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China VAST Industrial Urban Development Company Limited

中國宏泰產業市鎮發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 6166)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

| | Six months ended 30 June | | Change |
|---|---------------------------------|----------------|---------------|
| | 2022 | 2021 | |
| | RMB'000 | RMB'000 | |
| Revenue | 71,073 | 679,053 | -89.5% |
| Gross profit | 11,816 | 414,054 | -97.1% |
| (Loss) Profit before tax | (454,071) | 139,290 | -426.0% |
| (Loss) Profit for the period | (411,803) | 96,322 | -527.5% |
| (Loss) Earnings per share (basic) (RMB) | (0.25) | 0.06 | -516.7% |
| (Loss) Earnings per share (diluted) (RMB) | (0.25) | 0.06 | -516.7% |

Revenue of the Group for the six months ended 30 June 2022 amounted to RMB71.1 million, representing a decrease of 89.5% compared with RMB679.1 million for the same period in 2021. The decrease in revenue was mainly due to the decrease in the revenue from land development and property sales as compared with the same period last year.

The board of directors (the “**Board**”) of China VAST Industrial Urban Development Company Limited (the “**Company**”) hereby announces the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022, which was prepared in accordance with IAS 34 “Interim Financial Reporting” and had been reviewed by the Company’s audit committee and the independent auditor of the Company, Deloitte Touche Tohmatsu, in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

| | | Six months ended 30 June | |
|--|--------------|---------------------------------|--------------------|
| | <i>Notes</i> | 2022 | 2021 |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| Revenue | | | |
| Goods and services | | 52,746 | 658,341 |
| Leases | | 18,327 | 20,712 |
| | | 71,073 | 679,053 |
| Total Revenue | 3 | | |
| Cost of sales and services | | (59,257) | (264,999) |
| | | 11,816 | 414,054 |
| Gross profit | | | |
| Other income | | 64,284 | 80,709 |
| Other expenses | | (2,955) | (6,834) |
| Other gains and losses | | (79,166) | 38,342 |
| Selling and marketing expenses | | (35,273) | (26,388) |
| Administrative expenses | | (114,272) | (153,170) |
| Finance costs | | (119,689) | (160,228) |
| Impairment losses under expected credit loss model, net of reversal | | (93,642) | 300 |
| Change in fair value of trade receivables at fair value through profit or loss (“FVTPL”) | | (32,218) | (33,070) |
| Change in fair value of investments at FVTPL | | (14,569) | (5,700) |
| Change in fair value of derivative financial instruments | | (38,091) | (1,200) |
| Change in fair value of investment properties | | 2,526 | (6,731) |
| Share of (losses) gains of associates | | (1,120) | 1,456 |
| Share of losses of joint ventures | | (1,702) | (2,250) |
| | | (454,071) | 139,290 |
| (Loss) profit before tax | | | |
| Income tax credit (expense) | 4 | 42,268 | (42,968) |
| | | (411,803) | 96,322 |
| (Loss) profit and total comprehensive (expense) income for the period | | | |
| (Loss) profit and total comprehensive (expense) income for the period attributable to: | | | |
| Owners of the Company | | (411,269) | 103,525 |
| Non-controlling interests | | (534) | (7,203) |
| | | (411,803) | 96,322 |
| Total comprehensive (expense) income for the period | | | |
| (Loss) earnings per share | | | |
| Basic (RMB) | 5 | (0.25) | 0.06 |
| Diluted (RMB) | 5 | (0.25) | 0.06 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

| | <i>Note</i> | At 30 June 2022 RMB'000 (unaudited) | At 31 December 2021 RMB'000 (audited) |
|---|-------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 1,084,235 | 1,100,715 |
| Right-of-use assets | | 177,634 | 180,924 |
| Investment properties | | 1,286,900 | 1,232,700 |
| Interests in associates | | 243,794 | 246,114 |
| Interests in joint ventures | | 114,262 | 115,964 |
| Investments at FVTPL | | 121,625 | 136,194 |
| Trade receivables | 7 | 2,125,961 | 2,127,716 |
| Prepayments and other receivables | | 231,749 | 171,720 |
| Amounts due from related parties | | 103,308 | 143,468 |
| Deferred tax assets | | 264,751 | 158,311 |
| | | 5,754,219 | 5,613,826 |
| Current assets | | | |
| In progress land development arrangements | | 4,880,706 | 4,616,324 |
| Properties under development for sale | | 1,895,174 | 1,837,805 |
| Completed properties for sale | | 790,722 | 827,302 |
| Trade receivables | 7 | 326,455 | 395,777 |
| Prepayments and other receivables | | 117,486 | 176,180 |
| Contract assets | | 51,080 | 56,790 |
| Amounts due from related parties | | 1,501 | – |
| Derivative financial instruments | | – | 9,250 |
| Restricted bank deposits | | 318,522 | 237,307 |
| Bank balances and cash | | 257,389 | 840,779 |
| | | 8,639,035 | 8,997,514 |
| Total assets | | 14,393,254 | 14,611,340 |

