CHINA STARCH HOLDINGS LIMITED
中 國 澱 粉 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3838)

INTERIM RESULTS
FOR THE SIX MONTHS 30 JUNE 2018

The board (the "Board") of directors (the "Directors") of China Starch Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018, together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		(Unaudited)	
		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**2,405,631**	2,292,493
Cost of sales		**(2,212,155)**	(1,994,359)
Gross profit		**193,476**	298,134
Distribution expenses		**(44,768)**	(45,981)
Administrative expenses		**(65,344)**	(60,048)
Other gains and losses		**32,309**	75,919

		(Unaudited)	
		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Operating profit		**115,673**	268,024
Finance income		**18,783**	11,125
Finance expenses		**(225)**	(113)
Profit before income tax	*4*	**134,231**	279,036
Income tax expenses	*5*	**(27,596)**	(73,568)
Profit and total comprehensive income for the period		**106,635**	205,468
Attributable to:			
Owners of the Company		**104,906**	203,541
Non-controlling interests		**1,729**	1,927
		106,635	205,468
Basic and diluted earnings per share (RMB)	*6*	**0.0175**	0.0339

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,234,638**	1,131,849
Prepaid lease payments		**–**	205,587
Right-of-use assets		**203,895**	–
Deposits for acquisition of property, plant and equipment		**133,222**	21,759
Deferred tax assets		**83,634**	48,527
Total non-current assets		**1,655,389**	1,407,722
Current assets			
Inventories		**340,519**	224,532
Trade and other receivables	*8*	**479,550**	409,692
Pledged bank deposits		**5,840**	3,000
Fixed deposits with maturity period over three months		**210,000**	390,000
Cash and cash equivalents		**1,250,694**	1,103,160
Total current assets		**2,286,603**	2,130,384
Total assets		**3,941,992**	3,538,106

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**532,656**	532,656
Other reserves		**364,845**	423,560
Retained earnings		**1,764,193**	1,659,287
		2,661,694	2,615,503
Non-controlling interests		**133,249**	131,520
Total equity		**2,794,943**	2,747,023
LIABILITIES			
Non-current liabilities			
Borrowings		**–**	224
Lease liabilities		**240**	–
Deferred income		**366,999**	220,183
Deferred tax liabilities		**14,248**	9,838
Total non-current liabilities		**381,487**	230,245
Current liabilities			
Trade and other payables	*9*	**608,489**	444,560
Income tax payable		**69,609**	88,302
Borrowings		**4,432**	4,208
Lease liabilities		**549**	–
Employee housing deposits		**23,768**	23,768
Dividend payable		**58,715**	–
Total current liabilities		**765,562**	560,838
Total liabilities		**1,147,049**	791,083
Total equity and liabilities		**3,941,992**	3,538,106

Notes:

1. **Basis of preparation**

The condensed consolidated interim financial statements of China Starch Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the six months ended 30 June 2018 have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2017 (the "2017 Financial Statements"), except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the 2017 Financial Statements, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

These condensed consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated. The condensed consolidated interim financial statements have been prepared on the historical basis except for financial assets at fair value through profit or loss.

2. **Changes in accounting policies**

The Group has initially adopted the following new standards to the Group's financial statements:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases

Other standards and amendments which are effective from 1 January 2018 do not have a material effect on the Group's financial statements.

Effect of HKFRS 9 (2014), Financial Instruments

HKFRS 9 (2014) replaced HKAS 39 "Financial Instruments, Recognition and Measurement".

The major changes of HKFRS 9 are the classification and its corresponding accounting treatment of each type of financial assets and liabilities. The following table shows the original measurement categories under HKFRS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and liabilities as at 1 January 2018.

	Original classification under HKAS39	**New classification under HKFRS 9**
Assets:		
Trade receivables, bank acceptance bills and other receivables	Loans and receivables – measured at amortised cost using the effective interest method, with "incurred loss" impairment model	Amortised cost – measured by using the effective interest method, with "expected credit loss" (the "ECL") impairment model
Cash and cash equivalents, pledged bank deposits and fixed deposits with maturity period over three months		
Futures contracts	Fair value through profit or loss – a gain or loss from a change in fair value of a financial asset shall be recognised in profit or loss	Same as HKAS 39
Liabilities:		
Borrowings	Amortised cost	Same as HKAS 39
Trade and other payables, excluding advances from customers and other tax payables		
Employee housing deposits		

Determining the ECL requires judgements. The Group applies the simplified approach to providing loss allowance at an amount equal to lifetime ECLs for trade receivables and bank acceptance bills at initial recognition and through its life of the asset. It is measured to reflect an unbiased and probability-weighted amount of a range of possible outcomes, time value of money and certain information that is available without undue cost or effort at the reporting date.

