

**HAM-LET (ISRAEL-CANADA) LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT JUNE 30, 2017**

**UNAUDITED**

**INDEX**

	<u>Page</u>
Auditors' Review Report	2
Consolidated Statements of Financial Position	3 - 4
Consolidated Statements of Profit or Loss	5
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Changes in Equity	7-8
Consolidated Statements of Cash Flows	9
Notes to Interim Consolidated Financial Statements	10 - 13



**Kost Forer Gabbay & Kasierer**  
2 Pal-Yam Blvd. Brosh  
Building  
Haifa 3309502, Israel

Tel: +972-4-8654000  
Fax: +972-3-5633433  
ey.com

**Auditors' review report to the shareholders of Ham-Let (Israel-Canada) Ltd.**

**Introduction**

We have reviewed the accompanying financial information of Ham-Let (Israel-Canada) Ltd. and subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as of June 30, 2017 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six and three months then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not review the condensed interim financial information of subsidiaries, whose assets constitute approximately 8.5% of total consolidated assets as of June 30, 2017, and whose revenues constitute approximately 14.5% and 15.8% of total consolidated revenues for the six and three months then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

**Scope of review**

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Haifa, Israel  
August 20, 2017

**KOST FORER GABBAY & KASIERER**  
A Member of Ernst & Young Global

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>		<b>December 31,</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Unaudited</b>		<b>Audited</b>
	<b>US dollars in thousands</b>		
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	9,194	11,568	15,027
Trade receivables	39,002	38,877	37,518
Other receivables	6,799	6,308	5,085
Inventories	43,528	35,113	37,296
Investment property held for sale	-	-	1,547
<b>Total current assets</b>	<b>98,523</b>	<b>91,866</b>	<b>96,473</b>
<b>NON-CURRENT ASSETS:</b>			
Long-term other receivables	676	-	-
Investment property	-	1,345	-
Property, plant and equipment	29,862	29,691	28,313
Intangible assets and long-term prepaid expenses	13,593	11,725	11,075
Deferred taxes	2,039	1,291	1,626
<b>Total non-current assets</b>	<b>46,170</b>	<b>44,052</b>	<b>41,014</b>
<b>Total assets</b>	<b>144,693</b>	<b>135,918</b>	<b>137,487</b>

The accompanying notes are an integral part of the interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2017	2016	2016
	Unaudited		Audited
	US dollars in thousands		
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Loans and credit from banks	13,382	10,496	12,981
Trade payables	22,151	16,630	17,839
Other payables, including derivatives	15,928	15,122	15,799
Current taxes payable	3,128	2,838	2,862
<b>Total current liabilities</b>	<b>54,589</b>	45,086	49,481
<b>NON-CURRENT LIABILITIES:</b>			
Loans from banks	16,027	15,049	15,145
Employee benefit liabilities	1,358	1,471	1,241
Contingent liability	-	285	-
Deferred taxes	536	1,513	1,313
<b>Total non-current liabilities</b>	<b>17,921</b>	18,318	17,699
<b>Total liabilities</b>	<b>72,510</b>	63,404	67,180
<b>EQUITY:</b>			
Share capital	4,507	4,490	4,501
Share premium	19,490	19,490	19,490
Adjustments arising from translating financial statements of foreign operations	(1,910)	(1,761)	(2,840)
Treasury shares	(3,526)	(3,526)	(3,526)
Retained earning	53,622	53,821	52,682
<b>Total equity</b>	<b>72,183</b>	72,514	70,307
<b>Total liabilities and equity</b>	<b>144,693</b>	135,918	137,487

The accompanying notes are an integral part of the interim consolidated financial statements.