| | | At 30 June 2022 | At 31 December 2021 |
|--|-------------|--------------------------------------|------------------------------------|
| | <i>Note</i> | RMB'000 (unaudited) | RMB'000 (audited) |
| Current liabilities | | | |
| Trade and other payables | 8 | 887,805 | 954,074 |
| Advances received from tenants | | 13,961 | 13,651 |
| Amounts due to related parties | | 830,028 | 761,837 |
| Lease liabilities | | 2,490 | 2,299 |
| Current tax liabilities | | 501,685 | 546,779 |
| Contract liabilities | | 418,609 | 289,797 |
| Bank and other borrowings | | 2,837,208 | 1,590,890 |
| Convertible bonds and notes | | 483,037 | 424,115 |
| Derivative financial instruments | | 207 | – |
| Deferred income | | 551 | 606 |
| | | <u>5,975,581</u> | <u>4,584,048</u> |
| Net current assets | | <u>2,663,454</u> | <u>4,413,466</u> |
| Total assets less current liabilities | | <u>8,417,673</u> | <u>10,027,292</u> |
| Non-current liabilities | | | |
| Bank and other borrowings | | 1,320,460 | 2,529,478 |
| Convertible bonds and notes | | 813,922 | 772,169 |
| Derivative financial instruments | | 32,344 | 2,716 |
| Amounts due to related parties | | 220,910 | 214,961 |
| Lease liabilities | | 4,650 | 5,345 |
| Deferred tax liabilities | | 194,093 | 255,753 |
| Deferred income | | 2,449 | 2,454 |
| Contract liabilities | | 84,161 | 84,161 |
| | | <u>2,672,989</u> | <u>3,867,037</u> |
| Net assets | | <u>5,744,684</u> | <u>6,160,255</u> |
| Capital and reserves | | | |
| Share capital | | 13,141 | 13,141 |
| Reserves | | 5,734,256 | 6,145,525 |
| Equity attributable to owners of the Company | | 5,747,397 | 6,158,666 |
| Non-controlling interests | | (2,713) | 1,589 |
| Total equity | | <u>5,744,684</u> | <u>6,160,255</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|----------------------|--|
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to IFRSs | Annual Improvements to IFRS Standards 2018–2020 |

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The executive directors of the Group are identified as the chief operating decision maker (the “CODM”) of the Group for the purposes of resources allocation and performance assessment. The information reported to the CODM for the purposes of resources allocation and performance assessment focuses specifically on respective businesses of the Group. The Group’s operating and reportable segments are as follows:

- Industrial towns development – Land infrastructure and industrial towns development and maintenance
- Property development – Development and sale of properties
- Property leasing – Lease of properties

Segment revenue and results

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

| | Industrial towns development <i>RMB'000</i> | Property development <i>RMB'000</i> | Property leasing <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|---|---------------------------------------|-------------------------|
| Six months ended 30 June 2022 | | | | |
| (unaudited) | | | | |
| Revenue arising from industrial towns development | 10,071 | – | – | 10,071 |
| Revenue from property sales | – | 42,675 | – | 42,675 |
| Revenue from property leasing | – | – | 18,327 | 18,327 |
| Revenue from external customers and segment revenue | 10,071 | 42,675 | 18,327 | 71,073 |
| Segment results | (149,052) | (63,509) | 19,220 | (193,341) |
| Unallocated profit or loss items: | | | | |
| Other income | | | | 7,278 |
| Other gains and losses | | | | (85,610) |
| Selling and marketing expenses | | | | (390) |
| Administrative expenses | | | | (51,039) |
| Finance costs | | | | (91,067) |
| Change in fair value of investments at FVTPL | | | | (1,811) |
| Change in fair value of derivative financial instruments | | | | (38,091) |
| Loss before tax | | | | (454,071) |
| | Industrial towns development <i>RMB'000</i> | Property development <i>RMB'000</i> | Property leasing <i>RMB'000</i> | Total <i>RMB'000</i> |
| Six months ended 30 June 2021 | | | | |
| (unaudited) | | | | |
| Revenue arising from industrial towns development | 484,902 | – | – | 484,902 |
| Revenue from property sales | – | 173,439 | – | 173,439 |
| Revenue from property leasing | – | – | 20,712 | 20,712 |
| Revenue from external customers and segment revenue | 484,902 | 173,439 | 20,712 | 679,053 |
| Segment results | 215,637 | 93,267 | 5,076 | 313,980 |
| Unallocated profit or loss items: | | | | |
| Other income | | | | 7,686 |
| Other gains and losses | | | | 19,190 |
| Selling and marketing expenses | | | | (850) |
| Administrative expenses | | | | (62,339) |
| Finance costs | | | | (131,477) |
| Change in fair value of investments at FVTPL | | | | (5,700) |
| Change in fair value of derivative financial instruments | | | | (1,200) |
| Profit before tax | | | | 139,290 |

4. INCOME TAX CREDIT (EXPENSE)

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Current tax | | |
| – People's Republic of China ("PRC") enterprise income tax | (9,562) | (54,489) |
| – Land appreciation tax | (557) | (13,356) |
| – Under provision in prior period | (115,713) | (15,175) |
| | <u>(125,832)</u> | <u>(83,020)</u> |
| Deferred tax | <u>168,100</u> | <u>40,052</u> |
| | <u>42,268</u> | <u>(42,968)</u> |

As at 30 June 2022, a deferred tax liability of RMB35,750,000 (31 December 2021: RMB124,781,000) for undistributed earnings of the subsidiaries located in the mainland China has been recognised as there is a plan of the dividend distribution out of the mainland China in the foreseeable future by these subsidiaries. Besides above, during the six months ended 30 June 2022 and 2021, deferred tax credit (charge) mainly represented temporary differences on advanced payment for property sale, change in fair value of investment properties, change in fair value of trade receivables, tax losses and the elimination of unrealised profits resulting from downstream transactions.