At the initial application of HKFRS 9 and the reporting date, the Group reviews the ECLs and has recognised that it does not affect the financial statements.

Effect of HKFRS 15, Revenue from Contracts with Customers

The Group has adopted HKFRS 15 using the modified retrospective approach with the effect of initially applying this standard recognised at the date of initial application. The adoption of HKFRS 15 does not have material impact on the accounting policies as compared with the existing one adopted under HKAS 18 "Revenue". Details are explained below.

Key areas under HKFRS 15	**Particulars**
Sales of goods	Customers obtain control of goods when the goods are delivered to and have been accepted at their premises. Revenue is recognised at that point in time regardless the time of invoices are generated.
Financing component	The Group will adjust the transaction price if customers request the payment by way of bank acceptance bills. This is to reflect the time value of money as the receipt of payment is still outstanding until the maturity of such bills. The Group applies a practice expedient and does not adjust the amount of consideration for the effects of financing component because bank acceptance bills are with maturity period of 180 days.

Effect of HKFRS 16, Leases

The Group has opted for the early adoption of HKFRS 16 in the current reporting period.

HKFRS 16 introduces a single, on-balance sheet lease accounting model for leases. HKFRS 16 requires a lessee to recognise almost all leases on the statement of financial position which will reflect their "right-of-use" for a period of time and their associated liability for payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group applies the practical expedient to grandfather the definition of a lease on transition. This means that it will apply HKFRS 16 to contracts that were previously identified as leases under HKAS 17 "Leases", HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2017 has not been restated. After reviewing the leases, there is no change on the opening balance of retained earnings and equity at the date of initial application of HKFRS 16. Both right-of-use assets and lease liabilities of approximately RMB1,052,000 were recognised at 1 January 2018.

Depreciation on right-of-use assets and interest of lease liabilities are recognised in the profit or loss under HKFRS 16.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	RMB'000
Operating lease commitment at 31 December 2017	1,117
Lease of short-term and low-value assets	(145)
Estimated dismantling cost	116
Gross lease liabilities at 1 January 2018	1,088
Discounting	(36)
Lease liabilities at 1 January 2018	1,052

The lease liabilities were discounted at an incremental borrowing rate at 1 January 2018.

For avoidance of doubt, prepaid lease payment in respect of the land use right in the People's Republic of China (the "PRC") should be regrouped as right-of-use assets under HKFRS 16.

Adjustment of Opening Balances

The adjustments to the opening balances (affected items only) below resulted from the initial application of HKFRS 16 as at 1 January 2018. The prior-period amounts were not adjusted.

	31 December 2017 (Audited) *RMB'000*	**HKFRS 16 Regrouping** *RMB'000*	**HKFRS 16 Contract capitalisation** *RMB'000*	**1 January 2018 (Unaudited)** *RMB'000*
Assets:				
Prepaid lease payment	205,587	(205,587)	–	–
Right-of-use assets	–	205,587	1,052	206,639
Liabilities:				
Lease liabilities	–	–	1,052	1,052

3. Segment information

	Upstream products *RMB'000*	Fermented and downstream products *RMB'000*	Total *RMB'000*
2018			
Sales to external customers	**1,672,371**	**733,260**	**2,405,631**
Inter-segment sales	**117,667**	**97**	**117,764**
Reportable segment results	**105,019**	**90,162**	**195,181**
Unallocated income			**17,032**
Unallocated expenses			**(96,540)**
Finance income			**18,783**
Finance expenses			**(225)**
Profit before income tax			**134,231**

	Upstream products *RMB'000*	Fermented and downstream products *RMB'000*	Total *RMB'000*
2017			
Sales to external customers	1,548,808	743,685	2,292,493
Inter-segment sales	94,759	1,940	96,699
Reportable segment results	103,472	183,526	286,998
Unallocated income			74,534
Unallocated expenses			(93,508)
Finance income			11,125
Finance expenses			(113)
Profit before income tax			279,036

4. Profit before income tax

The major expenses of the Group are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Employee benefits expenses (including directors' emoluments)	**86,147**	73,355
Depreciation of property, plant and equipment	**79,750**	91,623
Depreciation of right-of-use assets	**2,744**	–
Amortisation of prepaid lease payments	**–**	2,444
Research and development expenses (note)	**13,951**	7,371

Note:

Research and development expenses include staff costs of employees in the Research and Development Department, which are included in the employee benefits expenses as disclosed above.

