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**PERFECTECH INTERNATIONAL HOLDINGS LIMITED**

**威發國際集團有限公司\***

(the “Company”)

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 765)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**INTERIM RESULTS**

The board of directors (the “Board”) of Perfectech International Holdings Limited (the “Company”) hereby announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 and the comparative figures for 2016 were as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2017*

		(Unaudited)	
		For the six months ended 30 June	
		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2 & 3	<b>91,876</b>	87,355
Cost of sales		<b>(68,009)</b>	(66,837)
Gross profit		<b>23,867</b>	20,518
Other income, gains and losses	4	<b>1,051</b>	3,121
Distribution costs		<b>(1,772)</b>	(1,906)
Administrative expenses		<b>(21,863)</b>	(17,719)
Finance costs		<b>(35)</b>	(289)

\* *For identification purpose only*

		<b>(Unaudited)</b>	
		<b>For the six months</b>	
		<b>ended 30 June</b>	
		<b>2017</b>	2016
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit before tax	5	<b>1,248</b>	3,725
Income tax expenses	6	<b>(3,140)</b>	(315)
		<u><b>(1,892)</b></u>	<u>3,410</u>
(Loss) profit for the period			
Other comprehensive expenses, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of overseas operations		<u><b>(368)</b></u>	<u>(526)</u>
Total comprehensive (expenses) income for the period		<u><b>(2,260)</b></u>	<u>2,884</u>
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(2,767)</b>	1,565
Non-controlling interests		<b>875</b>	1,845
		<u><b>(1,892)</b></u>	<u>3,410</u>
(Loss) profit for the period			
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		<b>(3,094)</b>	1,100
Non-controlling interests		<b>834</b>	1,784
		<u><b>(2,260)</b></u>	<u>2,884</u>
Total comprehensive (expenses) income for the period			
(Loss) earnings per share	8	<b><i>HK cent</i></b>	<i>HK cent</i>
Basic		<u><b>(0.85)</b></u>	<u>0.48</u>
Diluted		<u><b>(0.85)</b></u>	<u>0.48</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2017**

		<b>(Unaudited)</b>	(Audited)
		<b>30 June</b>	31 December
		<b>2017</b>	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>57,499</b>	59,514
Investment property		<b>32,700</b>	32,700
Deferred tax assets		<b>7,885</b>	7,492
		<b>98,084</b>	99,706
<b>CURRENT ASSETS</b>			
Inventories		<b>22,229</b>	20,821
Trade and other receivables	10	<b>30,099</b>	28,945
Tax recoverable		<b>246</b>	398
Pledged bank deposits		<b>—</b>	47,223
Bank balances and cash		<b>106,624</b>	93,136
		<b>159,198</b>	190,523
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	<b>28,252</b>	36,053
Tax liabilities		<b>6,701</b>	2,982
Bank borrowings		<b>—</b>	23,089
		<b>34,953</b>	62,124
<b>NET CURRENT ASSETS</b>		<b>124,245</b>	128,399
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>222,329</b>	228,105

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<u>128</u>	<u>50</u>
<b>NET ASSETS</b>	<b><u>222,201</u></b>	<b><u>228,055</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>32,692</b>	32,692
Reserves	<b><u>170,857</u></b>	<u>173,951</u>
Equity attributable to owners of the Company	<b>203,549</b>	206,643
Non-controlling interests	<b><u>18,652</u></b>	<u>21,412</u>
<b>TOTAL EQUITY</b>	<b><u>222,201</u></b>	<b><u>228,055</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard (the “HKAS”) 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair value at the end of each reporting period.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016 except as described below.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2017 as follows:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Disclosure of Interest in Other Entities

The application of these amendments to HKFRSs has had no material impact on the Group’s financial performance and positions for the current or prior accounting periods.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the condensed consolidated financial statements.

## 2 BUSINESS SEGMENTS

For management purposes, the Group is currently organised into two operating segments, namely the manufacture and sale of (i) novelties and decoration products and (ii) toy products.

