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Perfectech

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 2018**

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 2018 and the comparative figures for 2017 were as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		(Unaudited)	
		For the six months	
		ended 30 June	
		2018	2017
	Notes	HK\$'000	HK\$'000
Revenue	2 & 3	59,691	91,876
Cost of sales		<u>(56,624)</u>	<u>(68,009)</u>
Gross profit		3,067	23,867
Other income, gains and losses	4	294	1,051
Distribution costs		(1,466)	(1,772)
Administrative expenses		(26,616)	(21,863)
Finance costs		<u>(7)</u>	<u>(35)</u>

* For identification purpose only

		(Unaudited)	
		For the six months	
		ended 30 June	
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before tax	5	(24,728)	1,248
Income tax recovery (expenses)	6	<u>1,697</u>	<u>(3,140)</u>
Loss for the period		<u>(23,031)</u>	<u>(1,892)</u>
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>(213)</u>	<u>(368)</u>
Total comprehensive expenses for the period		<u>(23,244)</u>	<u>(2,260)</u>
(Loss) profit for the period attributable to:			
Owners of the Company		(21,430)	(2,767)
Non-controlling interests		<u>(1,601)</u>	<u>875</u>
Loss for the period		<u>(23,031)</u>	<u>(1,892)</u>
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		(21,721)	(3,094)
Non-controlling interests		<u>(1,523)</u>	<u>834</u>
Total comprehensive expenses for the period		<u>(23,244)</u>	<u>(2,260)</u>
Loss per share	8	<i>HK cent</i>	<i>HK cent</i>
Basic		<u>(6.56)</u>	<u>(0.85)</u>
Diluted		<u>(6.56)</u>	<u>(0.85)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

		(Unaudited) 30 June 2018 <i>HK\$'000</i>	(Audited) 31 December 2017 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	54,175	59,131
Investment property		36,000	36,000
Deferred tax assets		9,725	8,090
		<u>99,900</u>	<u>103,221</u>
CURRENT ASSETS			
Inventories		24,215	17,363
Trade and other receivables	10	21,960	23,186
Tax recoverable		239	58
Bank balances and cash		78,202	103,498
		<u>124,616</u>	<u>144,105</u>
CURRENT LIABILITIES			
Trade and other payables	11	30,302	24,771
Tax liabilities		2,462	6,959
		<u>32,764</u>	<u>31,730</u>
NET CURRENT ASSETS		<u>91,852</u>	<u>112,375</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>191,752</u>	<u>215,596</u>

	(Unaudited) 30 June 2018 <i>HK\$'000</i>	(Audited) 31 December 2017 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>31</u>	<u>95</u>
NET ASSETS	<u>191,721</u>	<u>215,501</u>
CAPITAL AND RESERVES		
Share capital	32,692	32,692
Reserves	<u>142,166</u>	<u>163,887</u>
Equity attributable to owners of the Company	174,858	196,579
Non-controlling interests	<u>16,863</u>	<u>18,922</u>
TOTAL EQUITY	<u>191,721</u>	<u>215,501</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1 BASIS OF PREPARATION

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 under the historical cost basis except for certain properties and financial instruments that are measured at fair value. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

The principal activities of the Group are the manufacture and sale of novelties, decoration and toy products.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and revised HKFRSs that became effective for the current year

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 2017 except as described below.

The Group has applied the following new and revised HKFRSs, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Employee Benefits ¹
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ The original effective date has been deferred to a date yet to be determined

The Directors anticipate that the application of new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 2018 (Unaudited)

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales and total revenue	<u>3,179</u>	<u>56,512</u>	<u>59,691</u>
RESULT			
Segment results	<u>(4,612)</u>	<u>(14,539)</u>	(19,151)
Unallocated corporate expenses			(5,570)
Finance costs			<u>(7)</u>
Loss before tax			(24,728)
Income tax recovery			<u>1,697</u>
Loss for the period			<u>(23,031)</u>

At 30 June 2018 (Unaudited)

