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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Feishang Non-metal Materials Technology Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 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.

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2017, together with the comparative unaudited figures for the corresponding period in 2016 as follows:

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

For the three months ended 31 March 2017

	<i>Notes</i>	Three months ended 31 March	
		2017	2016
		<i>CNY'000</i>	<i>CNY'000</i>
Revenue	3	5,672	7,046
Cost of sales		<u>(3,478)</u>	<u>(4,345)</u>
Gross profit		2,194	2,701
Other income		89	2,020
Selling and distribution expenses		(620)	(395)
Administrative and other expenses		(2,179)	(1,728)
Finance costs		<u>(93)</u>	<u>(176)</u>
(Loss) profit before tax		(609)	2,422
Income tax expense	4	<u>(86)</u>	<u>(469)</u>
(Loss) profit and total comprehensive (expense) income for the period attributable to the owners of the Company		<u>(695)</u>	<u>1,953</u>
(Loss) earnings per share (<i>CNY</i>):			
Basic and diluted	6	<u>(0.14) cents</u>	<u>0.39 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Share capital CNY'000	Share premium CNY'000	Other reserve CNY'000 (Note i)	Statutory reserve CNY'000 (Note ii)	Safety fund and production maintenance fund CNY'000 (Note iii)	Retained earnings CNY'000	Total CNY'000
At 1 January 2016	4,188	25,954	23,351	2,830	652	2,961	59,936
Profit and total comprehensive income for the period	–	–	–	–	–	1,953	1,953
Appropriation to statutory reserve	–	–	–	213	–	(213)	–
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	–	–	32	(32)	–
At 31 March 2016	<u>4,188</u>	<u>25,954</u>	<u>23,351</u>	<u>3,043</u>	<u>684</u>	<u>4,669</u>	<u>61,889</u>
At 1 January 2017	4,188	25,954	23,351	3,401	808	5,034	62,736
Loss and total comprehensive expenses for the period	–	–	–	–	–	(695)	(695)
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	–	–	37	(37)	–
At 31 March 2017	<u>4,188</u>	<u>25,954</u>	<u>23,351</u>	<u>3,401</u>	<u>845</u>	<u>4,302</u>	<u>62,041</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 (蕪湖飛尚非金屬材料有限公司) (“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 ended 31 March 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.

The immediate holding company and ultimate holding company of the Company are Feishang Group Limited and Laitan Investments Limited, respectively, both of which were incorporated in the British Virgin Islands (the “BVI”).

The Company is an investment holding company and its principal subsidiary is mainly engaged in bentonite mining, 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 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 for the three months ended 31 March 2017 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 2016. 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 31 March	
	2017 CNY'000	2016 CNY'000
Drilling mud	1,954	4,118
Pelletising clay	<u>3,718</u>	<u>2,928</u>
	<u><u>5,672</u></u>	<u><u>7,046</u></u>

The Group operates in one business unit based on its products, and has one reportable and operating segment: bentonite mining, 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 31 March	
	2017 CNY'000	2016 CNY'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	–	320
Deferred taxation:		
Current year	<u>86</u>	<u>149</u>
	<u><u>86</u></u>	<u><u>469</u></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 (the “EIT Law”) and implementation regulation of the EIT Law, the tax rate of the subsidiary established in the PRC other than Feishang Material is 25% for both periods.
- (iv) During the three months ended 31 March 2017 and 2016 respectively, Feishang Material was recognised as a High Technology Enterprise and subject to PRC income tax at 15% in accordance with the EIT Law for both periods.

5. DIVIDEND

No dividend was paid or declared by the Company during the three months ended 31 March 2017 (for the three months ended 31 March 2016: Nil), nor has any dividend been proposed since the end of 31 March 2017.

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 31 March	
	2017	2016
	CNY'000	CNY'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	(695)	1,953
	Three months ended 31 March	
	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share (<i>'000 shares</i>)	500,000	500,000
Basic and diluted (loss) earnings per share (<i>CNY</i>)	(0.14) cents	0.39 cents

The weighted average number of ordinary shares in issue during the three months ended 31 March 2017 and 2016 represents 500,000,000 ordinary shares in issue during the three months ended 31 March 2017 and 2016 respectively.

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.

