

Huaxin Cement Co., Ltd.

Announcement on Resolutions of the Eighth Meeting of the Ninth Board of Directors

To the best of our knowledge, the Board of Directors of the Company and its members confirm that there is no material false or misleading statement or material omission in this announcement and shall be severally and jointly liable for the truthfulness, accuracy and completeness of its content.

I. Convening of the Board Meeting

The Eighth Meeting of the Ninth Board of Directors of Huaxin Cement Co., Ltd. (hereinafter referred to as “the Company”) was convened on March 28-29, 2019 in Beijing. In principle, there should be 9 Directors attending the Meeting, actually 8 Directors attended. Director Ms. Geraldine Picaud did not attend the Meeting due to other commitments, and she authorized Director Mr. Mark Lo to attend the Meeting and vote by Power of Attorney. The Meeting was presided by the Chairman Mr. Xu Yongmo. Secretary to the Board, some of the Senior Management and Chairman of the Board of Supervisors also attended the Meeting. The Company sent the Meeting Notification to all the Directors on March 19, 2019 by mail or by fax. The Meeting was in compliance with the provisions contained in relevant laws, rules, regulations and the *Articles of Association of the Company*, so it was legitimate and valid.

II. Reviewing of the Board Meeting

Through reviewing and voting, this Board Meeting adopted the following important resolutions

1. Annual Report 2018 and its abstract of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0).

For the full text of the Annual Report 2018, please refer to the website of Shanghai Stock Exchange: www.sse.com.cn, and the website of the Company: www.huaxincem.com.

For Annual Report 2018 abstract, please refer to China Securities Journal and Shanghai Securities News.

2. Annual Work Report 2018 of the Board of Directors

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0).

The detailed report will be disclosed on the website of the Shanghai Stock Exchange at www.sse.com.cn one week before the convening day of the Annual Shareholders' General Meeting 2018.

The above Report shall be submitted to the Shareholder's General Meeting for approval.

3. Final Financial Report 2018 and Financial Budget Report 2019

(Voting Result: Affirmative 9; Negative: 0; Abstention: 0);

For detailed information, please refer to Annex 1.

The above Report shall be submitted to the Shareholder's General Meeting for approval.

4. 2018 Profit Distribution and Capital Reserve Transferred to Increase Share Capital Proposal of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

For detailed information, please refer to "Huaxin Cement Co., Ltd. - Announcement on 2018 Profit Distribution and Capital Reserve Transferred to Increase Share Capital Proposal of the Company" (Ref: Lin2019-008) published by the Company on the same day.

The above Proposal shall be submitted to the Shareholder's General Meeting for approval.

5. Proposal on Authorizing Cambodia Cement Chakrey Ting Factory Co., Ltd to Provide Guarantee to Cambodia Packaging Chakrey Ting Co., Ltd Financing

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

Cambodia Cement Chakrey Ting Factory Co., Ltd (hereinafter referred to as CCC Company) is the indirectly controlled subsidiary of the Company. The Company has 68% shares of Cambodia Cement Chakrey Ting Factory Co., Ltd. In 2018, in light of the purchase need for cement packaging bags and lowering the comprehensive cost of packaging, CCC Company set up the wholly owned Cambodia Packaging Chakrey Ting Co., Ltd (hereinafter referred to as CPC Company) with 20 million USD to construct a production line of 100 million/y cement packaging bags.

In accordance with the provisions of the "Rules Governing the Listing of Stocks on Shanghai Stock Exchange", after reviewing, the Board approved Cambodia Cement Chakrey Ting Factory Co., Ltd providing guarantee of no more than 16.5 million USD, duration of no more than 7 years to Cambodia Packaging Chakrey Ting Co., Ltd.

After the fulfilment of the statutory approval procedures for external guarantees by Cambodia Cement Chakrey Ting Factory Co., Ltd, the Company will promptly disclose the relevant information of the guarantee.

6. Proposal on Providing Guarantee to Huaxin Aggregate (Zhuzhou) Co., Ltd Financing

(Voting Result: Affirmative 9; Negative: 0; Abstention: 0);

For detailed information, please refer to "Huaxin Cement Co., Ltd. Announcement on Providing Guarantee to Huaxin Aggregate (Zhuzhou) Co., Ltd Financing (Ref: Lin 2019-006) published by the Company on the same day.

