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河南金馬能源股份有限公司

HENAN JINMA ENERGY COMPANY LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6885)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

DISPOSALS OF

(1) THE LOGISTICS SUBSIDIARY

AND

(2) 35% EQUITY INTEREST IN THE TRADING COMPANY

THE DISPOSALS

1. Disposal of the Logistics Subsidiary

The Board is pleased to announce that on 18 October 2021 (after trading hours), Shaanxi Jinma (a subsidiary of the Company), Yan'an Nengtong and the Logistics Subsidiary entered into the Logistics Subsidiary Transfer Agreement, pursuant to which Shaanxi Jinma has conditionally agreed to sell, and Yan'an Nengtong has conditionally agreed to purchase, the Logistics Subsidiary Sale Equity at a consideration of RMB204 million (equivalent to approximately HK\$246 million).

The Logistics Subsidiary is held as to 51%, 35%, 9% and 5% by Shaanxi Jinma (a subsidiary of the Company), Yan'an Energy, Liyuan Logistics and Yan'an Nengtong, respectively.

Following the completion of the Logistics Subsidiary Disposal, the Group will not have any interest in the Logistics Subsidiary, and the Logistics Subsidiary together with its subsidiary, Railway Logistics Co, will cease to be the subsidiaries of the Company. Hence, their financial results will no longer be consolidated by the Group following completion of the Logistics Subsidiary Disposal.

2. Disposal of 35% equity interest in the Trading Company

The Board is pleased to announce that on 18 October 2021 (after trading hours), Shanghai Jinma (a subsidiary of the Company), Yan'an Nengtong and the Trading Company entered into the Trading Company Transfer Agreement, pursuant to which Shanghai Jinma has conditionally agreed to sell, and Yan'an Nengtong has conditionally agreed to purchase, the Trading Company Sale Equity at a consideration of RMB1.75 million (equivalent to approximately HK\$2.11 million).

The Trading Company is held as to 51%, 35% and 14% by Yan'an Energy, Shanghai Jinma (a subsidiary of the Company) and Liyuan Logistics, respectively. Following the completion of the Trading Company Disposal, the Group will not have any interests in the Trading Company.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Logistics Subsidiary Disposal exceeds 5% but all of the ratios are less than 25%, the Logistics Subsidiary Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

Further, given that Yan'an Nengtong is a subsidiary-level connected person of the Company under Chapter 14A of the Listing Rules, each of the Logistics Subsidiary Disposal and the Trading Company Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Trading Company Disposal when aggregated with that of the Logistics Subsidiary Disposal is more than 5% but all of the ratios (on an aggregated basis) are less than 25%, the Trading Company Disposal also constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules. Nevertheless, given (i) Yan'an Nengtong is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Logistics Subsidiary Disposal and the Trading Company Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of each of the Logistics Subsidiary Disposal and the Trading Company Disposal are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, each of the Logistics Subsidiary Disposal and the Trading Company Disposal is exempt from the independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

INTRODUCTION

1. Disposal of the Logistics Subsidiary

The Board is pleased to announce that on 18 October 2021 (after trading hours), Shaanxi Jinma (a subsidiary of the Company), Yan'an Nengtong and the Logistics Subsidiary entered into the Logistics Subsidiary Transfer Agreement, pursuant to which Shaanxi Jinma has conditionally agreed to sell, and Yan'an Nengtong has conditionally agreed to purchase, the Logistics Subsidiary Sale Equity at a consideration of RMB204 million (equivalent to approximately HK\$246 million).

The Logistics Subsidiary is held as to 51%, 35%, 9% and 5% by Shaanxi Jinma (a subsidiary of the Company), Yan'an Energy, Liyuan Logistics and Yan'an Nengtong, respectively.

2. Disposal of 35% equity interest in the Trading Company

The Board is pleased to announce that on 18 October 2021 (after trading hours), Shanghai Jinma (a subsidiary of the Company), Yan'an Nengtong and the Trading Company entered into the Trading Company Transfer Agreement, pursuant to which Shanghai Jinma has conditionally agreed to sell, and Yan'an Nengtong has conditionally agreed to purchase, the Trading Company Sale Equity at a consideration of RMB1.75 million (equivalent to approximately HK\$2.11 million).

The Trading Company is held as to 51%, 35% and 14% by Yan'an Energy, Shanghai Jinma (a subsidiary of the Company) and Liyuan Logistics, respectively.