August 20, 2017

Date of financial  
statement approval

Gillon Beck  
Chairman of the Board of Directors

Amir Widmann  
CEO

Moran Tayar  
CFO

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	US dollars in thousands (except per share data)				
Revenues from sales	<b>68,479</b>	59,202	<b>35,603</b>	32,975	124,088
Cost of sales	<b>43,144</b>	37,492	<b>22,584</b>	20,724	78,409
<b>Gross profit</b>	<b>25,335</b>	21,710	<b>13,019</b>	12,251	45,679
Selling and marketing expenses	<b>12,611</b>	9,725	<b>6,295</b>	5,353	21,553
General and administrative expenses	<b>3,920</b>	3,319	<b>1,805</b>	1,961	8,473
Research and development expenses	<b>1,887</b>	1,613	<b>979</b>	760	3,095
Other expenses	-	710	-	291	816
Appreciation of investment property	-	-	-	-	(202)
<b>Operating income</b>	<b>6,917</b>	6,343	<b>3,940</b>	3,886	11,944
Finance income	<b>76</b>	239	<b>27</b>	-	227
Finance expenses	<b>898</b>	427	<b>559</b>	388	1,600
<b>Finance expenses, net</b>	<b>822</b>	188	<b>532</b>	388	1,373
<b>Income before taxes on income</b>	<b>6,095</b>	6,155	<b>3,408</b>	3,498	10,571
Taxes on income	<b>447</b>	695	<b>347</b>	529	1,394
<b>Net income attributable to equity holders of the Company</b>	<b>5,648</b>	5,460	<b>3,061</b>	2,969	9,177
<b>Net earnings per share attributable to equity holders of the Company (in US dollars)</b>					
Basic and diluted net earnings per share	<b>0.40</b>	0.39	<b>0.22</b>	0.21	0.66

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Six months ended		Three months ended		Year ended
	June 30,		June 30,		December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	US dollars in thousands				
<b>Net income</b>	<b>5,648</b>	5,460	<b>3,061</b>	2,969	9,177
<b>Items that will not be subsequently reclassified to profit or loss:</b>					
Remeasurement of defined benefit plan	-	-	-	-	124
Taxes on items that will not be subsequently reclassified to profit or loss	-	-	-	-	(17)
<b>Total items that will not be subsequently reclassified to profit or loss, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>
<b>Items that will be reclassified or that are reclassified to profit or loss when specific conditions are met:</b>					
Adjustments arising from translating financial statements of foreign operations	<b>930</b>	(456)	<b>702</b>	(702)	(1,535)
<b>Total items that will be reclassified or that are reclassified to profit or loss, net of tax</b>	<b>930</b>	(456)	<b>702</b>	(702)	(1,535)
<b>Total other comprehensive (loss) income attributable to equity holders of the Company</b>	<b>930</b>	(456)	<b>702</b>	(702)	(1,428)
<b>Total comprehensive income attributable to equity holders of the Company</b>	<b>6,578</b>	5,004	<b>3,763</b>	2,267	7,749

The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the Company					
	Share capital	Share premium	Adjustments arising from translating financial statements of foreign operations	Treasury shares	Retained earnings	Total
	US dollars in thousands					
<b>Six months ended June 30, 2017 (unaudited)</b>						
<b>Balance as of January 1, 2017</b>	<b>4,501</b>	<b>19,490</b>	<b>(2,840)</b>	<b>(3,526)</b>	<b>52,682</b>	<b>70,307</b>
Net income	-	-	-	-	5,648	5,648
Other comprehensive income	-	-	930	-	-	930
Total comprehensive income	-	-	930	-	5,648	6,578
Transactions with owners, recorded directly in equity:						
Dividend to equity holders of the company	-	-	-	-	(4,957)	(4,957)
Cost of share-based payments	-	-	-	-	249	249
Employee share options exercised	6	-	-	-	-	6
<b>Balance as of June 30, 2017</b>	<b>4,507</b>	<b>19,490</b>	<b>(1,910)</b>	<b>(3,526)</b>	<b>53,622</b>	<b>72,183</b>
<b>Six months ended June 30, 2016 (unaudited)</b>						
<b>Balance as of January 1, 2016</b>	<b>4,490</b>	<b>19,490</b>	<b>(1,305)</b>	<b>(3,526)</b>	<b>48,297</b>	<b>67,446</b>
Net income	-	-	-	-	5,460	5,460
Other comprehensive loss	-	-	(456)	-	-	(456)
Total comprehensive income (loss)	-	-	(456)	-	5,460	5,004
Transactions with owners, recorded directly in equity:						
Cost of share-based payments	-	-	-	-	64	64
<b>Balance as of June 30, 2016</b>	<b>4,490</b>	<b>19,490</b>	<b>(1,761)</b>	<b>(3,526)</b>	<b>53,821</b>	<b>72,514</b>