7. Proposal on Providing Guarantee to Huaxin Cement Jizaakh Limited Liability Company Financing

(Voting Result: Affirmative 9; Negative: 0; Abstention: 0);

For detailed information, please refer to "Huaxin Cement Co., Ltd. Announcement on Providing Guarantee to Huaxin Cement Jizaakh Limited Liability Company Financing (Ref: Lin 2019-007) published by the Company on the same day.

8. Annual Work Report 2018 of Independent Director Ms. Liu Yan

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

9. Annual Work Report 2018 of Independent Director Mr. Simon Mackinnon

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

10. Annual Work Report 2018 of Independent Director Mr. Wang Liyan

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0);

For detailed information of item 8, 9 and 10, please refer to the Annual Work Report 2018 of Independent Directors disclosed on the website of Shanghai Stock Exchange: www.sse.com.cn

11. Internal Control Assessment Report 2018

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

For detailed information, please refer to the Internal Control Assessment Report 2018 disclosed on the website of Shanghai Stock Exchange: www.sse.com.cn

12. Proposal in Respect of Mr. Mark Lo Taking Office in the Corresponding Special Committees to the Board

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

After reviewing, the Board approved Mr. Mark Lo to take office in the corresponding special committees: Member and convener of the Corporate Governance and Compliance Committee, Member of the Nomination Committee and Member of the Strategy Committee.

13. Proposal in Respect of Amending Partial Articles in the Articles of Association of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

For detailed information, please refer to Annex 2.

The above Proposal shall be submitted to the Shareholder's General Meeting for approval.

14. Proposal on Reappointing the Accounting Firm for 2019 Annual Audit of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

After reviewing, the Board of Directors approved to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor of financial audit and internal control for the Company in 2019. Meanwhile, the Shareholders' General Meeting is requested to empower the Board to decide the payment to Deloitte Touche Tohmatsu Certified Public Accountants LLP for providing 2019 annual audit service to the Company.

The above Proposal shall be submitted to the Shareholder's General Meeting for approval.

15. Suggestion on Adjusting the Allowance of Directors and Supervisors

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

For detailed information, please refer to Annex 3.

The above Proposal shall be submitted to the Shareholder's General Meeting for approval.

16. Proposal in Respect of Convening the Annual Shareholders' General Meeting 2018 of the Company

(Voting Result: Affirmative: 9; Negative: 0; Abstention: 0)

For detailed information, please refer to Huaxin Cement Co., Ltd. - Notification on Convening the Annual Shareholders' General Meeting 2018 (Ref: Lin 2019-009) published by the Company on the same day.

It is herewith announced.

Huaxin Cement Co., Ltd.
Board of Directors
March 30, 2019

Annex 1:

Huaxin Cement Co., Ltd.
Final Financial Report 2018 and Financial Budget Report 2019

I. Brief on 2018 Financial Statement and its audit

The 2018 Financial Statement of the Company was audited and verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP with standard audit report without reserved comments (De Shi Bao (Shen) Zi (19) (No. P00652)). Results of the Final Financial Report 2018 are briefly reported as following:

(I) Financial Position

1. Asset and Liability

Unit: 10000 CNY

Item	Details	Balance at the end of 2018	Proportion	Balance at the end of 2017	Proportion	Change on a year on year basis
Asset	Current Asset	1,055,047	31.82%	876,704	28.75%	20.34%
	Non-current asset	2,261,103	68.18%	2,173,228	71.25%	4.04%
	Total	3,316,151	100.00%	3,049,932	100.00%	8.73%
Liability	Current Liability	1,015,184	68.40%	924,040	53.28%	9.86%
	Non-current liability	469,028	31.60%	810,336	46.72%	-42.12%
	Including: liability with interest	720,752	48.56%	1,027,668	59.25%	-29.87%
	Total	1,484,212	100.00%	1,734,375	100.00%	-14.42%
Liquidity ratio		1.04		0.95		0.09
Asset liability ratio		44.76%		56.87%		Down by 12.11 percentage points

In 2018, total assets increased by 2.66 billion Yuan over the beginning of the period, of which fixed assets and intangible assets increased by 737 million Yuan, mainly due to the acquisition of Cantian Company and Tibet 3rd phase put into operation; benefited from significant increase in profit and ready to pay off matured debts, monetary fund balance increased by 1.72 billion Yuan.