LOGISTICS SUBSIDIARY TRANSFER AGREEMENT

A summary of the salient terms of the Logistics Subsidiary Transfer Agreement is set out below:

Date: 18 October 2021

Parties: (1) Shaanxi Jinma, as the vendor;
(2) Yan'an Nengtong, as the purchaser; and
(3) the Logistics Subsidiary, as the target company.

Assets to be disposed of

Shaanxi Jinma has conditionally agreed to sell, and Yan'an Nengtong has conditionally agreed to purchase, the Logistics Subsidiary Sale Equity. The Logistics Subsidiary Sale Equity represents 51% of the equity interest of the Logistics Subsidiary.

Consideration

The aggregate consideration (the “**Logistics Subsidiary Consideration**”) for the Logistics Subsidiary Disposal is RMB204 million (equivalent to approximately HK\$246 million). The Logistics Subsidiary Consideration shall be settled in the following manner:

- (1) a sum of RMB90 million shall be paid by Yan'an Nengtong to Shaanxi Jinma in cash on or before 18 October 2021;
- (2) a sum of RMB30 million shall be paid by Yan'an Nengtong to Shaanxi Jinma in cash before 25 October 2021; and
- (3) a sum of RMB74 million shall be paid by Yan'an Nengtong to Shaanxi Jinma in cash before 16 November 2021, and at the same time of such payment, a deposit in the sum of RMB10 million which was paid by Yan'an Nengtong to Shaanxi Jinma prior to the entering into of the Logistics Subsidiary Transfer Agreement shall be treated as payment of the remaining balance of the Logistics Subsidiary Consideration of RMB10 million.

The Logistics Subsidiary Consideration was determined after arm's length negotiations between Yan'an Nengtong and the Group with reference to the unaudited net asset value of the Logistics Subsidiary of approximately RMB409.54 million as at 30 June 2021 on a consolidated basis.

Conditions and completion

The Logistics Subsidiary Transfer Agreement will only become effective upon the obtaining of all necessary approvals (if applicable) in relation to the Logistics Subsidiary Transfer Agreement on the part of each of Shaanxi Jinma, Yan'an Nengtong and the Logistics Subsidiary.

Within three Business Days of the full settlement of the Logistics Subsidiary Consideration, Shaanxi Jinma shall assist the Logistics Subsidiary in handling completion matters including the relevant industrial and commercial registration on the transfer of the Logistics Subsidiary Sale Equity. Completion of the Logistics Subsidiary Transfer Agreement shall take place upon completion of the aforementioned registration procedures with the relevant industrial and commercial registration on the transfer of the Logistics Subsidiary Sale Equity.

TRADING COMPANY TRANSFER AGREEMENT

A summary of the salient terms of the Trading Company Transfer Agreement is set out below:

Date: 18 October 2021

Parties: (1) Shanghai Jinma, as the vendor;
(2) Yan'an Nengtong, as the purchaser; and
(3) the Trading Company as the target company.

Assets to be disposed of

Shanghai Jinma has conditionally agreed to sell, and Yan'an Nengtong has conditionally agreed to purchase, the Trading Company Sale Equity which represents 35% of the equity interest of the Trading Company.

Consideration

The aggregate consideration (the “**Trading Company Consideration**”) for the Trading Company Disposal is RMB1.75 million (equivalent to approximately HK\$2.11 million). The Trading Company Consideration shall be payable by Yan'an Nengtong to Shanghai Jinma in cash within 15 Business Days of the date of the Trading Company Transfer Agreement.

The Trading Company Consideration was determined after arm's length negotiations between Yan'an Nengtong and the Group with reference to the unaudited net asset value of the Trading Company of approximately RMB6.14 million as at 31 March 2021.

Conditions and completion

The Trading Company Transfer Agreement will only become effective upon the obtaining of all necessary approvals (if applicable) in relation to the Trading Company Transfer Agreement on the part of each of Shanghai Jinma, Yan'an Nengtong and the Trading Company.

Within three Business Days of the full settlement of the Trading Company Consideration, Shanghai Jinma shall assist the Trading Subsidiary in handling completion matters including the relevant industrial and commercial registration on the transfer of the Trading Company Sale Equity. Completion of the Trading Company Transfer Agreement shall take place upon completion of the aforementioned registration procedures with the relevant industrial and commercial registration of the transfer of the Trading Company Sale Equity.