The following is an analysis of the Group's revenue and results by reportable segment:

### *For the six months ended 30 June 2017 (Unaudited)*

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>			
External sales and total revenue	<u>5,492</u>	<u>86,384</u>	<u>91,876</u>
<b>RESULT</b>			
Segment results	<u>(4,337)</u>	<u>8,872</u>	4,535
Unallocated corporate expenses			(3,252)
Finance costs			<u>(35)</u>
Profit before tax			1,248
Income tax expenses			<u>(3,140)</u>
Loss for the period			<u>(1,892)</u>

### *At 30 June 2017 (Unaudited)*

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	44,394	132,816	177,210
Unallocated corporate assets			<u>80,072</u>
Consolidated total assets			<u>257,282</u>
<b>LIABILITIES</b>			
Segment liabilities	5,200	29,225	34,425
Unallocated corporate liabilities			<u>656</u>
Consolidated total liabilities			<u>35,081</u>

## Other Information

### *For the six months ended 30 June 2017 (Unaudited)*

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions of property, plant and equipment	265	1,641	23	1,929
Depreciation and amortisation	476	2,720	693	3,889
Interest income	8	74	5	87

### *For the six months ended 30 June 2016 (Unaudited)*

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>REVENUE</b>			
External sales and total revenue	<u>7,542</u>	<u>79,813</u>	<u>87,355</u>
<b>RESULT</b>			
Segment results	<u>(4,735)</u>	<u>10,975</u>	6,240
Gain from investments			876
Unallocated corporate expenses			(3,102)
Finance costs			<u>(289)</u>
Profit before tax			3,725
Income tax expenses			<u>(315)</u>
Profit for the period			<u><u>3,410</u></u>

**At 31 December 2016 (Audited)**

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	44,510	128,915	173,425
Unallocated corporate assets			<u>116,804</u>
Consolidated total assets			<u><u>290,229</u></u>
<b>LIABILITIES</b>			
Segment liabilities	12,897	34,819	47,716
Unallocated corporate liabilities			<u>14,458</u>
Consolidated total liabilities			<u><u>62,174</u></u>

**Other Information**

**For the six months ended 30 June 2016 (Unaudited)**

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions of property, plant and equipment	407	359	—	766
Depreciation and amortisation	533	2,575	832	3,940
Interest income	10	9	18	37

**Information about major customer**

Revenue from sales of toy products of approximately HK\$86,384,000 (2016: HK\$79,813,000) included sales to the Group's largest customer of approximately HK\$82,505,000 (2016: HK\$75,845,000).



### 3 GEOGRAPHICAL SEGMENTS

The Group's revenue from external customers by location of operations are detailed below:

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	<i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	<b>4,851</b>	2,314
Europe	<b>20,035</b>	20,802
America	<b>16,633</b>	26,446
Asia (other than Hong Kong)	<b>49,877</b>	35,841
Others	<b>480</b>	1,952
	<b>91,876</b>	87,355

The following is analysis of the carrying amount of segment assets analysed by geographical areas in which the assets are located:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>HK\$'000</b>	<i>HK\$'000</i>
Hong Kong	<b>189,465</b>	214,934
The People's Republic of China (the "PRC")	<b>67,817</b>	75,295
	<b>257,282</b>	290,229

The following is analysis of the additions to property, plant and equipment analysed by geographical areas in which the assets are located:

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	<i>HK\$'000</i>
Hong Kong	<b>23</b>	36
The PRC	<b>1,906</b>	730
	<b>1,929</b>	766

#### 4 OTHER INCOME, GAINS AND LOSSES

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bad debts recovered	—	1
Dividend income from held for trading investments	—	1,366
Interest income	87	37
Rental income	236	306
Scrap sales	105	694
(Loss) gain on disposal of property, plant and equipment	(30)	160
Loss from changes in fair value of held for trading investments	—	(2,634)
Gain from changes in fair value of derivative financial instruments	—	1,778
Gain on disposal of held for trading investments	—	365
Net foreign exchange (losses) gains	(399)	400
Others	1,052	648
	<u>1,051</u>	<u>3,121</u>

#### 5 PROFIT BEFORE TAX

Profit before tax has been arrived after charging:

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of property, plant and equipment	<u>3,889</u>	<u>3,940</u>

## 6 INCOME TAX EXPENSES

	(Unaudited)	
	For the six months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	(969)	(1,412)
PRC Enterprise Income tax	—	(53)
	<u>(969)</u>	<u>(1,465)</u>
Underprovision in prior years:		
Hong Kong Profits Tax	(2,334)	—
PRC Enterprise Income tax	(152)	(82)
	<u>(2,486)</u>	<u>(82)</u>
Deferred tax		
Current year	315	1,232
	<u>315</u>	<u>1,232</u>
Total income tax expenses recognised in profit or loss	<u><u>(3,140)</u></u>	<u><u>(315)</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

## 7 DIVIDENDS

The Board does not declare the payment of interim dividend for the six months ended 30 June 2017 (2016: HK1.0 cent per share).