In 2018, with the ever-increasing of profit and operating net cash flow, the Company voluntarily cut the scale of liability with interest of around 3.07 billion Yuan, and total liability decreased by 2.5 billion Yuan over the beginning of the period. The liability ratio slumped by 12 percentage points, liquidity ratio rose to over 1. Company finance

is becoming more stable and healthy.

2. Equity change (excluding minority shareholders' equity, the same below)

Unit: 10000 CNY

Item	Balance at the end of 2018	Proportion	Balance at the end of 2017	Proportion	Change on a year on year basis
Equity attributed to shareholders of the Company	1,667,296	100.00%	1,189,980	100.00%	40.11%
Including: undistributed profit	1,172,148	70.30%	715,057	60.09%	63.92%

At the end of 2018, total equity attributed to shareholders of the Company increased by 4.77 billion Yuan over the same period of last year, among which, undistributed profit increased by 4.57 billion Yuan, mainly due to the substantial rise in net profit of this period.

(II) Business Performance

1. Operating performance

Unit: 10000 CNY

	2018	2018 Budget	Change	2017	Change
Sales revenue	2,746,604	2,047,966	34.11%	2,088,929	31.48%
Cost of Sales	1,657,521	1,477,791	12.16%	1,471,649	12.63%
Gross Profits on Sales	1,089,083	570,175	91.01%	617,280	76.43%
Gross Profits Margin on Sales	39.65%	27.84%	Increased by 11.81 percentage points	29.55%	Increased by 10.1 percentage points

In 2018, sales of cement and clinker reached 70.72 million tons, a slight increase of 2.9% over last year. Compared with the same period of the previous year, operating revenue surged by 6.6 billion Yuan, of which the acquired plants contributed revenues of around 600 million Yuan; at the same time, 2018 accumulated average prices of cement and other main products rose by about 25% year-on-year and revenue increased by 4.7 billion Yuan. The budget completion rate of operating revenue in 2018 reached 134%, mainly because the market price rise of cement has exceeded the expectation.

The operating cost for 2018 increased by 1.86 billion Yuan over the same period of the previous year. Apart from the expansion of production and sales scale of cement, aggregate and other main products, increase in coal prices and maintenance fee pushed up production cost.

Prices of cement and other main products steadily rose up, which absorbed the cost rise of fuel and maintenance and further drove this year's gross margin up by 10.1

percentage points, higher 11.81 percentage points than budget. The profitability of the Company significantly improved.

2. Periodic Expenses

Unit: 10000 CNY

	2018	2018 Budget	Change	2017	Change
Selling and distribution expenses	170,184	161,175	5.59%	140,212	21.38%
Selling expense ratio	6.20%	7.87%	down by 1.67 percentage points	6.71%	down by 0.52 percentage point
General and administrative expenses	133,682	130,442	2.48%	119,618	11.76%
G&A expense ratio	4.87%	6.37%	down by 1.50 percentage points	5.73%	down by 0.86 percentage point
Finance expenses	46,562	58,415	-20.29%	66,063	-29.52%
Finance expense ratio	1.70%	2.85%	down by 1.16 percentage points	3.16%	down by 1.47 percentage points

Note: Research and development expenses are not included in general and administration expenses.

In 2018, expansion in the scale of production and sales, transportation cost and material cost rise led to the rise in selling and distribution expenses and G&A expenses. However, with substantial rise in revenues, selling expense ratio and G&A expense ratio was down by 0.52 percentage point and 0.86 percentage point respectively over the same period of last year. Financial expenses in 2018 reduced by 195 million Yuan year-on-year, among which, liability with interest decrease led to the cut in interest expenditure of around 95 million Yuan. And currency exchange loss decreased by 115 million Yuan over last year.

3. Asset Impairment Loss

Unit: 10000 CNY

Item	2018	2017	Amount change	Change
Loss on bad debts	2,578	6,147	-3,569	-58.07%
Loss on inventory	372	1,170	-798	-68.20%
Loss on financial asset available for sale	200	-	200	
Loss on impairment of fixed assets	3,507	19,437	-15,930	-81.96%

Loss on Impairment of construction in progress	54	194	-140	-72.36%
Total	6,710	26,947	-20,236	-75.10%

In 2018, on one hand, all businesses performance substantially improved, thus asset profitability significantly improved; on the other hand, credit control of the Company was strengthened, accounts receivable were further reduced and controlled and bad debt ratio was lowered. Therefore, except for the financial asset available for sale impairment, asset impairment loss including fixed asset impairment and bad debt decreased greatly over the same period of last year.