In accordance with the PRC tax circular (Guoshuihan [2008] 112) effective from 1 January 2008, the PRC withholding income tax at the rate of 5% is applicable to dividends to "non-resident" investors who do not have an establishment or business in the PRC. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to the undistributed profits earned by the PRC subsidiaries as of 30 June 2022 amounting to RMB3,089,000,000 (31 December 2021: RMB1,456,000,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

5. (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 following data:

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| (Loss) earnings | | |
| (Loss) earnings for the purpose of basic and diluted (loss) earnings per share ((Loss) profit for the period attributable to owners of the Company) | <u>(411,269)</u> | <u>103,525</u> |
| Numbers of shares ('000) | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | 1,651,237 | 1,651,237 |
| Effect of dilutive potential ordinary shares | | |
| – Options | <u>N/A</u> | <u>148</u> |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | <u>1,651,237</u> | <u>1,651,385</u> |

The (loss) profit attributable to owners of the Company and the number of ordinary shares for the purposes of calculating diluted (loss) earnings per share for the six months ended 30 June 2022 and 30 June 2021 had not been adjusted by the assumed conversion of the convertible bonds and the put option embedded in amount due to a related party as these impacts are anti-dilutive.

The computation of diluted loss per share for the six months ended 30 June 2022 does not assume the exercise of share options because the adjusted exercise price of those options was higher than the average market price for shares for the period presented. In contrast, the computation of diluted earnings per share for the six months ended 30 June 2021 assume the exercise of certain share options because the adjusted exercise price of those options was lower than the average market price for shares for the period presented.

6. DIVIDEND

No dividend has been declared by the Company for the six months ended 30 June 2022.

During the six months ended 30 June 2021, a final dividend of HK\$0.18 per share in respect of the year ended 31 December 2020 amounting to HK\$297,223,000 in aggregate (equivalent to RMB244,282,000) was declared.

7. TRADE RECEIVABLES

| | At 30 June 2022 RMB'000 (unaudited) | At 31 December 2021 RMB'000 (audited) |
|---|--|--|
| At amortised cost | | |
| Receivables from industrial towns development | 242,564 | 288,060 |
| Receivables from property sales | 17,370 | 17,088 |
| Receivables from property leasing | 2,174 | 960 |
| | <u>262,108</u> | <u>306,108</u> |
| Less: Allowance for trade receivables | (54,422) | (11,705) |
| | <u>207,686</u> | <u>294,403</u> |
| At FVTPL | | |
| Receivables from industrial towns development | 2,244,730 | 2,229,090 |
| Total | <u>2,452,416</u> | <u>2,523,493</u> |
| Analysis for reporting purpose as: | | |
| At amortised cost | | |
| – Current assets | 176,105 | 229,729 |
| – Non-current assets | 31,581 | 64,674 |
| | <u>207,686</u> | <u>294,403</u> |
| At FVTPL | | |
| – Current assets | 150,350 | 166,048 |
| – Non-current assets | 2,094,380 | 2,063,042 |
| | <u>2,244,730</u> | <u>2,229,090</u> |
| Total | | |
| – Current assets | 326,455 | 395,777 |
| – Non-current assets | 2,125,961 | 2,127,716 |
| | <u>2,452,416</u> | <u>2,523,493</u> |

The aging analysis of the Group's trade receivables – at amortised cost, net of allowance for doubtful debts, presented based on revenue recognition date is as follows:

| | At 30 June 2022 RMB'000 (unaudited) | At 31 December 2021 RMB'000 (audited) |
|-----------------|--|--|
| 0 to 180 days | 6,136 | 94,735 |
| 181 to 365 days | 55,595 | 111,651 |
| 1-2 years | 82,434 | 2,154 |
| 2-3 years | 117 | 337 |
| Over 3 years | 63,404 | 85,526 |
| | 207,686 | 294,403 |

8. TRADE AND OTHER PAYABLES

| | At 30 June 2022 RMB'000 (unaudited) | At 31 December 2021 RMB'000 (audited) |
|--|--|--|
| Trade payables | 565,940 | 691,252 |
| Refundable deposits | 49,833 | 49,833 |
| Tax payables | 114,243 | 85,940 |
| Payable for the acquisition of property, plant and equipment | 12,996 | 13,172 |
| Construction cost payable for the development of investment properties | 62,715 | 4,591 |
| Other deposits received | 54,524 | 58,970 |
| Accrued payroll | 7,805 | 10,125 |
| Other payables | 19,749 | 40,191 |
| | 887,805 | 954,074 |

