines construction projects, which was directly linked to the Group’s drilling mud business, was still weak. It has continued to exert pressure on the sales of the Group’s drilling mud business, resulting in a drop in the sales of drilling mud of the Group in the first nine months of 2017 as compared to the corresponding period in 2016.

FINANCIAL REVIEW



Revenue

The revenue decreased by approximately 0.2% from approximately CNY18.9 million for the nine months ended 30 September 2016 to approximately CNY18.8 million for the nine months ended 30 September 2017. The decrease in revenue was mainly due to the decrease in sales volume and average selling price of drilling mud, which was largely offset by the increase in sales volume and average selling price of pelletising clay. The drop in sales volume and average selling price of drilling mud was mainly caused by the general economic condition, especially the uncertainty in investment prospects of the energy industry in the PRC. Although China's iron and steel industry still faced overcapacity, the Group managed to increase the sales volume and average selling price of pelletising clay through strengthening its quality management, marketing and sales efforts.

Gross Profit

The overall gross profit decreased by approximately 6.1% from approximately CNY7.8 million for the nine months ended 30 September 2016 to approximately CNY7.3 million for the nine months ended 30 September 2017, and the overall gross profit margin decreased from approximately 41.3% for the nine months ended 30 September 2016 to approximately 38.8% for the nine months ended 30 September 2017. The decrease in overall gross profit was mainly caused by the decrease in sales volume and average selling price of drilling mud which had higher gross profit margin than that of pelletising clay, which was partially offset by the increase in sales volume and average selling price of pelletising clay. The decrease in overall gross profit margin was mainly due to (i) the decrease in gross profit margin of drilling mud and (ii) the decrease in the sales volume of drilling mud as a percentage of total, which had a relatively higher gross profit margin than that of pelletising clay; this decreasing effect in overall gross profit margin was partially offset by the increase in gross profit margin of pelletising clay.

Other Income

The drop in other income from approximately CNY2.7 million for the nine months ended 30 September 2016 to approximately CNY0.2 million for the nine months ended 30 September 2017 was mainly due to the Group's receipt of a one-off monetary award in the sum of CNY2.0 million from Fanchang County People's Government* (繁昌縣人民政府) in the first quarter of 2016 for the successful listing of the Company's shares (the "Shares") on GEM on 29 December 2015 (the "Listing Date"). The other income for the nine months ended 30 September 2017 mainly comprised bank interest income.



Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 151.9% from approximately CNY0.9 million for the nine months ended 30 September 2016 to approximately CNY2.3 million for the nine months ended 30 September 2017. This was primarily due to an increase in transportation cost arising from increased sales volume of pelletising clay, which the Group was responsible for delivery and incurred the associated cost. The delivery cost of pelletising clay has been factored into its selling price.

Administrative and Other Expenses

The administrative and other expenses increased by approximately 7.4% from approximately CNY6.3 million for the nine months ended 30 September 2016 to approximately CNY6.8 million for the nine months ended 30 September 2017. The increase was mainly due to the increase in professional fees and research and development expenses.

Finance Costs

The finance costs decreased by approximately 31.9% from approximately CNY415,000 for the nine months ended 30 September 2016 to approximately CNY283,000 for the nine months ended 30 September 2017. This was due to the decrease in interest expense of bank loan which was drawn down in December 2015 and repaid in December 2016.

Income Tax Expense

The Group had an income tax expense of approximately CNY0.2 million for the nine months ended 30 September 2017 as compared to approximately CNY0.9 million for the nine months ended 30 September 2016. The decrease was mainly due to a decline in the profit before tax in Wuhu Feishang Non-metallic Material Company Limited, the indirect wholly-owned subsidiary of the Company.