INFORMATION ON THE LOGISTICS SUBSIDIARY AND THE TRADING COMPANY

Logistics Subsidiary

The Logistics Subsidiary is a company with limited liability established in the PRC in May 2020. It is principally engaged in energy project investment, domestic trading, wholesale of coal, railway freight transportation, railway agency services, logistics and warehouse services, general freight transportation, cargo handling, and import and export trading and it holds 80% equity interest in Railway Logistics Co as at the date of this announcement. For further details of the establishment of the Logistics Subsidiary, please refer to the announcement issued by the Company on 20 May 2020. The original acquisition cost of the Logistics Subsidiary Sale Equity by the Group, being the investment made by the Group in the formation of the Logistics Subsidiary, was RMB204 million (equivalent to HK\$246 million).

As at the date of this announcement, the Logistics Subsidiary is held as to 51%, 35%, 9% and 5% by Shaanxi Jinma (a subsidiary of the Company), Yan'an Energy, Liyuan Logistics and Yan'an Nengtong, respectively, and is accounted for as a subsidiary of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than being a shareholder of the Logistics Subsidiary, Yan'an Energy, and its ultimate beneficial owner, are Independent Third Parties. Yan'an Energy is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Yan'an Municipal People's Government* (延安市人民政府國有資產監督管理委員會). Further details of the ultimate beneficial owner(s) of Liyuan Logistics and Yan'an Nengtong are set out in the section headed "Information on the other parties - Yan'an Nengtong" below.

Set out below is the audited consolidated financial information of the Logistics Subsidiary from the date of incorporation to 31 December 2020 prepared in accordance with China Accounting Standards for Business Enterprises:

	From the date of incorporation to 31 December 2020 <i>(audited)</i> RMB
Revenue	835,421,139
Net profit before taxation	4,486,681
Net profit after taxation	<u>3,623,807</u>

The unaudited net asset value of the Logistics Subsidiary as at 30 June 2021 on a consolidated basis was approximately RMB409.54 million (equivalent to approximately HK\$494.85 million).

Trading Company

The Trading Company is a company with limited liability established in the PRC in May 2020. It is principally engaged in energy project investment (only with self-owned assets), domestic trading business, wholesale of coal, railway freight transportation, railway agency services, logistics and warehouse services, general freight transportation, cargo handling, railway terminal planning and construction, management and operation, and foreign trade business. The original acquisition cost of the Trading Company Sale Equity by the Group, being the investment made by the Group in the formation of the Trading Company, was RMB1.75 million (equivalent to HK\$2.11 million).

The Trading Company is held as to 51%, 35% and 14% by Yan'an Energy, Shanghai Jinma (a subsidiary of the Company) and Liyuan Logistics, respectively.

Set out below is the audited financial information of the Trading Company from the date of incorporation to 31 December 2020 prepared in accordance with China Accounting Standards for Business Enterprises:

	From the date of incorporation to 31 December 2020 <i>(audited)</i> <i>RMB</i>
Revenue	833,149,098
Net profit before taxation	1,942,394
Net profit after taxation	<u>1,456,795</u>

The unaudited net asset value of the Trading Company as at 31 March 2021 was approximately RMB6.14 million (equivalent to approximately HK\$7.42 million).

FINANCIAL EFFECT OF THE DISPOSALS

After taking into account the proceeds to be received by the Group and the related transaction costs as well as the unaudited net asset value of the Logistics Subsidiary of RMB409.54 million as at 30 June 2021 and the carrying amount of the Group's investment as at 31 March 2021 of RMB1.75 million in the Trading Company, it is estimated that there will be a net loss of approximately RMB4.87 million (equivalent to HK\$5.88 million) in respect of the Disposals (which consists of (i) a loss of approximately RMB4.87 million (equivalent to HK\$5.88 million) in respect of the Logistics Subsidiary Disposal, which is calculated with reference to the consideration of the Logistics Subsidiary Disposal of RMB204 million less the unaudited net asset value attributable to the Logistics Subsidiary Sale Equity as at 30 June 2021 of approximately RMB208.87 million; and (ii) no gain or loss in respect of the Trading Company Disposal, which is calculated with reference to the relevant consideration of RMB1.75 million less the carrying amount of the Group's investment in the Trading Company). The actual gain or loss of the Group arising from the Disposals will be subject to final audit to be performed by the Company's auditors and may be different from the aforementioned estimated amount.