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	15,878	74,342	90,220
Unallocated corporate assets			<u>134,296</u>
Consolidated total assets			<u>224,516</u>
LIABILITIES			
Segment liabilities	6,536	25,640	32,176
Unallocated corporate liabilities			<u>619</u>
Consolidated total liabilities			<u>32,795</u>

Other Information

For the six months ended 30 June 2018 (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	—	1,221	—	1,221
Depreciation and amortisation	344	3,008	635	3,987
Interest income	4	9	3	16

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>
REVENUE			
External sales and total revenue	5,492	86,384	91,876
RESULT			
Segment results	(4,337)	8,872	4,535
Unallocated corporate expenses			(3,252)
Finance costs			(35)
Profit before tax			1,248
Income tax expenses			(3,140)
Loss for the period			(1,892)

At 31 December 2017 (Audited)

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	21,235	80,586	101,821
Unallocated corporate assets			<u>145,505</u>
Consolidated total assets			<u><u>247,326</u></u>
LIABILITIES			
Segment liabilities	2,228	28,259	30,487
Unallocated corporate liabilities			<u>1,338</u>
Consolidated total liabilities			<u><u>31,825</u></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

Information about major customer

Revenue from sales of toy products of approximately HK\$56,512,000 (2017: HK\$86,384,000) included sales to the Group's largest customer of approximately HK\$52,226,000 (2017: HK\$82,505,000).

3 GEOGRAPHICAL SEGMENTS

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

	(Unaudited)	
	For the six months	
	ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Sales revenue by geographical market:		
Hong Kong	5,351	4,851
Europe	5,158	20,035
America	13,703	16,633
Asia (other than Hong Kong)	35,453	49,877
Others	26	480
	<u>59,691</u>	<u>91,876</u>

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

	(Unaudited)	(Audited)
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	162,211	172,506
The People's Republic of China (the "PRC")	62,305	74,820
	<u>224,516</u>	<u>247,326</u>

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

	(Unaudited)	
	For the six months	
	ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Hong Kong	37	23
The PRC	1,184	1,906
	<u>1,221</u>	<u>1,929</u>

4 OTHER INCOME, GAINS AND LOSSES

	(Unaudited)	
	For the six months	
	ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Interest income	16	87
Rental income	—	236
Scrap sales	165	105
Gain (loss) on disposal of property, plant and equipment	304	(30)
Gain on derecognition of a subsidiary	1,130	—
Net foreign exchange losses	(2,798)	(399)
Others	1,477	1,052
	<u>294</u>	<u>1,051</u>

5 (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived after charging:

	(Unaudited)	
	For the six months	
	ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	<u>3,987</u>	<u>3,889</u>

6 INCOME TAX RECOVERY (EXPENSES)

	(Unaudited)	
	For the six months	
	ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	—	(969)
PRC Enterprise Income tax	—	—
	<u>—</u>	<u>(969)</u>
Underprovision in prior years:		
Hong Kong Profits Tax	—	(2,334)
PRC Enterprise Income tax	(2)	(152)
	<u>(2)</u>	<u>(2,486)</u>
Deferred tax		
Current year	<u>1,699</u>	<u>315</u>
Total income tax recovery (expenses) recognised in profit or loss	<u><u>1,697</u></u>	<u><u>(3,140)</u></u>

In 2017, Hong Kong Profits Tax was calculated at 16.5% on assessable profits. On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. The two-tiered profits tax rate applies to years of assessment commencing on or after 1 April 2018.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the relevant period in the six months ended 30 June 2018, Hong Kong profits tax of the qualifying corporation in the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other corporations in the Group which are not qualified for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5% (six months ended 30 June 2017: 16.5%).

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 2018 (2017: NIL).