7. SUBSEQUENT EVENT

On 20 April 2017, Mr. ZHANG Qiang acquired a total of 275,000,000 ordinary shares, representing 55% of the entire issued share capital of the Company, held by Feishang Group Limited. Upon completion of the acquisition, Mr. ZHANG Qiang became the new controlling shareholder of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, Mr. ZHANG Qiang was required to make a mandatory unconditional cash offer for all the issued shares (other than those already owned by Mr. ZHANG Qiang and the parties acting in concert with him). For details, please refer to the joint announcement of the Company and Mr. ZHANG Qiang dated 20 April 2017.

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, the iron and steel industry is still overcasted by overcapacity. Measures adopted to address overcapacity and rising costs 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 strives to enhance major customers’ satisfaction through improved quality management, resulting in an increase in sales of pelletising clay in the first quarter 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 that investment prospects of the energy industry continue to be uncertain. Although investment in infrastructure construction increases, prices for oil and gas market continue to fluctuate. The investment sentiment of oil and gas transportation pipelines construction projects, which was directly linked to the Group’s drilling mud business, is still weak. It continues to exert pressure on the sales of the Group’s drilling mud business, resulting a drop in the sales of drilling mud of the Group in the first quarter of 2017 as compared to the corresponding period in 2016.

FINANCIAL REVIEW

Revenue

The revenue decreased by approximately 19.5% from approximately CNY7.0 million for the three months ended 31 March 2016 to approximately CNY5.7 million for the three months ended 31 March 2017. The decrease in revenue was mainly due to the decrease in sales volume and average selling price of drilling mud, which was partially 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 effort.

Gross Profit

The gross profit decreased by approximately 18.8% from approximately CNY2.7 million for the three months ended 31 March 2016 to approximately CNY2.2 million for the three months ended 31 March 2017. The decrease in the gross profit was mainly caused by the decrease in sales volume and average selling price of drilling mud which had higher gross profit than that of pelletising clay, which was partially offset by the increase in sales volume and average selling price of pelletising clay.

Other Income

The drop in other income from approximately CNY2.0 million for the three months ended 31 March 2016 to approximately CNY0.1 million for the three months ended 31 March 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 three months ended 31 March 2017 mainly comprised bank interest income.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 57.0% from approximately CNY0.4 million for the three months ended 31 March 2016 to approximately CNY0.6 million for the three months ended 31 March 2017. The increase was primarily due to the rise in transportation cost arising from the increase in sales volume of pelletising clay, which the Group was responsible for the delivery cost which has been factored into the selling price.

Administrative and Other Expenses

The administrative and other expenses increased by approximately 26.1% from approximately CNY1.7 million for the three months ended 31 March 2016 to approximately CNY2.2 million for the three months ended 31 March 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 47.2% from approximately CNY0.2 million for the three months ended 31 March 2016 to approximately CNY0.1 million for the three months ended 31 March 2017. It was primarily 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 income tax expense of approximately CNY0.1 million for the three months ended 31 March 2017 as compared to approximately CNY0.5 million for the three months ended 31 March 2016. The decrease was mainly due to a decline in the profit before tax in Feishang Material, the indirect wholly-owned subsidiary of the Company.

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

The loss and total comprehensive expense attributable to the owners of the Company for the three months ended 31 March 2017 was approximately CNY0.7 million, a decrease of approximately CNY2.7 million from the profit and total comprehensive income of approximately CNY2.0 million for the three months ended 31 March 2016. This was mainly caused by (i) the lack of one-off monetary award from Fanchang County People's Government* (繁昌縣人民政府) recognised in the first quarter of 2016 amounting to CNY2.0 million in 2017; (ii) the decrease of approximately CNY0.5 million in gross profit mainly due to the decrease in sales volume and average selling price of drilling mud; and (iii) 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 CNY0.4 million in income tax expense mainly due to the decrease in profit before tax.

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 control policies, it is expected that the iron and steel industry will be confronted with major challenges, imposing great pressure on the demand for pelletising clay. Although the Group strives to maintain sales volume of pelletising clay by means of, among others, improved product quality and “selling more with lower margin” strategy, 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 enhancing the Group's overall competitiveness to cope with the unfavorable business environment.

By dint of the weak investment sentiment in infrastructure construction in energy industry, coupled with impact from the new series of real estate market control policies, the sales of the Group's drilling mud will be adversely affected seriously. The Group aims to maintain sales volume of drilling mud by means of improved product quality and adhering to the “selling more with lower margin” strategy, 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.