The principal business of the Group will remain the same after completion of the Disposals. Following the completion of the Logistics Subsidiary Disposal, the Group will not have any interest in the Logistics Subsidiary, and the Logistics Subsidiary together with its subsidiary, Railway Logistics Co, will cease to be the subsidiaries of the Company. Hence, their financial results will no longer be consolidated by the Group following completion of the Logistics Subsidiary Disposal. Further, following the completion of the Trading Company Disposal, the Group will not have any interests in the Trading Company.

REASONS FOR AND BENEFITS FROM THE DISPOSALS AND USE OF PROCEEDS

The Group is a leading coke producer and processor of coking by-products in the coking chemical industry in Henan province, the PRC. The Group operates a vertically integrated business model along the coking chemical value chain from coke production to the processing of coking by-products into refined chemicals and energy products. Capitalising on the Group's years of operations in the coking chemical industry and the Group's long-term business relationship with coal suppliers, the Group also engages in the trading of coal, coke, LNG and nonferrous materials.

In view of the PRC government's strategic policy in developing the nationwide railway network, the Group originally established the Logistics Subsidiary and the Trading Company, with an intention to leverage on the resources and expertise of the joint venture partners and further diversify into and deepen the Group's business development in respect of the logistics business of coal and coking products. However, having considered the time and resources required to be further invested for the development and integration of the Group logistics business, and in view of the PRC government's recent strategic policy in developing clean energy, the Board is of the view that it would be more beneficial to the Company and its shareholders as a whole for the Group to focus on its main operations of coke production and to diversify into the national hydrogen energy market and hydrogen energy value chain, which is expected to generate reasonable returns for the Group.

With the Board's above decision to adjust the direction of its development plan, the Disposals represent a good opportunity for the Group to recuperate its resources and funds and further improve the liquidity of the Group, whilst at the same time, optimising the overall structure of the Group. The net proceeds from the Disposals will be used for the purpose of investing into other business opportunities in the coking chemical value chain with development potentials, which is in line with the Group's overall development strategy.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of both the Logistics Subsidiary Transfer Agreement, the Trading Company Transfer Agreement, and the Disposals are fair and reasonable, and on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. Although the Disposals shall be regarded as divesting activities and therefore are not conducted in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that such Disposals are beneficial to the long-term business strategy of the Group.

INFORMATION ON THE OTHER PARTIES

Shaanxi Jinma

Shaanxi Jinma is a company established in the PRC with limited liability. Shaanxi Jinma is a non-wholly owned subsidiary of the Company held as to approximately 52.38% by Shanghai Jinma (a wholly-owned subsidiary of the Company), and as to approximately 47.62% by Shaanxi Xianhe (an Independent Third Party, other than being a holder of certain interests in Shaanxi Jinma). It is principally engaged in energy project investment, logistics project investment, marketing planning, corporate management consulting, domestic trading, and import and export trading.

Shanghai Jinma

Shanghai Jinma is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the trading of coke, coal, LNG, coal mining equipment and nonferrous materials in the PRC.

Yan'an Nengtong

Yan'an Nengtong is a company established in the PRC with limited liability and is principally engaged in road freight transportation, railway freight transportation, cargo storage and cargo handling services. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Yan'an Nengtong is wholly-owned by an individual named Bai Xineng* (白席能). Further, Bai Xineng* (白席能) and Bai Rong* (白蓉) are holders of approximately 87.33% and 12.67% interest in Liyuan Logistics, respectively, and Liyuan Logistics is, in turn, a substantial shareholder of Railway Logistics Co (a non-wholly subsidiary of the Company). Accordingly, Yan'an Nengtong being an associate of Bai Xineng* (白席能) (who is a substantial shareholder of Railway Logistics Co), is a subsidiary-level connected person of the Company.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Logistics Subsidiary Disposal exceeds 5% but all of the ratios are less than 25%, the Logistics Subsidiary Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