5. Income tax expenses

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
– PRC Enterprise Income Tax ("EIT")	**62,743**	71,955
– (Over)/under-provision in prior years	**(4,450)**	132
Deferred tax	**(30,697)**	1,481
	27,596	73,568

The Group's major business is in the PRC. Under the law of the PRC on EIT and its Implementation Regulation, the tax rate of the PRC subsidiaries is 25% in normal circumstances. However, one of the subsidiaries in the PRC is recognised as high technology enterprise and obtains a preferential EIT rate of 15%.

No provision for Hong Kong Profits Tax has been made as the Group entities' profit neither arose in nor was derived from Hong Kong during both periods.

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on earnings of RMB104,906,000 (2017: RMB203,541,000) and on the weighted average number of 5,995,892,000 ordinary shares (2017: 5,995,892,000 ordinary shares) in issue.

No diluted earnings per share has been presented because no dilutive potential ordinary shares exist for both six months ended 30 June 2018 and 2017.

7. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: nil).

A final dividend of HK1.20 cents per share for the year ended 31 December 2017 has been approved at the annual general meeting of the Company held on 29 May 2018, and has been paid on 9 July 2018.

8. Trade and other receivables

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade receivables (a)	**121,035**	135,346
Less: Loss allowance	**(9,630)**	(9,630)
	111,405	125,716
Bank acceptance bills (b)	**268,711**	169,090
Prepayment to non-controlling interest	**–**	44,600
Prepayments and other tax receivables	**90,711**	68,037
Others	**8,723**	2,249
	479,550	409,692

The carrying amounts of trade and other receivables are mainly denominated in RMB.

Prepayment to non-controlling interest represented a payment made to Linqing Deneng Bio Technology Limited ("Deneng Bio Technology") for the purchase of electricity and steam in 2018. As Deneng Bio Technology's power plant had ceased operation since 23 December 2017 upon the request of the local government, the prepayment was required to refund accordingly. The prepayment was fully refunded by cash for the period ended 30 June 2018.

Included in trade and other receivable is an amount due from non-controlling interest of RMB475,000 (31 December 2017: RMB224,000). No loss allowance has been made for receivables from related companies.

(a) Trade receivables

The Group normally grants credit period ranging from 0 to 120 days (2017: 0 to 120 days) to customers.

An ageing analysis of trade receivables based on the invoice date and net of loss allowance of trade receivables presented at the end of the reporting period is shown as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
0 – 30 days	**99,911**	111,761
31 – 60 days	**7,490**	6,992
61 – 90 days	**4,004**	6,597
Over 90 days	**–**	366
	111,405	125,716

(b) Bank acceptance bills

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Endorsed bills	**205,297**	117,631
Bills on hand	**63,414**	51,459
	268,711	169,090

The bank acceptance bills are normally with maturity period of 180 days (31 December 2017: 180 days). There is no recent history of default on bank acceptance bills.

As at 31 December 2018, bank acceptance bills of RMB6,591,000 (31 December 2017: RMB2,000,000) were pledged to banks for securing bills payables.

9. Trade and other payables

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade payables	**110,692**	139,182
Bills payables	**10,928**	5,000
Total trade and bills payables	**121,620**	144,182
Payable for construction and equipment	**188,525**	46,705
Deposits	**42,095**	25,343
Accrued expenses	**24,520**	19,077
Payroll and welfare payables	**21,265**	17,590
Sales commission	**2,696**	2,757
Advances from customers	**188,802**	157,355
Other tax payables	**13,391**	24,434
Others	**5,575**	7,117
	608,489	444,560

Included in trade and bills payables is an amount due to non-controlling interests of RMB3,817,000 (31 December 2017: RMB41,000).

As at 30 June 2018, bills payables are secured by bank acceptance bills of RMB6,591,000 (31 December 2017: RMB2,000,000) (note 8(b)) and pledged bank deposits of RMB5,840,000 (31 December 2017: RMB3,000,000).