The following is an aged analysis of trade payables based on services/materials received date:

| | At 30 June 2022 RMB'000 (unaudited) | At 31 December 2021 RMB'000 (audited) |
|------------------|--|--|
| Less than 1 year | 267,930 | 267,748 |
| 1-2 years | 180,028 | 222,520 |
| 2-3 years | 87,221 | 107,728 |
| Over 3 years | 30,761 | 93,256 |
| | 565,940 | 691,252 |

9. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 9 June 2022, the Company jointly announced together with one of the major shareholders, in response to the proposed privatisation of the Company, which was put forward to the Board by the major shareholder, if approved and implemented, will result in the Company being privatised by the major shareholder and the withdrawal of the listing of the Company's shares on the Stock Exchange.

Until the condensed consolidated financial statements approval date, certain pre-conditions of the proposed privatisation have been fulfilled. For details, please refer to the announcement issued by the Company on 29 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Our revenue for the six months ended 30 June 2022 was mainly generated from (i) land development projects/arrangements, representing our fee income derived from development of industrial town projects, (ii) the sales of properties, and (iii) property leasing.

The table below sets forth a breakdown of our revenue:

| | Six months ended 30 June | |
|--|--------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Fee and service income relating to/arising from land development projects/arrangements | 10,071 | 484,902 |
| Revenue from property sales | 42,675 | 173,439 |
| Revenue from property leasing | 18,327 | 20,712 |
| | <u>71,073</u> | <u>679,053</u> |

Revenue of the Group for the six months ended 30 June 2022 amounted to RMB71.1 million, representing a decrease of 89.5% compared with RMB679.1 million for the same period in 2021. The decrease in revenue was mainly due to the decrease in revenue from land development and property sales as compared with the same period last year.

As for the land development business, we recorded a revenue of RMB10.1 million for the six months ended 30 June 2022, representing a decrease of 97.9% as compared with RMB484.9 million for the same period in 2021.

For the six months ended 30 June 2022, no land was sold by the relevant local government in Longhe Park, therefore we did not recognise any fee income from sales of land. For the same period in 2021, we recognised a fee income of RMB108.8 million from sales of land in Longhe Park. For other services income, we partially reversed other comprehensive services fee income of RMB17.6 million recognised in 2021 due to the difference between the accrual and final accounts in the current period, while other services income amounted to RMB238.4 million in total was recognised for the same period in 2021.

In addition, we also recorded revenue from land development projects in other parks. For VAST Ezhou Industrial Park, the Group recognised a revenue of RMB4.3 million from land preparation and investment services, while a revenue of RMB51.5 million and RMB65.7 million were recognised, respectively, from land preparation and investment services and industrial development service in this park for the same period of 2021. For Shijiazhuang Gaocheng VAST Industrial Town Park, the Group recognised a revenue of RMB15.7 million from land preparation and investment services, while a revenue of RMB8.7 million from land preparation and investment services in this park was recognised in the same period of 2021. The revenue from land preparation and investment services of the above two parks was calculated under the cost-plus method, and the revenue from industrial development service was calculated according to a certain percentage of the amount of investment in additional park establishment. The decrease in the overall revenue of other parks was mainly because the Group focused on collection of receivables and balanced investments in other parks for the six months ended 30 June 2022. Due to the decrease in investment, the overall revenue received by the Group decreased accordingly.

For the property development business, we recorded a revenue from the sales of properties of RMB42.7 million for the six months ended 30 June 2022, representing a decrease of RMB130.7 million from RMB173.4 million for the same period in 2021. This was mainly due to the fact that we delivered the area of commercial, residential and industrial properties of 5,746 sq.m. during the period, representing a decrease of 13,089 sq.m. as compared with the area of property delivered of 18,835 sq.m. for the same period in 2021, which resulted in a decrease in the overall property sales revenue.

Cost of Sales and Services

Our cost of sales and services consists of (i) cost of land development projects, (ii) cost of properties sold, and (iii) direct operating expense of property leasing. For the six months ended 30 June 2022, our cost of sales and services amounted to RMB59.3 million, representing a decrease of 77.6% as compared with RMB265.0 million for the same period in 2021, which was primarily due to the decrease in the area of land development and property sales during the period.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, our gross profit amounted to RMB11.8 million, which represented a decrease of 97.1% as compared with RMB414.1 million for the same period in 2021. Our gross profit margin was 16.6% during the period, which decreased from 61.0% for the same period in 2021, mainly because no land was sold in Longhe Park during the period while 176,738 sq.m. of land was sold for the same period in 2021, resulting in the significant decrease in revenue from land sales and gross profit of Longhe Park for the period compared with the same period in 2021. Since the gross profit margin of Longhe Park was higher than that of parks in other cities and the gross profit margin of property sales, the overall gross profit margin decreased for the period.

Other Income

For the six months ended 30 June 2022, our other income amounted to RMB64.3 million, representing a decrease of 20.3% from RMB80.7 million for the same period in 2021, mainly due to the decrease in discounted interest income on other receivables and interest income on bank deposits and other investments.