The accompanying notes are an integral part of the interim consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital	Share premium	Adjustments arising from translating financial statements of foreign operations	Treasury shares	Retained earnings	Total
	US dollars in thousands					
<b>Three months ended June 30, 2017 (unaudited)</b>						
<b>Balance as of April 1, 2017</b>	<b>4,505</b>	<b>19,490</b>	<b>(2,612)</b>	<b>(3,526)</b>	<b>50,420</b>	<b>68,277</b>
Net income	-	-	-	-	3,061	3,061
Other comprehensive income	-	-	702	-	-	702
Total comprehensive income (loss)	-	-	702	-	3,061	3,763
Transactions with owners, recorded directly in equity:						
Cost of share-based payments	-	-	-	-	141	141
Employee share options exercised	2	-	-	-	-	2
<b>Balance as of June 30, 2017</b>	<b>4,507</b>	<b>19,490</b>	<b>(1,910)</b>	<b>(3,526)</b>	<b>53,622</b>	<b>72,183</b>
<b>Three months ended June 30, 2016 (unaudited)</b>						
<b>Balance as of April 1, 2016</b>	<b>4,490</b>	<b>19,490</b>	<b>(1,059)</b>	<b>(3,526)</b>	<b>50,825</b>	<b>70,220</b>
Net income	-	-	-	-	2,969	2,969
Other comprehensive loss	-	-	(702)	-	-	(702)
Total comprehensive income (loss)	-	-	(702)	-	2,969	2,267
Transactions with owners, recorded directly in equity:						
Cost of share-based payments	-	-	-	-	27	27
<b>Balance as of June 30, 2016</b>	<b>4,490</b>	<b>19,490</b>	<b>(1,761)</b>	<b>(3,526)</b>	<b>53,821</b>	<b>72,514</b>
<b>Year ended December 31, 2016 (audited)</b>						
<b>Balance as of January 1, 2016</b>	<b>4,490</b>	<b>19,490</b>	<b>(1,305)</b>	<b>(3,526)</b>	<b>48,297</b>	<b>67,446</b>
Net income	-	-	-	-	9,177	9,177
Other comprehensive income (loss)	-	-	(1,535)	-	107	(1,428)
Total comprehensive income (loss)	-	-	(1,535)	-	9,284	7,749
Transactions with owners, recorded directly in equity:						
Dividend of equity holders of the company	-	-	-	-	(5,069)	(5,069)
Cost of share-based payments	-	-	-	-	170	170
Employee share options exercised	11	-	-	-	-	11
<b>Balance as of December 31, 2016</b>	<b>4,501</b>	<b>19,490</b>	<b>(2,840)</b>	<b>(3,526)</b>	<b>52,682</b>	<b>70,307</b>

The accompanying notes are an integral part of the interim consolidated financial statements.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	US dollars in thousands				
<b><u>Cash flows from operating activities:</u></b>					
Net income	5,648	5,460	3,061	2,969	9,177
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>					
Depreciation of property, plant and equipment	2,612	2,430	1,334	1,356	5,056
Amortization of intangible assets	507	324	207	249	951
Fair value adjustment of investment property	-	-	-	-	(202)
Net finance expenses	940	344	604	124	437
Cost of share-based payments	249	64	141	27	170
Taxes on income	447	695	347	529	1,394
<b>Changes in asset and liability items:</b>					
increase in inventories	(6,007)	(571)	(4,118)	(665)	(2,375)
increase in other receivables and long-term prepaid expenses	(2,276)	(1,688)	(1,245)	(1,345)	(198)
Increase in trade receivables	(955)	(5,327)	(1,652)	(1,525)	(4,257)
Increase (decrease) in other payables	(288)	230	(116)	(495)	315
Increase in trade payables	3,691	1,512	3,844	1,165	2,790
Change in employee benefit liabilities, net	117	(5)	44	(48)	(111)
Taxes paid	(1,166)	(1,464)	(689)	(491)	(2,281)
<b>Net cash provided by operating activities</b>	<b>3,579</b>	<b>2,004</b>	<b>1,762</b>	<b>1,850</b>	<b>10,866</b>
<b><u>Cash flows from investing activities:</u></b>					
Interest received	70	-	27	-	2
Acquisition of newly consolidated subsidiaries	-	(13,971)	-	(12,518)	(14,481)
Proceeds from sale of property, plant and equipment	-	-	-	-	16
Proceeds from sale of investment property	1,590	-	-	-	-
Purchase of intangible assets	(2,468)	-	-	-	-
Texas paid on sales of investment property	(386)	-	-	-	-
Purchase of property, plant and equipment	(4,161)	(1,562)	(2,367)	(995)	(3,514)
Investment grants received	732	1,400	732	-	1,400
<b>Net cash used in investing activities</b>	<b>(4,623)</b>	<b>(14,133)</b>	<b>(1,608)</b>	<b>(13,513)</b>	<b>(16,577)</b>
<b><u>Cash flows from financing activities:</u></b>					
Receipt of long-term loans from banks	2,452	15,000	-	15,000	17,000
Short-term bank credit and loans, net	(263)	43	(340)	(1,517)	1,490
Proceeds from exercise of employee options	6	-	2	-	11
Repayment of long-term loans from banks and other	(1,597)	(1,480)	(886)	(707)	(2,320)
Interest paid	(632)	(169)	(269)	(128)	(646)
Dividend paid to equity holders of the Company	(4,957)	-	(4,957)	-	(5,069)
<b>Net cash provided by (used in) financing activities</b>	<b>(4,991)</b>	<b>13,394</b>	<b>(6,450)</b>	<b>12,648</b>	<b>10,466</b>
Exchange rate difference on balances of cash and cash equivalents	202	(113)	158	(75)	(144)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(5,833)</b>	<b>1,152</b>	<b>(6,138)</b>	<b>910</b>	<b>4,611</b>
Cash and cash equivalents as at the beginning of the period	15,027	10,416	15,332	10,658	10,416
<b>Cash and cash equivalents as at the end of the period</b>	<b>9,194</b>	<b>11,568</b>	<b>9,194</b>	<b>11,568</b>	<b>15,027</b>