(4) Profitability

Unit: 10000 CNY

	2018	2017	Change
Net profit attributable to shareholders of the Company	518,145	207,764	149.39%
Return on net assets, weighted average (%)	36.27	18.98	up by 17.29 percentage points
Return on net assets, weighted average after deducting non-recurring gains and losses (%)	35.89	16.47	up by 19.42 percentage points

During the reporting period, net profit of the Company surged by 3.49 billion Yuan compared with the same period of the previous year due to expansion of scale of production and sales, continuous rise of cement and clinker prices, and obvious improvement in concrete and Eco business performance; net profit attributable to shareholders of the Company increased by 3.104 billion Yuan year on year. The return on net assets rose by 17.29 percentage points, continuously hitting a new high for recent years.

(III) Cash Flow

Unit: 10000 CNY

	2018	2018 budget	Change	2017	Change
Net cash flow from operating activities	789,961	351,429	124.79%	390,408	102.34%
Net cash flows from investing activities	-182,888	-328,109	44.26%	-163,431	-11.91%
Net cash flows from financing activities	-438,390	-28,128	-1458.53 %	-235,949	-85.80%

In 2018, net cash flow from operating activities increased by 4.385 billion Yuan over the budget, an increase of 4 billion Yuan over the same period of last year, mainly due to the increase in profit and control on accounts receivables.

Net cash outflow from investing activities decreased by 1.45 billion Yuan over the budget, up by 195 million Yuan compared with the same period of last year. This was mainly due to increase in expenditure of purchase of fixed assets and decrease in acquisition of subsidiaries.

Net cash outflow from financing activities increased by 4.1 billion Yuan over the budget, an increase of 2.024 billion Yuan over the same period of last year, mainly because the Company took advantage of substantial increase in operating cash flows to reduce the size of loans and increase dividend payments.

II Brief Explanation on the 2019 Financial Budget

In 2019, the Company will launch four strategies including transformation strategy of cement with eco business, overseas strategy of cement business, innovative strategy of traditional industry + internet and business expansion strategy of high-tech building materials, making Huaxin an environmental-friendly building material group with advantages in technology, equipment, two-section business model, safety, eco and being the first-mover. The main financial budget indicators for 2019 are as follows:

(I) Production and Operation

In 2019, the Company plans to sell 72.96 million tons of cement and commercial clinker, 3.68 million m³ concrete, 26.62 million tons of aggregate, and eco disposal volume up to 3.04 million tons. Revenues are expected to exceed 27.5 billion Yuan, basically level off with 2018.

(II) Investment Budget

In 2019, the Company plans to invest 5 billion Yuan, mainly flowing to cement business, aggregate business and new material business. In terms of cement business, the Company will further expand to overseas and replace old capacity at home. Nepal and Uzbekistan projects are planned to be constructed. Old capacity replacement in Hubei Huangshi and Yunan Luquan will be finished. Thus the scale effect will improve the competitiveness in core areas. Aggregate projects will be expanded continuously. Efforts will be made to new material business.

(III) Financing Budget

In 2019, the Company will make full use of the Group's advantages and resources, and strived to seek more economic and effective financing channels. The Company will balance the structure of direct and indirect financing based on capital stock and capital cost to reduce the financing cost. At the end of 2019, the Company plans to control the scale of financial debt within 6 billion Yuan.

(IV) Asset status

In 2019, total assets are predicted to be around 34.4 billion Yuan. Asset liability ratio is estimated to be reduced to below 40%.