Other Gains and Losses

In terms of other gains and losses, we recorded net losses of RMB79.2 million for the six months ended 30 June 2022 as compared with net gains of RMB38.3 million for the same period in 2021, mainly attributable to the net exchange losses of RMB86.0 million recorded during the period, as compared with net exchange gains of RMB19.1 million recorded for the same period last year and the gain of RMB18.2 million from disposal of the equity interest in an associate for the same period last year.

Selling and Marketing Expenses

For the six months ended 30 June 2022, our selling and marketing expenses amounted to RMB35.3 million, representing an increase of 33.7% as compared with RMB26.4 million for the same period in 2021, mainly due to the increase in advertising costs and investment promotion expenses.

Administrative Expenses

For the six months ended 30 June 2022, our administrative expenses amounted to RMB114.3 million, representing a decrease of 25.4% as compared with RMB153.2 million for the same period in 2021, primarily due to the decrease in number of employees and the decrease in performance salaries, employee insurance and daily operating expenses because some employees were required to be quarantined at home due to the impact of the Covid-19 for the period.

Finance Costs

For the six months ended 30 June 2022, our finance costs amounted to RMB119.7 million, representing a decrease of 25.3% from RMB160.2 million for the same period in 2021. The decrease in finance costs was mainly due to the decrease in the average costs of bank loans and offshore financing.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

For the six months ended 30 June 2022, we recorded impairment losses under expected credit loss model of RMB93.6 million, while reversal of impairment of RMB0.3 million was recorded for the same period of 2021, mainly because we were more cautious in predicting future credit losses and cash collection time due to the impact of Covid-19 and the real estate market, resulting in a significant increase in impairment losses.

Change in Fair Value of Derivative Financial Instruments

For the six months ended 30 June 2022, we recorded fair value losses on derivative financial instruments of RMB38.1 million, while fair value losses of RMB1.2 million were recorded for the same period of 2021. Our derivative financial instruments mainly derived from the conversion options of convertible bonds issued by the Company. As the Company's share price rose significantly at the end of the period, the fair value of derivative financial instruments increased accordingly.

Loss / Profit Before Tax

For the six months ended 30 June 2022, we recorded loss before tax of RMB454.1 million, while profit before tax of RMB139.3 million was recorded for the same period in 2021.

Income Tax Credit / Expense

For the six months ended 30 June 2022, we recorded income tax credit of RMB42.3 million, while income tax expense of RMB43.0 million was recorded for the same period in 2021, mainly due to the recognition of deferred income tax credit of RMB75.0 million arising from the tax losses for the period.

Loss / Profit

As a result of the foregoing factors, for the six months ended 30 June 2022, we recorded a net loss of RMB411.8 million, while a net profit of RMB96.3 million was recorded for the same period in 2021.

Loss / Earnings Per Share

The basic and diluted loss per share for the six months ended 30 June 2022 was RMB0.25 (for the six months ended 30 June 2021: basic and diluted earnings per share was RMB0.06). The above basic and diluted loss per share were calculated based on the weighted average number of ordinary shares of 1,651,237,000 shares.

Cash Position

Cash and cash equivalents decreased by RMB583.4 million from RMB840.8 million as at 31 December 2021 to RMB257.4 million as at 30 June 2022, principally attributable to: (i) the net cash outflow of RMB412.8 million from our operating activities; (ii) the net cash outflow of RMB51.6 million from investing activities, which was primarily a result of the net deposits of RMB50.0 million with original maturity over three months; (iii) the net cash outflow of RMB122.2 million from financing activities, which was primarily due to the repayment of bank loans and other loans of RMB851.5 million and the payment of interests of RMB157.5 million, and partially offset by new bank loans of RMB888.0 million.

Trade Receivables

Trade receivables decreased from RMB2,523.5 million as at 31 December 2021 to RMB2,452.4 million as at 30 June 2022, which was mainly due to the collection of part of trade receivables from land development projects. Balances of trade receivables as at 30 June 2022 mainly consisted of: RMB1,138.5 million from Shijiazhuang General Aviation Industrial Town Park, RMB560.3 million from VAST Ezhou Industrial Park, RMB545.9 million from Shijiazhuang Gaocheng VAST Industrial Town Park, RMB154.7 million from Longhe Park and RMB36.1 million from Wuhan Development Zone General Aviation Industry Comprehensive Demonstration Zone. As at 30 June 2022, the fair value of trade receivables at fair value through profit or loss decreased by RMB32.2 million, mainly due to a change in the expected repayment plan.

In Progress Land Development Arrangements

In progress land development arrangements increased from RMB4,616.3 million as at 31 December 2021 to RMB4,880.7 million as at 30 June 2022. Such increase was mainly due to the investment in newly-added land development in Longhe Park for the period and capitalized interest.

Trade and Other Payables

Trade and other payables decreased from RMB954.1 million as at 31 December 2021 to RMB887.8 million as at 30 June 2022, which was mainly attributable to the payment of trade payables of RMB125.3 million for the period.

