

Announcement of Fujian Kuncai Material Technology Co.,Ltd

As a responsible global corporate citizen, Fujian Kuncai Material Technology Co., Ltd. (hereinafter "Kuncai") insists on using its own resource and strength to undertake the sustainable responsibility and obligation of the corporation and society consistently, including but not limited to safety production, quality and service of product, environmental protection, resource conservation, employment promotion, employee's benefit protection etc. Meanwhile, in the pursuit of economic benefit and protection of shareholders' equity, Kuncai takes the active measures to maintain the legitimate rights and interests of all creditors and employees. Kuncai persists in the principle of good faith to the suppliers, customers and consumers. Kuncai is actively through itself into the public welfare such as protection of environment and communitybuilding, so as to enhance the development of the corporation in harmony with society. India is the biggest producer of natural mica in the world, comprising more than 60% of the world production.

As one of the main producers of pearlescent pigments in the world, we use both natural mica and synthetic mica in our products. The synthetic mica is manufactured by ourselves while a part of the natural mica is sourced in the Jkarkhand-Bihar area in India, in Brazil and in Pakistan. In order to fulfil the corporate social responsibility and to demonstrate our decision to fight against child labour, we have taken the following actions in the past years.

i. Establishing and issuing a prohibition policy of child labour. Kuncai has stated in its "code of conduct" that child labour is prohibited in our corporation. Kuncai respects the regulations of the United Nations and China on human rights and children's rights, and is resolutely against the use of child labour in the whole production process.

Kuncai considers the use of child labour as a criminal behaviour.

ii. Prohibition of child labour in the supply chain. Kuncai strongly requested that all suppliers should obey its prohibition policy of child labour in their supply chain. Before establishing a partnership each supplier had to promise to Kuncai that there is no child labour existing in his company to Kuncai. Meanwhile, it was also required to provide an official statement, to be issued by the labour department of the local government, certifying that child labour is not existing.

iii. On-site verification of employment in the supply chain. To reinforce the management system and effectively verify the employment of suppliers for the year of 2015, Kuncai sent professionals to carry out on-site verification in India on a regular basis. By January 2015 the results of these on-site verifications were that no child labour had been detected.

iv. Decrease of import volume and proportion of natural mica from India. Kuncai will increasingly switch to resources from Brazil and Pakistan.

v. Optimal attempts to improve the educational conditions of children in the mining area

During the on-site verifications Kuncai contacted the Indian government and expressed its wish to donate a school in the mining area in order to support uneducated children in cooperation with the local government.

However, the Indian government suggested us to communicate with international or Indian NGO's to carry out our donation plan, since they were concerned that a change in the business situation of the corporate could influence the sustainability of those children's education. At present, Kuncai is actively establishing the communication with Unicef, Save the Children and other NGOs in India aiming to carry out the donation plan.

Recently, SOMO, a non-governmental organization from the Netherlands, has started a research on child labour in mica mining and processing. They are investigating Dutch multinationals related to the use of mica and global mica pigments producers such as Kuncai as well. Out of the first communication related to Kuncai it became clear to us that our active policy on child labour is not yet recognized as such. To address the importance of this issue,

Mr. Bingkun Xie, president of Kuncai, has immediately organised a conference of senior management to discuss this issue. The final decision of this conference was that Kuncai will further increase its efforts to assure that its suppliers of mica do not make use of child labour and will communicate this more to the outside world. In relation to that, Kuncai will appoint lawyers and professionals to travel to India in the middle of January 2016 to do the on-site verification of the supply chain once more. Furthermore, the general manager of Kuncai Europe will contact SOMO to discuss our activities and their investigation. Meanwhile, Kuncai will improve the plan of on-site verification in accordance with the suggestions shared by SOMO. The following steps will be part of our increased efforts:

- i. Suppliers of mica flakes need to provide a statement with a supporting certificate, that no child labour in their factory and mining area is used. The certificate has to come from the office of the labour commissioner of the State Government.
- ii. Kuncai will go to investigate and organise research audits at the mining companies, their workshops and mining area on site.
- iii. Kuncai will ask permanent support of local governments to provide advice and assistance to ensure that no child labour is used in our supply chain.

iv. Kuncai will establish relationships with NGO's, specialized in preventing child labour in India, who can advice Kuncai with the implementation of sustainable control mechanisms to ensure that our suppliers do not use child labour.

v. Kuncai will also discuss with local authorities and NGO's how we can contribute to improve the wellbeing of uneducated children, for example to contribute to a primary school in the area Jkarkhand/Bihar.

The management of supply chain is a critical job for us, we are going to keep in touch with the local government and NGOs in India and improve our management system according to their advises and suggestions. Furthermore, we will pay attention to the uneducated children consistently, we wish all the children could have the enjoyment of knowledge and live in health and happiness.

Fujian Kuncai Material Technology Co., Ltd.

23rd December, 2015