## 8 (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the net loss for the period of approximately HK\$2,767,000 (2016: profit of HK\$1,565,000) and the following data:

	<b>(Unaudited)</b>	
	<b>For the six months</b>	
	<b>ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<b>326,923,607</b>	324,793,025
Effect of dilutive potential ordinary shares on share options	—	476,573
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<b><u>326,923,607</u></b>	<b><u>325,269,598</u></b>

## 9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$1,929,000 (2016: HK\$766,000).

## 10 TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aging analysis of the Group's trade receivables, presented based on the invoice date and net of allowance for doubtful debts at the end of the reporting period:

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0–60 days	<b>25,851</b>	22,204
61–90 days	<b>6</b>	361
91–120 days	<b>70</b>	—
Over 120 days	<b>33</b>	6
	<hr/>	<hr/>
	<b><u>25,960</u></b>	<b><u>22,571</u></b>

Trade receivables disclosed above include amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The following is an aging analysis of the Group's trade receivables that are past due but not impaired at the end of the reporting period:

	(Unaudited) 30 June 2017 <i>HK\$'000</i>	(Audited) 31 December 2016 <i>HK\$'000</i>
Overdue by:		
0-60 days	4,238	4,105
61-90 days	70	306
91-120 days	16	—
Over 120 days	17	6
	<u>4,341</u>	<u>4,417</u>

## 11 TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables, presented based on the invoice date at the end of the reporting period:

	(Unaudited) 30 June 2017 <i>HK\$'000</i>	(Audited) 31 December 2016 <i>HK\$'000</i>
0-60 days	10,425	12,757
61-90 days	866	1,755
91-120 days	140	150
Over 120 days	494	433
	<u>11,925</u>	<u>15,095</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INTERIM DIVIDEND

The Board does not declare the payment of interim dividend for the six months ended 30 June 2017 (2016: HK1.0 cent per share).

### BUSINESS REVIEW

During the period under review, the total revenue of the Group stood at approximately HK\$91,876,000 (2016: HK\$87,355,000), representing an increase of about 5%, and recorded a loss for the period attributable to owners of the Company of approximately HK\$2,767,000 (2016: profit of HK\$1,565,000).

For the first half of 2017, the contribution from the core business of the Group recorded was approximately HK\$4,535,000 (2016: HK\$6,240,000). Detailed performance of each segment of the core business is discussed below. There was no gain from investments (2016: HK\$876,000) as the Group disposed all investments by the end of 2016.

#### *Novelties and decorations products*

The revenue of the novelties and decoration products segment decreased further by about 27% to approximately HK\$5,492,000 (2016: HK\$7,542,000), while the loss therefrom amounted to approximately HK\$4,337,000 (2016: HK\$4,735,000). The segment continued to incur substantial loss or further marketing expenses might be required to maintain sustainable revenue.

#### *Toy products*

The revenue of the segment increased gently by about 8% to approximately HK\$86,384,000 (2016: HK\$79,813,000), and recorded a positive contribution of HK\$8,872,000 (2016: HK\$10,975,000). The segment continued to contribute significantly and steadily to the Group.

#### *Distribution costs and administrative expenses*

Distribution costs stood steadily at approximately HK\$1,772,000 (2016: HK\$1,906,000), representing a decrease of approximately 7%. Administrative expenses increased by about 23% to approximately HK\$21,863,000 (2016: HK\$17,719,000). The increase is mainly attributable to the increase in staff costs of approximately HK\$4.1 million.

#### *Finance costs*

The Group's finance costs dropped to approximately HK\$35,000 (2016: HK\$289,000) as a result of the full repayment of all bank borrowings in January 2017.

## FUTURE PLAN AND PROSPECT

New projects with limited amount of resources in relation to core business to widen the scope of business and/or improve profit margins are under consideration and/or preliminary design.

In view of the traditional peak season of the core business of the Company in the second half of the year, the directors of the Company (“Directors”) are optimistic that the results of the Group will be improved in the second half of the year.

