

12 September 2016

## Complaint filed by Shenzhen Samly regarding advertising agreements

### Company Announcement

Orient Samly Trading (Shenzhen) Co., Ltd (**Shenzhen Samly**), one of the key subsidiaries of Australia Samly Holdings Group Limited (**Company**) has filed a complaint with Shenzhen Nanshan District Court and legal procedure has been commenced on 8 September 2016, in relation to a TV Advertising Agency Agreement dated 21 October 2014 (**Advertising Agreement**) and a Supplementary Agreement dated 21 April 2015 (**Supplementary Agreement**).

#### **1. Advertising Agreement and Supplementary Agreement**

Under the Advertising Agreement, Shenzhen Samly appointed Shenzhen Hongxi Juxin Advertising Co., Ltd (**Hongxi**) as its agent to promote Shenzhen Samly in a TV program on Jiangxi TV Net. Jiangxi Media Broadcasting Limited (**Jiangxi Media**) is responsible for arranging and broadcasting the advertisements of Shenzhen Samly. Liangchao Chen, the legal representative and the actual controller of Shenzhen Samly, is the guarantor under the Advertising Agreement and guarantees Shenzhen Samly's obligations under the Advertising Agreement.

Under the Supplementary Agreement, the advertisement period was extended to 20 November 2015.

The Company has announced the advertising activities set out in the Advertising Agreement and the Supplementary Agreement on Sydney Stock Exchange on 29 July 2016. In the announcement, the Company disclosed that the previous advertisements cannot be broadcasted anymore due to a change in advertising law in China, which in accordance with the Advertising Agreement, is a force majeure event.

#### **2. Subject of the claim**

Shenzhen Samly sought to rescind both agreements and claimed against Hongxi and Jiangxi Media to repayment of RMB5,452,823 under the Advertising Agreement and interests incurred from the date of the pleading. Shenzhen Samly also claimed against Hongxi and Jiangxi Media for costs of the proceedings.

#### **3. Reason for rescission of the agreements**

As the advertisement has not been broadcasted for a period of time, Shenzhen Samly regards it to have lost its purpose and effect. In accordance clause 7 of the Advertising Agreement, the force majeure event entitles either party to rescind the agreement.

Due to the occurrence of a force majeure event, Shenzhen Samly notified Hongxi to cancel its advertisements from the period starting July to August 2015. Despite Shenzhen Samly subsequently received Hongxi acknowledgment of the cancellation for a limited period, the advertisements have not resumed broadcasting.

#### **4. Claim of debt**

Shenzhen Samly is of the opinion that it is entitled to recover the debt of RMB 5,452,823.00, which is calculated based on the difference between total amount of advertising fee during the period when the advertisements was cancelled (RMB 13,452,823.00) and the balance outstanding under the Advertising Agreement (RMB 8,000,000.00).

The company will keep the market updated in relation to any development of this matter.

**Jiajun Li**

Company Secretary

On behalf of Australia Samly Holdings Group Limited