

Typhoon Lakima

For shareholders living in the United States and other foreign countries, it may be difficult to fully understand the damages caused by Typhoon Lakima. Damaging typhoons in Shandong are not all that common, but 2019 is the second year in a row that Shandong has been significantly impacted by damaging typhoons. Lakima was rated as the 5th most damaging typhoon since 1949. According to Wikipedia, "Because Lakima looped around Shandong for days, it brought heavy rainfall in the province. Daily rainfall in Linq County, (which is in the same prefecture as our facilities) reached 15.2 inches."

Unfortunately, the greatest amount of damage to our facilities was to our factories No. 1 and No. 7 and mines that were already in operation.

As can be seen from the photographs below which were taken right after the typhoon for the Company's Factory No.7 had passed and the water had started to subside, there was massive flooding.

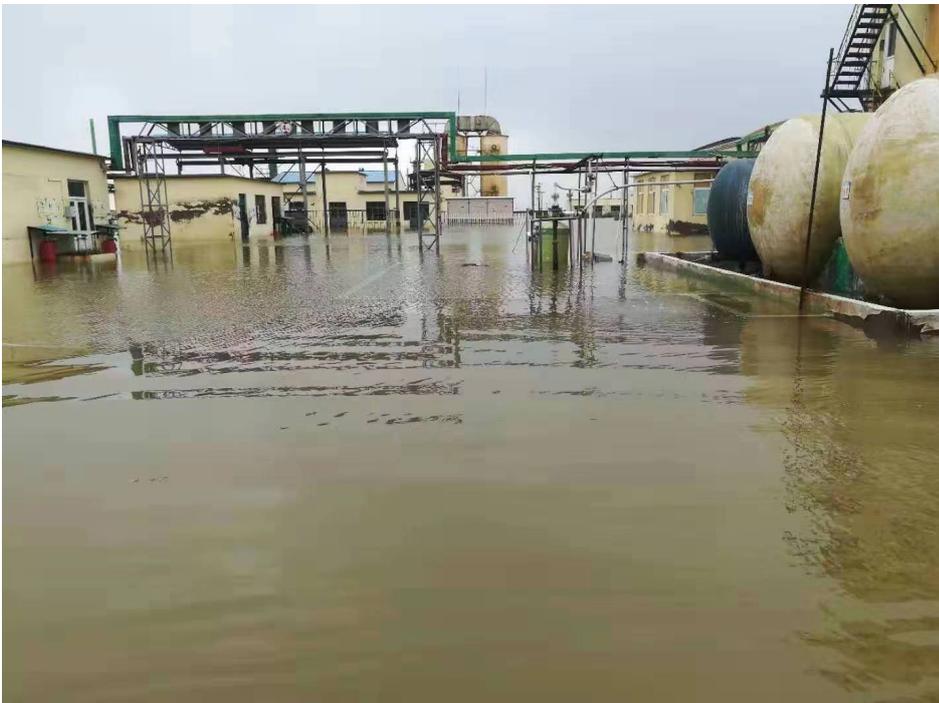
Lakima #1



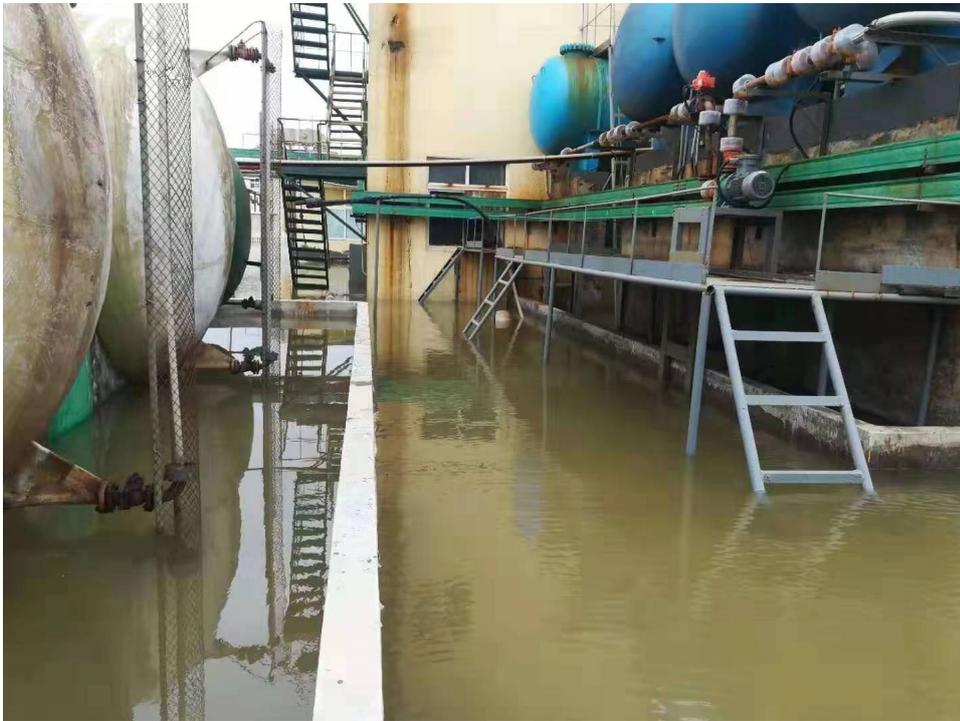
Lakima #2



Lakima #3



Lakima #4



As can be seen from the photos above titled Lakima #3 and #4, the flooding damaged our factory No.7. However, since most of the equipment was raised, the damages were relatively easy to repair.

The greatest problem was the flooding in our salt fields, wells, and aqueducts. If you look at the photos titled Lakima #1 and #2, you will see our salt fields, wells, and aqueducts are all underwater.

The damages to the factories have been repaired. However, given the extent of the damages to the salt fields, wells, and aqueducts, we have hired a third party to conduct the rectification and this work is expected to take two more months.