Bank and Other Borrowings

The total bank and other borrowings increased by RMB37.3 million from RMB4,120.4 million as at 31 December 2021 to RMB4,157.7 million as at 30 June 2022. Secured or guaranteed bank loans increased from RMB4,038.6 million as at 31 December 2021 to RMB4,095.3 million as at 30 June 2022, while other secured or guaranteed loans decreased from RMB81.8 million as at 31 December 2021 to RMB62.4 million as at 30 June 2022.

Convertible Bonds and Notes

The Group issued convertible bonds and notes amounting to US\$50 million (the “**2018 Convertible Bonds**”) and US\$110 million (the “**2018 Notes**”) respectively on 9 January 2018. The terms of 2018 Convertible Bonds and 2018 Notes are 3 years and 1 to 3 years respectively. The coupon rates of both are 6% with interest payable semi-annually. The 2018 Convertible Bonds can be converted to the shares of the Company at the initial conversion price of HK\$4.75 per share before maturity. The conversion price is subject to adjustments according to terms of the agreement.

On 8 January 2021, the Group and the initial investor entered into the deed of amendment to extend the maturity date of the 2018 Convertible Bonds, and the remaining outstanding 2018 Notes to 10 January 2022 and amend certain terms of the subscription agreement, the terms of the 2018 Convertible Bonds and the 2018 Notes, and other relevant transaction documents. The conversion price of the 2018 Convertible Bonds was revised to HK\$3.54 per share (subject to adjustment). Pursuant to another deed of amendment entered into on 4 October 2021, the maturity date was further changed to 31 December 2021.

On 11 December 2021, the Group and the initial investor entered into a deed of amendment to extend the maturity date of the 2018 Convertible Bonds and the remaining outstanding 2018 Notes to 31 December 2022 and amend certain terms of the subscription agreement, the 2018 Convertible Bonds and the 2018 Notes, and other relevant transaction documents. The conversion price of the 2018 Convertible Bonds was revised to HK\$2.82 per share (subject to adjustment). The above amendments took effect on 31 December 2021.

In addition, the Group issued convertible bonds of US\$123.3 million with a term of three years on 16 July 2021 (the “**2021 Convertible Bonds**”). The coupon rate is 6% with interest payable semi-annually. The 2021 Convertible Bonds can be converted to the shares of the Company at the initial conversion price of HK\$3.05 per share before maturity. The conversion price is subject to adjustments according to terms of the agreement. The prevailing conversion price of the 2021 Convertible Bonds is HK\$2.82 per share.

As at 30 June 2022, the outstanding principle amount of each of the 2018 Convertible Bonds, the 2018 Notes and the 2021 Convertible Bonds was US\$50 million, US\$16 million and US\$123.3 million, respectively.

Business Review

Industrial Towns Development

We currently provide planning, development and/or operation services in eight different-themed industrial town projects, consisting of: (i) Longhe Park; (ii) Longhe Resort; (iii) Guangyang Technology Regeneration Park, (iv) Yongqing VAST Industrial Town Park, all of which are located in Langfang City, Hebei province; (v) Shijiazhuang General Aviation Industrial Town Park; (vi) Shijiazhuang Gaocheng Vast Industrial Town Park, both of which are located in Shijiazhuang City, Hebei province; (vii) VAST Ezhou Industrial Park in Ezhou City, Hubei province; and (viii) Wuhan Development Zone General Aviation Industry Comprehensive Demonstration Zone in Wuhan City, Hubei province. After over 15 years of development, Longhe Park is progressing towards its maturity in a fast development stage. The remaining seven projects are in the early stage of planning and development. However, with the improvement and betterment of the terms of cooperation agreements signed between the Company and local governments, some of our cooperation agreements enable us to record revenue in the early stage of development, thus providing support for developing project on a rolling basis.

The following table sets forth the project status, industry themes, scope of services and fee arrangement for each of our industrial town projects as of 30 June 2022.

| Industrial town project | Industry theme | Scope of services | Fee arrangement | Status |
|--|--|--|--|--|
| <i>Langfang, Hebei Province</i> | | | | |
| (I) Longhe Park <i>Planned site area:</i> 28.0 million sq.m. | <ul style="list-style-type: none"> Information technology, advanced manufacturing, modern services and property development | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction, marketing and follow-up services to manage and operate the project | <ul style="list-style-type: none"> Calculated with reference to a certain percentage of land sale proceeds and taxes paid by resident enterprises | <ul style="list-style-type: none"> Progressing towards an active development stage |
| (II) Longhe Resort, Langfang <i>Planned site area:</i> 9.5 million sq.m. | <ul style="list-style-type: none"> Vacation home and facilities, business headquarters and culture business subject to finalization | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction, marketing and follow-up services to manage and operate the project | <ul style="list-style-type: none"> Calculated with reference to a certain percentage of land sale proceeds and taxes paid by resident enterprises | <ul style="list-style-type: none"> Binding agreement signed; land preparation and infrastructure construction not yet commenced |