The following is the ageing analysis for the trade and bills payables based on invoice date at the end of the reporting period:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
0 – 60 days	**77,770**	78,810
61 – 90 days	**14,672**	24,019
Over 90 days	**29,178**	41,353
	121,620	144,182

The average credit period on purchases is 80 days (31 December 2017: 80 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The carrying amounts of trade and other payables are mainly denominated in RMB.

MANAGEMENT DISCUSS AND ANALYSIS

INDUSTRY OVERVIEW AND COMPANY DEVELOPMENT

During the first half of 2018, China's economic development remained stable. The domestic corn market was affected by the suspension of the temporary grain reserve policy, which has resulted a substantial drop in corn price and the recovery of market demand, the cornstarch and refinery industries had both recorded substantial growth in 2016 and 2017. Corn price has bottomed out since the fourth quarter of 2017. For the specific month during the first half of 2018, corn price has increased by more than 15% as compared to the corresponding period last year. Meanwhile, the increase in domestic coal price has led to the increase in the costs of electricity and steam. As such, the Group's gross profit for the first half of the year has dropped significantly.

Notwithstanding the adverse situation now facing by the cornstarch and refinery industries, we believe such situation is a normal market adjustment. The Group's operation has not been affected and still maintains a stable growth. Looking forward to the second half of the year, with the gradual release of the additional production capacity in the industry, the cornstarch and relevant products market will face severe competition resulting from its excess supply in the future. With the suspension of subsidy to the corn refining industry from the local government in the northeastern region, the development of and competition in the market should return to normal level accordingly. With its sound financial position and the improving cost control measures, it is expected that the Group can face the competition with ease.

BUSINESS REVIEW

Upstream products

During the period under review, the market demand for cornstarch remained strong. The sales performance of other ancillary corn-refined products, such as corn gluten meal and corn germ, was consistent with the trend of 2017 where the market was affected by the low market price and weak demand.

Fermented and downstream products

The sales performance of this product segment was mainly affected by the lysine products. During the period under review, on the one hand, the sales performance of lysine in the overseas market still recorded a substantial growth in both sales volume and selling price. On the other hand, the sales performance of lysine in the domestic market was seriously affected by the depressed demand in animal feed industry.

The sales performance of starch-based sweetener and modified starch were relatively stable in this business segment. The selling prices of these two products were not adjusted at the same pace with the increase in production cost because there was abundant supply in the market.

FINANCIAL PERFORMANCE

Overview

During the period under review, the Group recorded a total revenue of approximately RMB2,406 million (2017: RMB2,292 million). Gross profit of the Group decreased substantially by 35.1% to approximately RMB193 million (2017: RMB298 million). Such decrease in gross profit was mainly attributable to (i) the increase in cost of corn kernel, (ii) the increase in cost of electricity and steam and (iii) the selling price not adjusted in the same pace with the increase in production cost.

Profit after taxation also decreased substantially to approximately RMB107 million (2017: RMB205 million). Basic earnings per share of the Company was RMB0.0175 (2017: RMB0.0339) based on weighted average number of 5,995,892,000 ordinary shares.

Segment Performance

Upstream products

For the six months ended 30 June	**2018** **RMB'000**	2017 RMB'000
Revenue	**1,672,371**	1,548,808
Gross profit	**98,488**	103,828
Gross profit margin	**5.9%**	6.7%

Revenue of this business segment increased by 8.0% to approximately RMB1,672,371,000 (2017: RMB1,548,808,000). As affected by the increase in corn kernel price, the average selling price of cornstarch increased substantially by 17.7% to about RMB2,082 (2017: RMB1,769) per tonne. Sales volume of cornstarch was approximately 560,533 tonnes (2017: 564,939 tonnes).

Fermented and downstream products

For the six months ended 30 June	2018	2017
	RMB'000	*RMB'000*
Revenue		
– Lysine	**401,341**	461,072
– Starch-based sweetener	**146,209**	133,457
– Modified starch	**161,063**	135,404
– Others	**24,647**	13,752
Total	**733,260**	743,685
Gross profit	**94,988**	194,306
Gross profit margin	**13.0%**	26.1%

Revenue of this business segment was approximately RMB733,260,000 (2017: RMB743,685,000), a decrease of 1.4%. Gross profit margin of this business segment decreased substantially to 13.0% for the period under review, that was mainly attributable to the poor performance of lysine products and the substantial increase in the cost of production.