Annex 2:

Proposal in Respect of Amending Partial Articles in the *Articles of Association* of the Company

According to *Decision on Amending the Company Law of People's Republic of China* approved on the Sixth Session of the Standing Committee of the Thirteenth National People's Congress held on October 26, 2018, the Company intends to amend partial articles in the *Articles of Association* and its attachment *Rules of Procedure of the Shareholders' General Meetings*. Specific amendments are as followed:

No.	Original articles	Proposed to be amended as
1	<p>Article 26 Under any of following circumstances, the Company could repurchase its own shares in accordance with laws, published administrative regulations, published administrative rules and these Articles:</p> <ul style="list-style-type: none"> a. to reduce the Company's registered capital; b. to merge with another company which holds the Company's shares; c. to reward the Company's employees with its shares; d. if requested by the shareholders objecting to the resolution of the Shareholders' General Meeting with regard to the merger or division of the Company. <p>The Company is not allowed to purchase or sell its shares other than according to the above stipulations.</p>	<p>Article 26 Under any of following circumstances, the Company could repurchase its own shares in accordance with laws, published administrative regulations, published administrative rules and these Articles:</p> <ul style="list-style-type: none"> a. to reduce the Company's registered capital; b. to merge with another company which holds the Company's shares; c. to apply shares into Employee Stock Ownership Plan or Stock Option Incentive; d. if requested by the shareholders objecting to the resolution of the Shareholders' General Meeting with regard to the merger or division of the Company; e. to apply shares into converting convertible corporation bonds issued by listed companies f. for the necessary purpose of maintaining company value and shareholders' equity. <p>The Company is not allowed to purchase or sell its shares other than according to the above stipulations.</p>

2	<p>Article 27 The Company may repurchase its shares by one of the following methods:</p> <ul style="list-style-type: none"> a. open trading on a stock exchange; b. by way of offer; or c. Other method approved by the China Securities Regulatory Commission (CSRC). 	<p>Article 27 The Company may repurchase its shares by one of the following methods:</p> <ul style="list-style-type: none"> a. open trading on a stock exchange; b. by way of offer; or c. Other method approved by the China Securities Regulatory Commission (CSRC). <p>In the event of repurchase by the Company pursuant to the stipulated circumstances under (c), (e), (f) in the Article 26, the repurchase shall be conducted in an open manner through concentrated trading.</p>
3	<p>Article 28 In the event of repurchase by the Company pursuant to the stipulated circumstances under a, b or c of Article 26, the repurchase shall be passed by a Shareholders' General Meeting. In the event of repurchase by the Company pursuant to the circumstance stipulated under a of Article 26, the involved shares shall be written off within ten (10) days after the repurchase. In the event of repurchase by the Company pursuant to the circumstances stipulated under b or d of Article 26, the involved shares shall be transferred or written off within six (6) months after the repurchase.</p> <p>In the event of repurchase by the Company pursuant to the circumstance stipulated under c of Article 26, the involved shares shall not exceed 5% of the total shares issued by the Company. The repurchase price shall be paid by the Company's after tax profits. The repurchased shares shall be transferred to the employees within one (1) year after the repurchase.</p>	<p>Article 28 In the event of repurchase by the Company pursuant to the stipulated circumstances under (a) or (b) of Article 26, the repurchase shall be passed by a Shareholders' General Meeting.</p> <p>In the event of repurchase by the Company pursuant to the stipulated circumstances under (c), (e) or (f) of Article 26, the repurchase shall be approved by the Board Meeting attended by over two thirds of Directors.</p> <p>In the event of repurchase by the Company pursuant to the stipulated circumstance under (a) of Article 26, the involved shares shall be written off within ten (10) days after the repurchase. In the event of repurchase by the Company pursuant to the circumstances stipulated under (b) or (d) of Article 26, the involved shares shall be transferred or written off within six (6) months after the repurchase. In the event of repurchase by the Company pursuant to the circumstance stipulated under (c), (e) or (f) of Article 26, the total involved shares held by the Company shall not exceed 10% of the total shares issued by the Company and those shares shall be transferred or written off within three (3) years.</p>