Profit (Loss) and Total Comprehensive Income (Expense) for the Period

The loss and total comprehensive expense attributable to the owners of the Company for the nine months ended 30 September 2017 was approximately CNY2.1 million, a decrease of approximately CNY4.1 million from the profit and total comprehensive income of approximately CNY2.0 million for the nine months ended 30 September 2016. This was mainly caused by (i) the lack of any one-off monetary award in 2017 from Fanchang County People's Government* (繁昌縣人民政府) whereas an award amounting to CNY2.0 million was recognised in the first quarter of 2016; (ii) the decrease of approximately CNY0.5 million in gross profit mainly as a result of the decrease in sales volume and average selling price of drilling mud; (iii) the increase of approximately CNY1.4 million in selling and distribution expenses associated mainly with increased sales of pelletising clay; and (iv) the increase of approximately CNY0.5 million in administrative and other expenses mainly due to the increase in professional fees and research and development expenses. The effect was partially offset by the decrease of approximately CNY0.6 million in income tax expense mainly due to the decrease in profit before tax.

SUBSEQUENT EVENT

On 31 October 2017, the Company entered into a placing agreement with Kingston Securities Limited to procure on a best effort basis for 40,000,000 placing shares to not less than six independent places at the placing price of HK\$1.45 per share. Assuming all shares are fully placed, the net proceeds from the placing will be approximately HK\$56.69 million.

On 31 October 2017, the Company and the subscriber entered into the subscription agreement, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 10,000,000 subscription shares at the subscription price of HK\$1.45 per share. Assuming all shares are fully subscribed, the net proceeds from the subscription will be approximately HK\$14.35 million.

The Company intends to apply the net proceeds from the placing and the subscription: (i) as to approximately HK\$20 million to the future resources trading business development with our strategic parties; (ii) as to approximately HK\$20 million to formation of joint venture company with potential strategic partners; (iii) as to approximately HK\$20 million as to invest to the potential investment in mining resources projects; and (iv) as to approximately HK\$11.04 million to acquire the potential resources companies from the industry. As at the date of this report, the placing and the subscription were not yet completed.



OUTLOOK

It is expected that there will be no fundamental change in the general situation of oversupply in the iron and steel industry and the problem of overcapacity has yet to be addressed. In addition, affected by the new series of real estate market regulation and control policies, it is expected that the iron and steel industry will be confronted with major challenges, imposing greater downward pressure on the demand for pelletising clay. Although the Group has strived to increase sales of pelletising clay by means of, among others, improved product quality and enhanced marketing efforts, the Group may not be able to maintain the current level of gross profit margin in the coming months. The Group intends to continue expanding its customer base and market share by boosting product awareness of pelletising clay, refining its production technology and developing new products with a view to enhance the Group's overall competitiveness to cope with the unfavorable business environment.

The weak investment sentiment in infrastructure construction in the energy industry coupled with impacts from the new series of real estate market control policies will seriously adversely affect the sales of the Group's drilling mud. The Group aims to maintain the sales volume of drilling mud by improving product quality and adhering to the "selling more with lower margin" strategy, and yet the Group may not be able to maintain the current level of gross profit margin in the forthcoming months due to the increasing pressure on the selling price.

CONTINGENT LIABILITIES

As of 30 September 2017, the Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"), were set out below:

(I) The Company

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the issued shares (%)
Mr. DENG Li	Long position	Beneficial Owner	3,120,000	0.62

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.



SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 12 December 2015 (the "Share Option Scheme"), under which the Board may, at its discretion, offer any Eligible Participant (as hereinafter defined) options to subscribe for the Shares subject to the terms and conditions stipulated therein. The Share Option Scheme is valid and effective for a period of 10 years from the Listing Date (the "Scheme Period"). The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of Eligible Participants to the Group by granting options to them as incentives or rewards. An Eligible Participant may include any (a) executive, employee, director, consultant, adviser and/or agent of any member of the Group; and (b) any other person who has contributed to the success of the listing of the Company on GEM, in each case, as determined by the Board. The eligibility of an Eligible Participant will be determined by the Board with reference to his or her past and expected commitment and contribution to the Group.