Revenue of lysine products was approximately RMB401,341,000 (2017: RMB461,072,000). The average selling price of lysine products decreased slightly to approximately RMB5,782 (2017: RMB6,074) per tonne. The sales volume was approximately 69,416 tonnes (2017: 75,913 tonnes). Sales performance of lysine products was mainly affected by (i) the decrease in sales volume, (ii) the increase in cost of production and (iii) the decrease in average selling price of lysine products.

Revenue of starch-based sweetener was approximately RMB146,209,000 (2017: RMB133,457,000). The average selling price and sales volume of starch-based sweetener for the period ended 30 June 2018 was approximately RMB2,125 per tonne and 68,820 tonnes (2017: RMB1,949 per tonne and 68,481 tonnes) respectively.

Revenue of modified starch increased substantially by 18.9% to approximately RMB161,063,000 (2017: RMB135,404,000). The increase in revenue was mainly attributable to the increase in sales volume for the period under review.

Cost of sales

The major cost components mainly consisted of corn kernel and utilities expenses, which represented about 81.2% and 8.4% (2017: 80.7% and 7.7%) of total cost of sales respectively.

During the period under review, the average corn kernel price in Shandong region was approximately RMB1,618 (2017: RMB1,466) per tonne. In the meantime, the average cost of electricity and steam increased substantially by about 35.1% and 14.6% respectively.

Review of Other Operations

Other gains and losses

The net amount of other gains and losses decreased substantially to approximately RMB32 million (2017: RMB76 million). In the first half of 2018, the Group recognised the amortisation of government subsidy of approximately RMB24 million for acquisition of new production facilities in Shouguang new production site and received approximately RMB4,510,000 for general support of business development. In the first half of 2017, the Group received a government subsidy of approximately RMB74 million for the compensation of losses incurred during the relocation of the old production plant in Shouguang.

Liquidity, financial resources and capital structure

The key financial performance indicators are summarised as follows:

	Units	30 June 2018	31 December 2017
Debtors turnover	days	25	23
Creditors turnover	days	11	14
Inventories turnover	days	23	20
Current ratio	times	3.0	3.8
Quick ratio	times	2.5	3.4
Gearing ratio－borrowings to total assets	%	0.1	0.1

The Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements. The Group's borrowing, cash and cash equivalents were mostly denominated in Renminbi. As at 30 June 2018, the borrowing was approximately RMB4,432,000, interest-free, and with a maturity within one year.

As at 30 June 2018, the Group's available and unutilised banking facilities amounted to RMB685 million.

Human resources and remuneration policies

As at 30 June 2018, the Group had 2,150 (2017: 2,161) full time staff. Total staff costs, including directors' emoluments, for the six months ended 30 June 2018 were approximately RMB86 million (2017: RMB73 million). The Company's remuneration policy has remained unchanged since our 2017 Annual Report. As at 30 June 2018, no share options has been granted under the Company's share option scheme.

Financial management, treasury policy and foreign currency exposure

The Group's financial management, treasury policy and foreign currency exposure had not been materially changed since the information disclosed in our 2017 Annual Report.

Pledge of assets

As at 30 June 2018, bills payables were secured by bank acceptance bills and bank deposits in the amount of RMB6,591,000 and RMB5,840,000 respectively.

The Group did not pledge any leasehold land and building to secure banking facilities as at 30 June 2018.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 (2017: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, the Company had complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and had applied the principles as laid down with the aim of achieving a high level of governance, except that Mr. Tian Qixiang (the chairman of the Board) did not attend the 2018 annual general meeting because of his other business engagement.

REVIEW OF INTERIM RESULTS

The Group's condensed consolidated financial statements for the six months ended 30 June 2018 have not been audited, but have been reviewed by SHINEWING (HK) CPA Limited, the Company's external auditor, whose review report is contained in the 2018 Interim Report.

The Audit Committee has reviewed the Group's condensed consolidated financial statements for the six months ended 30 June 2018, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

INTERIM REPORT

The 2018 Interim Report will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company (www.chinastarch.com.hk) on or about 6 September 2018.

By order of the Board
CHINA STARCH HOLDINGS LIMITED
Tian Qixiang
Chairman

Shouguang, The People's Republic of China, 22 August 2018

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Mr. Tian Qixiang *(Chairman)*
Mr. Gao Shijun *(Chief Executive Officer)*
Mr. Yu Yingquan
Mr. Liu Xianggang

Independent non-executive Directors:
Professor Hua Qiang
Mr. Sun Mingdao
Mr. Yue Kwai Wa, Ken