In addition, as disclosed in the Company's announcement dated 14 February 2017, the Group intends to acquire an operating black marble (dolerite) mine and entered into a non-legally binding memorandum of undertaking with an independent individual. It is expected that the potential acquisition (if materialised) can diversify the Group's business. The potential acquisition may or may not proceed and, if materialised, may constitute a notifiable transaction for the Company under the GEM Listing Rules. Further announcement(s) in respect of the potential acquisition will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

CONTINGENT LIABILITIES

As of 31 March 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 three months ended 31 March 2017 (for the three months ended 31 March 2016: Nil).

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

As at 31 March 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 Part XV 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"), are 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

(II) Associated Corporations (within the meaning of the SFO)

(i) China Natural Resources, Inc.

Name of Director	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Mr. CHEN Gongbao	Long position	Interest of his spouse	5,000	1	0.02

Note:

1. The 5,000 common shares were held by Mrs. QIAN Dongmei, the spouse of Mr. CHEN Gongbao.

(ii) Feishang Anthracite Resources Limited

Name of Director	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Mr. CHEN Gongbao	Long position	Interest of his spouse	12,500	1	0.0009

Note:

1. The 12,500 ordinary shares were held by Mrs. QIAN Dongmei, the spouse of Mr. CHEN Gongbao.

Save as disclosed above, as at 31 March 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 31 March 2017, no options had been granted pursuant to the Share Option Scheme. As at the date of this announcement, 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 31 March 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	Note	Percentage of the issued Shares (%)
Mr. LI Feilie	Long position	Interest held by his controlled corporation	275,000,000	<i>1</i>	55.00
Laitan Investments Limited	Long position	Interest held by its controlled corporation	275,000,000	<i>1</i>	55.00
Feishang Group Limited	Long position	Beneficial Owner	275,000,000	<i>1</i>	55.00

Note:

1. The 275,000,000 Shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie. According to the SFO, both Mr. LI Feilie and Laitan Investments Limited were deemed to have interests in the 275,000,000 Shares held by Feishang Group Limited as at 31 March 2017.

Save as disclosed above, as at 31 March 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.

CHANGE IN CONTROLLING SHAREHOLDER

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 completion of the acquisition, Mr. ZHANG Qiang became the new controlling shareholder of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers, Mr. ZHANG Qiang was required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned by Mr. ZHANG Qiang and the parties acting in concert with him). For details, please refer to the joint announcement of the Company and Mr. ZHANG Qiang dated 20 April 2017.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules throughout the three months ended 31 March 2017, save and except for code provision A.2.1, as set out below.

Chairman and Chief Executive

Mr. XU Chengyin is the chairman and chief executive officer of the Company. He is mainly responsible for formulating corporate strategies and supervising the business and marketing operations of the Group. Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision of the CG Code with Mr. XU Chengyin being the chairman and chief executive officer of the Company concurrently. The Board considers this arrangement is appropriate for the Group’s current situation and believes that such arrangement allows for efficient discharge of the executive functions of the chief executive officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including three independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and appropriate Board committees, as well as senior management. The Board is therefore of the view that there are adequate safeguards in place to ensure the balance of power and authority within the Company.

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

Throughout the three months ended 31 March 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 three months ended 31 March 2017.

AUDIT COMMITTEE

The Company has an audit committee ("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 of the Audit Committee), 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 Company for the three months ended 31 March 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 have been made by the Company during the three months ended 31 March 2017.

PUBLIC FLOAT

As at the date of this announcement, based on the information that is publicly available to the Company and within the 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.

CHANGE OF COMPLIANCE ADVISER

The Company announced on 28 February 2017 that the Company and the former compliance adviser, Celestial Capital Limited, have mutually agreed to terminate the compliance adviser's agreement between them with effect from 1 March 2017 due to the consideration of fee levels. Zhaobangji International Capital Limited has been appointed as the replacement compliance adviser pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 1 March 2017. For further details, please refer to the announcement of the Company dated 28 February 2017.

INTEREST OF COMPLIANCE ADVISER

The Company has received confirmation from its compliance adviser, Zhaobangji International Capital Limited (the "Compliance Adviser"), that as at 31 March 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.

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

Hong Kong, 15 May 2017

As at the date of this announcement, the executive Directors are Mr. XU Chengyin, Mr. ZHANG Pingwu, Mr. CHEN Gongbao, 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.

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. This announcement will also be published on the Company's website at www.fsnmmaterials.com.

* *The English name is for identification purpose only*