| Industrial town project | Industry theme | Scope of services | Fee arrangement | Status |
|---|---|--|--|--|
| (III) Guangyang Technology Regeneration Park <i>Planned site area:</i> 15.0 million sq.m. | <ul style="list-style-type: none"> Under planning | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction, marketing and follow-up services to manage and operate the project | <ul style="list-style-type: none"> A portion of the net land sale proceeds representing the sum of our actual investment amount with a pre-agreed return and a portion of the remaining net land sale proceeds in accordance with our equity interest in the relevant project company | <ul style="list-style-type: none"> Binding agreement signed; land preparation and infrastructure construction not yet commenced |
| (IV) Yongqing Vast Industrial Town Park <i>Planned site area:</i> 14.0 million sq.m. | <ul style="list-style-type: none"> Intelligent equipment manufacturing, new energy, new material industry | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction and marketing | <ul style="list-style-type: none"> Commission services income, which is calculated based on a certain proportion of a fixed return and the aggregate investment in the park | <ul style="list-style-type: none"> Binding agreement signed; land preparation and infrastructure construction not yet commenced |
| Shijiazhuang, Hebei Province | | | | |
| (V) Shijiazhuang General Aviation Industrial Town Park <i>Planned site area:</i> 20.0 million sq.m. | <ul style="list-style-type: none"> General aviation industry, modern services and property development | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction and marketing | <ul style="list-style-type: none"> Commission services income, which is calculated based on a certain proportion of a fixed return and the aggregate cost incurred in the park | <ul style="list-style-type: none"> Binding agreement signed; land preparation and infrastructure construction commenced |
| (VI) Shijiazhuang Gaocheng VAST Industrial Town Park <i>Planned site area:</i> 27.1 million sq.m. | <ul style="list-style-type: none"> Healthcare industry, eldercare industry and tourism | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction and marketing | <ul style="list-style-type: none"> Commission services income, which is calculated based on a certain proportion of a fixed return and the aggregate investment in the park | <ul style="list-style-type: none"> Binding agreement signed; land preparation and infrastructure construction commenced |
| Ezhou, Hubei Province | | | | |
| (VII) VAST Ezhou Industrial Park <i>Planned site area:</i> 4.3 million sq.m. | <ul style="list-style-type: none"> Intelligent manufacturing, e-commerce information and strategic emerging industries | <ul style="list-style-type: none"> Planning and design, industry positioning, land preparation, infrastructure construction and marketing | <ul style="list-style-type: none"> Commission services income, which is calculated based on a certain proportion of a fixed return and the aggregate investment in the park | <ul style="list-style-type: none"> Binding agreement signed; land preparation and infrastructure construction commenced |

| Industrial town project | Industry theme | Scope of services | Fee arrangement | Status |
|---|-----------------------------|--|--|--|
| Wuhan, Hubei Province (VIII)Wuhan Development Zone General Aviation Industry Comprehensive Demonstration Zone | • General aviation industry | • Planning and design, industry positioning, land preparation, infrastructure construction and marketing | • Commission services income, which is calculated based on a certain proportion of a fixed return and the aggregate investment in the park | • Binding agreement signed; land preparation and infrastructure construction commenced |

Planned site area:
5.1 million sq.m.

Longhe Park

After years of development, an accumulated land of 7,673,802 sq.m. (accounted for 39.4% of saleable land) were sold by local government for Longhe Park. For the six months ended 30 June 2022, the Group did not record any fee income derived from our development of industrial town project at Longhe Park. The table below sets forth an excerpt of the land classification, planned site area and site area sold of Longhe Park as at 30 June 2022.

| Classification | Planned site area ⁽¹⁾ | Site area sold ⁽²⁾ | | Saleable land unsold | |
|-----------------------------------|----------------------------------|-------------------------------|------------|--------------------------|------------|
| | sq.m. | sq.m. | % | sq.m. | % |
| Saleable | | | | | |
| • Residential and commercial area | 10,288,300 | 3,609,597 ⁽³⁾ | 35.1 | 6,678,703 ⁽³⁾ | 64.9 |
| • Industrial area | 9,205,500 | 4,064,205 | 44.1 | 5,141,295 | 55.9 |
| Subtotal of saleable land | 19,493,800 | 7,673,802 | 39.4 | 11,819,998 | 60.6 |
| Non-saleable | | | | | |
| • Roads | 4,431,300 | N/A | N/A | N/A | N/A |
| • Greenery space | 4,074,900 | N/A | N/A | N/A | N/A |
| Subtotal of non-saleable land | 8,506,200 | N/A | N/A | N/A | N/A |
| Total | 28,000,000 | 7,673,802 | N/A | 11,819,998 | N/A |

Notes:

- (1) Planned site area is determined based on the planning approved by the local government.
- (2) Percentages are calculated as the site area sold by the local government through public auction, tendering or listing for sale process as a portion of the total saleable site area under the same land classification.
- (3) The Group completed the replacement of an undeveloped commercial land located in Longhe Park for the six months ended 30 June 2022. After the replacement, the area of land held by the Group decreased by 671 sq.m. as compared with the previous period, and thus, the accumulated area of land sold in Longhe Park decreased accordingly.

Other Parks

For the six months ended 30 June 2022, we maintained balanced development of Shijiazhuang General Aviation Industrial Town Park, Shijiazhuang Gaocheng VAST Industrial Town Park, VAST Ezhou Industrial Park and Wuhan Development Zone General Aviation Industry Comprehensive Demonstration Zone.