Meanwhile, the Group will also actively identify good merger and acquisition opportunities in order to acquire new business or asset that will bring additional value, synergy effect and new income streams to the Group.

With the joint efforts of all of its employees, the Group endeavors to work well with its customers, business partners and shareholders to maximise its corporate value and deliver promising returns to its shareholders.

### *Liquidity and financial resources*

At 30 June 2017, the Group did not have any bank borrowings (31 December 2016: HK\$23,089,000). The gearing ratio of the Group, measured by bank borrowings divided by equity attributable to owners of the Company, was 0% (31 December 2016: 11%).

### *Pledge of Assets*

At 30 June 2017, no asset was pledged to secure the margin loan facilities granted to the Group (31 December 2016: HK\$47,223,000).

At 30 June 2017, the Group pledged the following assets to secure previous bank loans and bank facilities available to the Group:

- (i) Leasehold land and buildings with a carrying amount of approximately HK\$28,154,000 (31 December 2016: HK\$28,726,000); and
- (ii) Investment property with carrying amount of approximately HK\$32,700,000 (31 December 2016: HK\$32,700,000).

### *Net asset value*

The net asset value per share at 30 June 2017 was approximately HK\$0.62 (31 December 2016: HK\$0.63), calculated based on equity attributable to owners of the Company of approximately HK\$203,549,000 (31 December 2016: HK\$206,643,000) divided by the actual number of shares in issue on that date of 326,923,607 (31 December 2016: 326,923,607).

### *Employees and remuneration policies*

At 30 June 2017, the Group employed approximately 1,200 (2016: 1,280) full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its employees.

### *Foreign currency exposure*

The Group's sales and purchases are mainly denominated in either Hong Kong Dollar or US Dollar. As all its factories are located in the PRC, expenses incurred there are denominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial foreign currency exchange exposure in this area. The Group however will closely monitor the trend of Renminbi to see if any action is required.

At 30 June 2017, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period under review, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance**

Throughout the six months ended 30 June 2017, the Company has adopted the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its corporate governance code and has complied with the Code Provisions, save for the following deviations.

**Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.**



The Company had no formal letters of appointment for an executive director, Ms. Xie YINUO (“Ms. Xie”), at the time of appointment.

It was because the management of the Company is of the view that Ms. Xie clearly understands the appointment arrangement in place. In any event, all Directors, including Ms. Xie, shall be subject to retirement by rotation in the manner prescribed under the bye-laws of the Company and on re-election of the retiring Directors, shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors. Besides, all Directors are required to comply with the requirements under statutes and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies. In this regard, the Company is of the view that such requirements are sufficient to meet the underlying objectives of the relevant code provision.

### **Model Code for Securities Transactions by Directors**

The Board has adopted a code of conduct regarding Directors’ securities transaction on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all Directors and they have confirmed that throughout the six months ended 30 June 2017, they complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions.

### **Audit Committee**

The Company has established an audit committee which comprises all independent non-executive Directors (“INEDs”), Mr. Zhang Shang, Mr. Xie Xiaohong and Mr. Lau Shu Yan, who is also the chairman of the audit committee.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 of the Company now reported on.

### **Remuneration Committee**

The remuneration committee makes recommendations to the Board on the Company’s policy and structure of remuneration for the Directors and senior management.

The committee comprises Mr. Lau Shu Yan, Mr. Xie Xiaohong, and Mr. Zhang Shang, who is also the chairman of the committee.

The committee is governed by its terms of reference, which are in line with the Code.

### **Nomination Committee**

The nomination committee is responsible for the selection of and recommending to the Board on the selection of individuals nominated for directorships.

The committee comprises Mr. Zhang Shang, Mr. Xie Xiaohong, and Mr. Gao Xiaorui, who is also the chairman of the committee.

The committee is governed by its terms of reference, which are in line with the Code.

On behalf of the Board  
**Gao Xiaorui**  
*Chairman*

Hong Kong, 25 August 2017

*As at the date of this announcement, the Board is composed of Ms. Xie Yinuo and Mr. Poon Wai Yip, Albert as executive Directors, Mr. Gao Xiaorui as non-executive Director, and Mr. Zhang Shang, Mr. Xie Xiaohong and Mr. Lau Shu Yan as independent non-executive Directors.*