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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)

INSIDE INFORMATION
IMPACT OF ADVERSE WEATHER CONDITIONS
IN EASTERN CHINA ON THE GROUP

This announcement is made by Feishang Non-metal Materials Technology Limited (“**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10(2)(a) of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the prospectus of the Company dated 18 December 2015 (“**Prospectus**”). Unless otherwise defined herein, capitalised terms used herein shall have the same meanings as those used in the Prospectus.

The Board wishes to provide the Shareholders and potential investors with information relating to the potential adverse impact of the recent floods in eastern China on the Group’s assets, business operations and financial performance.

In mid-June, southern China experienced torrential rain which eventually spread to eastern China and triggered severe floods in late-June, badly affecting areas along the Yangtze River (“**2016 Floods**”). The rain also increased in intensity in late-June. Given that all of the Group’s business operations, as well as most of its customers and suppliers, are located in eastern China, the impact of the 2016 Floods on the Group since late-June, both directly and indirectly, include, among others:

- (a) temporary suspension of mining operations at the Huanghu Bentonite Mine and air-drying activities of the Group due to flooding of such mining site and air-drying facilities;
- (b) temporary suspensions and/or delays in construction projects and/or drilling activities of certain downstream customers of the Group;

- (c) temporary suspensions and/or significant slowdowns in the business operations of certain direct customers of the Group, such as traders who resell the Group's products to such downstream customers and/or manufacturers who use the Group's products in their own production processes and supply raw materials to such downstream customers, due to the reason mentioned in paragraph (b) above;
- (d) decreases in production volumes and sales volumes of the Group's principal products, especially drilling mud, due to the reasons mentioned in paragraphs (b) and (c) above, which are expected to be even more significant for the six months ending 31 December 2016; and
- (e) increases in: (i) water drainage expenses for the mining site; and (ii) production costs due to increased reliance on rotary drum-drying as a result of temporary suspension of air-drying activities, which are expected to be even more significant for the six months ending 31 December 2016.

The Company expects that the 2016 Floods will not have any material impact on the financial performance of the Group for the six months ended 30 June 2016. Although the 2016 Floods did not have any material impact on the Group's machinery and equipment, processing plant and warehouse as at the date of this announcement, it is expected that the financial performance of the Group for the six months ending 31 December 2016 will be materially and adversely affected due to the abovementioned reasons.

The information contained in this announcement is only a preliminary assessment based on the information currently available to the Board. Details of the financial results of the Group for the six months ended 30 June 2016 and the nine months ending 30 September 2016 are expected to be published in August 2016 and November 2016, respectively. The Company will issue announcement(s), as and when appropriate, if there are any further updates in relation to the impact of the 2016 Floods on the Group.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Feishang Non-metal Materials Technology Limited
XU Chengyin
Chairman

Hong Kong, 11 July 2016

As at the date of this announcement, the executive Directors are Mr. XU Chengyin, Mr. ZHANG Pingwu and Mr. CHEN Gongbao, and the independent non-executive Directors are Mr. CHAN Chiu Hung Alex, Mr. ZHENG Shuilin and Mr. DUAN Xuechen.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the day of its publication and on the Company's website at www.fsnmmaterials.com.