4	<p>Article 43 The Shareholders' General Meeting is the organ of power of the Company and shall exercise the following functions and powers:</p> <p>.....</p> <p>16. to consider any other matters that are vested with the authority of the Shareholders' General Meeting as per laws, published administrative regulations, ordinances, or these Articles of Association.</p>	<p>Article 43 The Shareholders' General Meeting is the organ of power of the Company and shall exercise the following functions and powers:</p> <p>.....</p> <p>16. to deliberate matters of repurchasing the Company's shares</p> <p>17. to consider any other matters that are vested with the authority of the Shareholders' General Meeting as per laws, published administrative regulations, ordinances, or these Articles of Association.</p>
5	<p>Article 80 The following matters shall be subject to the approval of the Shareholders' General Meeting with a special resolution:</p> <p>.....</p> <p>(VI) Any other matters items which are qualified by laws published administrative regulations and these Articles of Association and which are qualified by the shareholders with an ordinary resolution as having substantial impact on the Company and calling for a special resolution.</p>	<p>Article 80 The following matters shall be subject to the approval of the Shareholders' General Meeting with a special resolution:</p> <p>.....</p> <p>(VI) Repurchase of the Company's shares</p> <p>(VII) Any other matters items which are qualified by laws, published administrative regulations and these Articles of Association and which are qualified by the shareholders with an ordinary resolution as having substantial impact on the Company and calling for a special resolution.</p>
6	<p>Article 122 The board meeting shall not be held without presence of half or more of all the directors. The presence for this article's purpose means the presence at the commencement of the meeting coupled with the continuous presence during the meeting. One attending director shall have one vote. The resolutions made at the meetings of the Board of Directors shall be subject to approval of more than half of all the directors, with the following exceptions:</p> <p>.....</p> <p>(2) a resolution on security undertaking shall be subject to the</p>	<p>Article 122 The board meeting shall not be held without presence of half or more of all the directors. The presence for this article's purpose means the presence at the commencement of the meeting coupled with the continuous presence during the meeting. One attending director shall have one vote. The resolutions made at the meetings of the Board of Directors shall be subject to approval of more than half of all the directors, with the following exceptions:</p> <p>.....</p> <p>(2) According to the stipulations in the Articles of Association, Board of Directors decided on the resolution of guarantee</p>

	approval of 2/3 or more of all the directors present at the meeting.	matters within its authority. Apart from the approval by over half of all Directors, the resolution shall be approved by two thirds of the Directors present at the meeting.
7	<p><i>Rules of Procedure of the Shareholders' General Meetings</i></p> <p>Article 4 The Shareholders' General Meeting is the organ of power of the Company, and is authorized with the following duties as per laws:</p> <p>.....</p> <p>p. to consider any other matters that are vested with the authority of the Shareholders' General Meeting as per laws, published administrative regulations, ordinances, or the Articles of Association of the Company.</p>	<p>Article 4 in the <i>Rules of Procedure of the Shareholders' General Meetings</i>: The Shareholders' General Meeting is the organ of power of the Company, and is authorized with the following duties as per laws:</p> <p>.....</p> <p>p. to deliberate matters of repurchasing the Company's shares</p> <p>q. to consider any other matters that are vested with the authority of the Shareholders' General Meeting as per laws, published administrative regulations, ordinances, or the Articles of Association of the Company.</p>

Annex 3: Suggestion on Adjusting the Allowance of Directors and Supervisors

1. Decisions and changes of the allowance of Directors and Supervisors

(1) In 2012, approved by the Shareholders' General Meeting, monthly allowance of the non-executive Chairman of the Board is 50,000 RMB and annual allowance is 600,000 RMB; monthly allowance of a non-executive Director is 15,000 RMB and annual allowance is 180,000 RMB; monthly allowance of an Independent Director is 15,000 RMB and annual allowance is 180,000 RMB. Monthly allowance of a part-time Supervisor is 3,000 RMB and annual allowance is 36,000 RMB. Full-time Directors and Supervisors do not get extra allowance. Their duty remuneration is included in their annual pay.

(2) In December 2014, proposed by the shareholder Holchin B.V. and approved by the Board of Directors, it is approved by the Second Extraordinary Shareholders' General Meeting 2014 to increase 30,000 RMB annual allowance for Independent Directors and non-executive Chairman of the Board for every special committee in which he / she takes office.

(3) Since 2015, there has been no change in Directors' allowance. So far, it has remained the same.

2. Considering the performance duty of Directors and Supervisors in the growth and expansion of the Company, it is suggested that adjustment should be made to the allowance. Specific adjustments are as below:

Position	Annual allowance of 2015	Increased proportion	Annual allowance after adjustment
Non-executive Director	180,000 RMB	20%	216,000 RMB
Non-executive Chairman of the Board	690,000 RMB	20%	828,000 RMB
Independent Director	300,000 RMB	20%	360,000 RMB
Part-time Supervisor	36,000 RMB	33%	48,000 RMB

3. The above adjustment to the allowance of Directors and Supervisors will be executed after the approval of the Shareholders' General Meeting.