Further, given that Yan'an Nengtong is a subsidiary-level connected person of the Company under Chapter 14A of the Listing Rules, each of the Logistics Subsidiary Disposal and the Trading Company Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Trading Company Disposal when aggregated with that of the Logistics Subsidiary Disposal is more than 5% but all of the ratios (on an aggregated basis) are less than 25%, the Trading Company Disposal also constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules. Nevertheless, given (i) Yan'an Nengtong is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Logistics Subsidiary Disposal and the Trading Company Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of each of the Logistics Subsidiary Disposal and the Trading Company Disposal are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole, each of the Logistics Subsidiary Disposal and the Trading Company Disposal is exempt from the independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors had any material interests in the Disposals and accordingly no Director was required to abstain from voting on the relevant Board resolutions approving the Disposals dated 18 October 2021.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors;
“Business Days”	day(s) (other than Saturday and Sunday) on which banks in the PRC are open to conduct business generally throughout their normal business hours;
“Company”	河南金馬能源股份有限公司 (Henan Jinma Energy Company Limited), a company established in the PRC with limited liability;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposals”	the Logistics Subsidiary Disposal and the Trading Company Disposal;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and its connected persons;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Liyuan Logistics”	延安利源物流有限公司 (Yan’an Liyuan Logistics Co., Ltd.*), a company established in the PRC with limited liability;
“Logistics Subsidiary”	延安金能鐵路物流科技有限公司 (Yan’an Jinneng Railway Logistics Technology Co., Ltd.*), a company established in the PRC with limited liability and a 51% subsidiary of the Company;
“Logistics Subsidiary Consideration”	has the meaning ascribed to it under the section headed “Logistics Subsidiary Transfer Agreement – Consideration” in this announcement;
“Logistics Subsidiary Disposal”	the disposal of the Logistics Subsidiary Sale Equity pursuant to the terms of the Logistics Subsidiary Transfer Agreement;
“Logistics Subsidiary Sale Equity”	the equity interest of the Logistics Subsidiary held by Shaanxi Jinma, representing 51% of the entire equity interest in the Logistics Subsidiary;
“Logistics Subsidiary Transfer Agreement”	the equity transfer agreement dated 18 October 2021 entered into between Shaanxi Jinma, Yan’an Nengtong and the Logistics Subsidiary in relation to the sale of the Sale Equity from Shaanxi Jinma to Yan’an Nengtong;
“PRC”	the People’s Republic of China;
“Railway Logistics Co”	延安利源礦業鐵路運輸有限公司 (Yan’an Liyuan Minerals Railway Logistics Co., Ltd.*), a company established in the PRC with limited liability which is held as to 80% and 20% by the Logistics Subsidiary and Liyuan Logistics, respectively;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shaanxi Jinma”	陝西金馬能源有限公司 (Shaanxi Jinma Energy Sources Co., Ltd.*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company which is held as to approximately 52.38% by Shanghai Jinma;
“Shaanxi Xianhe”	陝西先和創投能源有限公司 (Shaanxi Xianhe Chuangtou Energy Sources Co., Ltd.*), a company established in the PRC with limited liability;
“Shanghai Jinma”	上海金馬能源有限公司 (Shanghai Jinma Energy Sources Co., Ltd.*), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Trading Company”	延安能源鐵路運銷有限公司 (Yan'an Energy Railway Sales Co., Ltd.*), a company established in the PRC with limited liability and a 51% subsidiary of Yan'an Energy;
“Trading Company Consideration”	has the meaning ascribed to it under the section headed “Trading Company Transfer Agreement – Consideration” in this announcement;
“Trading Company Disposal”	the disposal of the Trading Company Sale Equity pursuant to the terms of the Trading Company Transfer Agreement;
“Trading Company Sale Equity”	the equity interest of the Trading Company held by Shanghai Jinma, representing 35% of the entire equity interest in the Trading Company;
“Trading Company Transfer Agreement”	the equity transfer agreement dated 18 October 2021 entered into between Shanghai Jinma, Yan'an Nengtong and the Trading Company in relation to the sale of the Trading Company Sale Equity from Shanghai Jinma to Yan'an Nengtong;
“Yan'an Energy”	延安能源產品經銷有限責任公司 (Yan'an Energy Products Distribution Co., Ltd.*), a company established in the PRC with limited liability;
“Yan'an Nengtong”	延安能通物流有限公司 (Yan'an Nengtong Logistics Co., Ltd*), a company established in the PRC with limited liability; and
“%”	per cent.

* For identification purposes only

For the purpose of this announcement unless otherwise indicated, the exchange rate of RMB1 = HK\$1.2083 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

By order of the Board
Henan Jinma Energy Company Limited
Yiu Chiu Fai
Chairman

Hong Kong, 18 October 2021

As at the date of this announcement, the executive Directors are Mr. YIU Chiu Fai, Mr. WANG Mingzhong and Mr. LI Tianxi; the non-executive Directors are Mr. HU Xiayu, Mr. WANG Kaibao and Ms. YE Ting; and the independent non-executive Directors are Mr. MENG Zhihe, Mr. WU Tak Lung and Mr. CAO Hongbin.