The accompanying notes are an integral part of the interim consolidated financial statements.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 1:- GENERAL**

Ham-Let (Israel-Canada) Ltd. ("the Company") is an Israeli resident company incorporated in Israel. The address of the Company's registered office is 1 Hayotzer Street, Ziporit Industrial Zone, Nazareth Elite. The interim consolidated financial statements of the Group as of June 30, 2016 comprise the financial statements of the Company and of its subsidiaries (together referred to as "the Group"). The Company is under the control of the FIMI partnerships ("FIMI").

The Group is engaged in the development, manufacture and marketing of fittings, faucets and valves for control and monitoring industrial systems and for ultra clean gas moving systems in the microelectronic industry and other clean industries. The securities of the Company are listed for trading on the Tel-Aviv Stock Exchange.

**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation of the interim consolidated financial statements**

These financial statements have been prepared in a condensed format as of June 30, 2017 and for the three and six months then ended ("interim consolidated financial statements"). These financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2016 and for the year then ended and accompanying notes ("annual consolidated financial statements").

The interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements.

**NOTE 3:- OPERATING SEGMENTS**

**a. General:**

As discussed in the annual consolidated financial statements, the Group has two reportable segments, as described below:

- 1) Ultra-clean products - manufacture of fittings, faucets and valves for ultra clean gas systems in microelectronic industries and in other ultra clean industries.
- 2) Process industry products - manufacture of fittings, faucets and valves for control and monitoring industrial systems.

The basis of segmentation and the measurement basis for the segment profit or loss are the same as that presented in Note 5 regarding operating segments in the annual consolidated financial statements. The accounting policies of the operating segments are the same as presented in Note 2 to the annual consolidated financial statements regarding significant accounting policies.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- OPERATING SEGMENTS (Cont.)

## b. Reporting of operating segments:

	Ultra-clean products		Process industry products		Total	
	For the period of six months ended June 30,					
	2017	2016	2017	2016	2017	2016
	Unaudited					
	US dollars in thousands					
Revenues from external factors	<u>24,916</u>	<u>18,383</u>	<u>43,563</u>	<u>40,819</u>	<u>68,479</u>	<u>59,202</u>
Segment income	<u>2,919</u>	<u>2,450</u>	<u>3,998</u>	<u>3,893</u>	<u>6,917</u>	<u>6,343</u>

	Ultra-clean products		Process industry products		Total	
	For the period of three months ended June 30,					
	2017	2016	2017	2016	2017	2016
	Unaudited					
	US dollars in thousands					
Revenues from external factors	<u>13,511</u>	<u>10,005</u>	<u>22,092</u>	<u>22,970</u>	<u>35,603</u>	<u>32,975</u>
Segment income	<u>1,703</u>	<u>1,590</u>	<u>2,237</u>	<u>2,296</u>	<u>3,940</u>	<u>3,886</u>

	For the Year ended December 31, 2016		
	Ultra-clean Products	Process industry products	Total
	US dollars in thousands		
Revenues from external factors	<u>40,537</u>	<u>83,551</u>	<u>124,088</u>
Segment income	<u>5,305</u>	<u>6,639</u>	<u>11,944</u>
<b>Additional information:</b>			
Depreciation and amortization	<u>1,405</u>	<u>4,602</u>	<u>6,007</u>

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 3:- OPERATING SEGMENTS (Cont.)