The Board may, during the Scheme Period, at its absolute discretion, offer to an Eligible Participant an option to subscribe, at the subscription price prescribed under the Share Option Scheme, such number of Shares as the Board may determine. No further options may be granted after the expiry of the Scheme Period. The options may be exercised by an Eligible Participant, in whole or in part, at any time during the period commencing from the date on which an option certificate is issued to an Eligible Participant upon the grant of any option to him ("Date of Grant") and ending on such date as the Board may determine, but in any event not exceeding 10 years from the Date of Grant. The minimum period for which a share option must be held before it can be exercised would be determined by the Board.

The total number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of the Group (if any) must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date ("Scheme Mandate Limit"), unless approved by the Company's shareholders. The Company may seek the approval of its shareholders in general meeting to renew the Scheme Mandate Limit, and such total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed Scheme Mandate Limit. The number of Shares in respect of which options may be granted to any Eligible Participant in any 12-month period is not permitted to exceed 1% of the Shares in issue as at the date of grant of the options, unless approved by the Company's shareholders. In addition, the number of Shares in respect of which options may be granted to any Eligible Participant (who is a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (within the meaning as ascribed under the GEM Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of Shares in issue and an aggregate of HK\$5,000,000, based on the closing price of the Shares at the date of each grant, unless approved by the Company's shareholders.

The subscription price for the Shares to be issued pursuant to the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Eligible Participants (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) and shall be the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of a Share.

Each Eligible Participant is required to pay HK\$1 as consideration for the grant of option.


As at 30 September 2017, no options had been granted pursuant to the Share Option Scheme. As at the date of this report, the Company had 50,000,000 Shares available for issue under the Share Option Scheme (representing 10% of the existing issued share capital of the Company).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2017, so far as the Directors are aware, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of Shares	Percentage of the issued Shares (%)
Mr. ZHANG Qiang	Long position	Beneficial Owner	275,000,000	55.00

On 20 April 2017, Mr. ZHANG Qiang acquired a total of 275,000,000 Shares, representing 55% of the entire issued share capital of the Company, held by Feishang Group Limited. Upon the completion of the acquisition, Mr. ZHANG Qiang became the substantial shareholder of the Company. For further details of the acquisition and the mandatory unconditional cash offer of Mr. ZHANG Qiang, please refer to the announcement and notices on 19 and 20 April 2017, 10 and 24 May 2017 and 14 June 2017 of the Company.



Save as disclosed above, as at 30 September 2017, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Maintaining a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the Reporting Period under review, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 15 of the GEM Listing Rules, with the exception of deviation set out below.

Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. During the Reporting Period under review, the Company has not appointed a chairman, and the roles and functions of a chairman have been performed by all the executive Directors collectively.

FOREIGN EXCHANGE EXPOSURE

Since the majority of the Group's business activities are transacted in CNY, the Directors consider that the Group's risk in foreign exchange is insignificant.

INTEREST IN COMPETING BUSINESS

Save as disclosed, throughout the nine months ended 30 September 2017, none of the Directors and controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interest in a business that competes or may compete with the business of the Group and any other conflicts of interests which such person had or may have with the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company although there are no restrictions against such rights under the laws of Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES



There was no purchase, sale or redemption of the Shares by the Company or any of its subsidiaries throughout the nine months ended 30 September 2017.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the GEM Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely, Mr. CHAN Chiu Hung Alex (chairman), Mr. ZHENG Shuilin and Mr. DUAN Xuechen. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management. The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2017 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such statements complied with applicable IFRSs and that adequate disclosure has been made in respect thereof.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries and associated companies were made by the Company during the nine months ended 30 September 2017.

PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, there was sufficient public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules.



INTEREST OF COMPLIANCE ADVISER

The Company has received confirmation from its compliance adviser, Zhaobangji International Capital Limited (the “Compliance Adviser”), that as at 30 September 2017, except for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser dated 28 February 2017, neither the Compliance Adviser nor its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in relation to the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors are Mr. DENG Li and Mr. ZHANG Yongmin; and the independent non-executive Directors are Mr. CHAN Chiu Hung Alex, Mr. ZHENG Shuilin and Mr. DUAN Xuechen.

By order of the Board

Feishang Non-metal Materials Technology Limited

DENG Li

Executive Director

Hong Kong, 14 November 2017

* *The English name is for identification purpose only*