8 LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the net loss for the period of approximately HK\$21,430,000 (2017: HK\$2,767,000) and the following data:

	(Unaudited)	
	For the six months	
	ended 30 June	
	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	326,923,607	326,923,607
Effect of dilutive potential ordinary shares on share options	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>326,923,607</u>	<u>326,923,607</u>

9 PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK\$1,221,000 (2017: HK\$1,929,000).

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:

	(Unaudited)	(Audited)
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
0–60 days	13,630	15,554
61–90 days	4	209
91–120 days	1	—
Over 120 days	<u>—</u>	<u>277</u>
	<u>13,635</u>	<u>16,040</u>

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 2018 <i>HK\$'000</i>	(Audited) 31 December 2017 <i>HK\$'000</i>
Overdue by:		
0–60 days	4,845	5,138
61–90 days	1	—
91–120 days	—	277
Over 120 days	—	—
	<u>4,846</u>	<u>5,415</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 2018 <i>HK\$'000</i>	(Audited) 31 December 2017 <i>HK\$'000</i>
0–60 days	8,661	7,153
61–90 days	2,752	1,830
91–120 days	403	95
Over 120 days	923	521
	<u>12,739</u>	<u>9,599</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

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

BUSINESS REVIEW

During the period under review, the total revenue of the Group was approximately HK\$59,691,000 (2017: HK\$91,876,000), representing a decrease of about 35%, and recorded a loss for the period attributable to owners of the Company of approximately HK\$21,430,000 (2017: loss of HK\$2,767,000).

For the first half of 2018, the core business of the Group recorded a loss of HK\$19,151,000 (2017: profit of HK\$4,535,000). Detailed performance of each segment of the core business is discussed below.

Novelties and decorations products

The revenue of the novelties and decoration products segment decreased further by about 42% to approximately HK\$3,179,000 (2017: HK\$5,492,000), while the loss therefrom amounted to approximately HK\$4,612,000 (2017: HK\$4,337,000). The loss from this segment continued to increase and further measures in cutting costs as well as expenses would be considered.

Toy products

The revenue of the segment decreased sharply by about 35% to approximately HK\$56,512,000 (2017: HK\$86,384,000), and this segment recorded a loss of HK\$14,539,000 (2017: profit of HK\$8,872,000). The segment result was almost the worst in history as the demand from a major customer dropped given there was a change of its product mix.

Distribution costs and administrative expenses

Distribution costs stood at approximately HK\$1,466,000 (2017: HK\$1,772,000), representing a decrease of approximately 17%, while administrative expenses increased by about 22% to approximately HK\$26,616,000 (2017: HK\$21,863,000) as a result of, among others, an increase in staff costs of approximately HK\$4 million on special bonus paid to the directors of the subsidiaries of the company.

Finance costs

The Group's finance costs dropped to approximately HK\$7,000 (2017: HK\$35,000) as a result of the full repayment of all bank borrowings in January 2017.

FUTURE PLAN AND PROSPECT

New projects 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 (the “Directors”, each a “Director”) 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.

OTHER INFORMATION

Liquidity and financial resources

As at 30 June 2018, the Group did not have any bank borrowings (31 December 2017: NIL). The gearing ratio of the Group, measured by bank borrowings divided by equity attributable to owners of the Company, was 0% (31 December 2017: 0%).

Pledge of Assets

As at 30 June 2018, no asset was pledged to secure the margin loan facilities granted to the Group (31 December 2017: Nil).

As at 30 June 2018, the Group pledged the following assets to secure bank facilities available to the Group:

- (i) Leasehold land and buildings with a carrying amount of approximately HK\$27,009,000 (31 December 2017: HK\$27,581,000); and
- (ii) Investment property with carrying amount of approximately HK\$36,000,000 (31 December 2017: HK\$36,000,000).

Net asset value

The net asset value per share as at 30 June 2018 was approximately HK\$0.53 (31 December 2017: HK\$0.60), calculated based on equity attributable to owners of the Company of approximately HK\$174,858,000 (31 December 2017: HK\$196,579,000) divided by the actual number of shares in issue on that date of 326,923,607 (31 December 2017: 326,923,607).

Employees and remuneration policies

As at 30 June 2018, the Group employed approximately 932 (2017: 832) 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.

As at 30 June 2018, 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 2018, the Company has adopted the code provisions (the "Code Provisions") of the code on Corporate Governance as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 2018, 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 the 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 2018 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, 27 August 2018

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.