## c. Adjustments to profit or loss in respect of operating segments:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2017	2016	2017	2016	2016
	Unaudited				Audited
	NIS in millions				
Total operating segment income (*)	6,917	6,343	3,940	3,886	11,944
Unallocated amounts:					
Finance income	76	239	27	-	227
Finance expenses	(898)	(427)	(559)	(388)	(1,600)
Consolidated income before taxes on income	6,095	6,155	3,408	3,498	10,571

(\*) Segment performance is measured based on operating income or loss.

## NOTE 4:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD OR AFTER THE PERIOD DATE

- a. Further to Note 28c to the annual consolidated financial statements of the Company, in January 2017, the acquisition of technology rights to create a high-pressure line of fasteners and valves from Resato international BV ("Resato") was completed for the amount of 2.3 million Euros. In addition, the Company will pay Resato royalties from the Company's revenues from products that will integrate the acquired assets in accordance with the terms set out in the acquisition agreement.
- b. On March 23, 2017, the company's Board of Directors declared a dividend of 18,070 thousand NIS (4,957 thousand dollars). The dividend was paid on May 16, 2017 to the company's shareholders.
- c. Further to Note 31a to the annual consolidated financial statements of the Company, on March 13, 2017, the allocation of the options was completed after obtaining the approvals required by law, including approval of the Tel Aviv Stock Exchange Ltd to list for trade the shares arising from the options exercised.
- d. On August 9, 2017, the company and Jiangsu Xinghe Valve Co., Ltd, A company incorporated in China, Which is a subsidiary fully owned by the Company (as follows: "Subsidiary in China") Signed an agreement with the relevant authorities in Yangzhong district For the allocation of new piece of land and establishment of a new factory in China Instead of the current factory (as follows: "The agreement", "Authorities", and "the new factory" Respectively).  
The agreement includes, among other things, the following provisions and conditions:
  1. In exchange for the eviction of the current plant, whose depreciated cost in the consolidated financial statements as at the signing date of the agreement Is about 29 million RMB (about 4 million dollar), the subsidiary in China will receive from the authorities alternative land as well as monetary compensation in the amount of about RMB 61.28 million (about 9 million dollar) (as follows: "The financial compensation") which will be paid in three installments as follows: (a) 40% of the monetary compensation will be received within a few days; (b) 40% of the monetary compensation will be received upon commencement of construction of the new plant and after an investment of dollar 3 million by the subsidiary in China; (c) 20% of the monetary compensation will be received after completion of construction of the new plant and after the investment of another dollar 3 million by the subsidiary in China.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

---

**NOTE 4:- SIGNIFICANT EVENTS IN THE REPORTING PERIOD OR AFTER THE PERIOD DATE  
(Cont.)**

2. The total investment in which the subsidiary in China undertook to invest in the construction of the new plant, investment in machinery and equipment and the addition of capabilities to manufacture products for the semiconductor industry, not less than RMB 100 million (About 15 million dollar). The company intends to use the amount of compensation received from the authorities to finance the required investment.
3. According to the provisions of the agreement, the district administration is responsible, among other things, for the supply of electricity, water, communications and the leveling of the area of the new plant. In addition, the regional management has undertaken to provide the subsidiary in China with additional economic incentives (such as tax cuts and tax rebates), and the subsidiary in China has committed to make direct and indirect tax payments in an amount not less than RMB 7.5 million (about 1 million dollar) per year.

In addition to the agreement, the subsidiary in China signed an agreement with the company Xinghe Group Co., Ltd (A company from the previous shareholders of the subsidiary in China, which currently provides the subsidiary in China with the services of the chairman of the board of directors) for brokerage services, negotiations, project management and construction of the new plant and administrative support for a total of 13.6 million RMB (about 2 million dollar) To be paid according to the milestones set out in the agreement over the period throughout the construction of the new plant.

- e. On August 9, 2017, a notice was received from the national authority for technological innovation (as follows: "the innovation authority") that the company and its fully owned subsidiary HTC Ltd have been awarded a competitive process by virtue of the benefit track No. 29- technological innovation lab (pilot) program (as follows: "benefit track"). The confirmation of the win will take effect after signing letter of commitment issuing a certificate of approval by the innovation authority to serve as the innovation lab for a three-year concession period (as follows: " the concession period"). According to the terms of the benefit track, the Innovation lab is entitled to a grant from the innovation authority, depending on the quantity of laboratory companies that will be admitted to the innovation laboratory during the concession period

-----