Shijiazhuang General Aviation Industrial Town Park

As at 30 June 2022, the accumulated area of land preparation started in the Park was approximately 1,650,000 sq.m.

Shijiazhuang Gaocheng VAST Industrial Town Park

As at 30 June 2022, the accumulated area of land preparation started in the Park was approximately 788,000 sq.m. During the six months ended 30 June 2022, the Group recognised income from land preparation and investment services of RMB15.7 million, calculated using the cost plus method.

VAST Ezhou Industrial Park

As at 30 June 2022, the accumulated area of land preparation started in the Park was approximately 740,000 sq.m. During the six months ended 30 June 2022, the Group recognised income arising from land preparation and investment services of RMB4.3 million, calculated using the cost plus method.

Wuhan Development Zone General Aviation Industry Comprehensive Demonstration Zone

As at 30 June 2022, the accumulated area of land preparation started in the Park was approximately 1,164,000 sq.m.

Property Development

The following table sets forth the revenue, gross floor area (“GFA”) or unit sold and average selling price (“ASP”) for each of our revenue-generating properties for the six months ended 30 June 2022.

Industrial, Residential and Commercial Project

| | Revenue <i>RMB'000</i> | GFA sold <i>sq.m.</i> | ASP <i>RMB/sq.m.</i> |
|-----------------------------------|----------------------------------|---------------------------------|--------------------------------|
| Longhefengjing Residential | 15,065 | 2,092 | 7,201 |
| Hongtai Longdi Phase I Commercial | 20,627 | 3,417 | 6,037 |
| Other Projects Residential | 1,237 | 207 | 5,976 |
| Commercial | 112 | 30 | 3,733 |
| Sub-total | <u>37,041</u> | <u>5,746</u> | <u>6,446</u> |

Ancillary Area

| | Revenue <i>RMB'000</i> | GFA sold <i>sq.m.</i> | ASP <i>RMB/sq.m.</i> |
|---------------------|----------------------------------|---------------------------------|--------------------------------|
| Underground Chamber | <u>627</u> | <u>642</u> | <u>977</u> |
| Sub-total | <u>627</u> | <u>642</u> | <u>977</u> |

| Ancillary Area | Revenue <i>RMB'000</i> | Unit sold <i>Unit</i> | ASP <i>RMB/unit</i> |
|---|----------------------------------|---------------------------------|-------------------------------|
| Hongtai Longdi Underground Car Park Unit | 3,619 | 39 | 92,795 |
| Underground car park unit of other projects | 832 | 22 | 37,818 |
| Sub-total | 4,451 | 61 | 72,967 |
| Total | 42,119 | | |
| Less: Tax and surcharges | (2,528) | | |
| Total revenue after tax | 39,591 | | |

In addition, for the six months ended 30 June 2022, we transferred part of the land use rights of Hubei Changjiang Zhihui Port Innovation Startup Base project which we held and recorded the sales revenue of RMB3.1 million.

Property Leasing

For the six months ended 30 June 2022, our property leasing income was RMB18.3 million. In the future, we will consider the synergies created by the property development business, to determine the input of resources on property investment.

Impact of and Response to the Covid-19 Pandemic

In the third year of the Covid-19 Pandemic, the reoccurrence of the pandemic continued to bring risks of economic slowdown to the world and the business of the Group was inevitably affected to some extent. Especially in the first half of the year, Langfang was hit by the pandemic, leading to lockdown management for the whole city, which disrupted the government's land transfer plan and our investment promotion activities.

The Group has taken various measures to ensure the stability of its operation and minimize the short-term impact of the pandemic. With previous experience in prompt responding and prevention and control measures, we, on the one hand, cooperated with the government in pandemic prevention work such as the construction of quarantine points and road control, trying our best to control the pandemic as soon as possible, so as to ensure that enterprises in the park could resume work and production earlier; on the other hand, we arranged all production flexibly, closely monitored the construction progress of the projects, and made good preparation for investment promotion, waiting for the government to clear the land transfer plan. Though the pandemic will bring uncertainties, we believe it has limited impact on the Group's business in the medium to long term. The Group continues to closely monitor the changes of the economic situation and the pandemic, and timely adjusts the operation plan and measures of each park and project to minimize the related impact.

Outlook

In 2022, under the principle of “houses are for inhabitation, not for speculation” and stabilizing the real estate market, implementing policy according to the conditions of each city was frequently occurred in hundred cities across the country. Langfang has completely cancelled the purchase and sale restrictions with the issuance of “Six Policies and Measures to Support the Virtuous Cycle and Healthy Development of the Real Estate Industry” (《關於支持房地產業良性循環和健康發展的六條政策措施》). We believe that the loosening of policy will effectively activate the market and further bring about the release of land value in Langfang and areas around Beijing. Longhe Park, located in the main direction of Langfang’s “southward and westward expansion”, has accelerated its construction of supporting projects such as Mall of Splendors of Jinmao and Urban Hall since 2022 with an aim to build “a new urban center of Langfang”. It is expected to unleash new drivers of urban development in the region and embrace a good opportunity for rapid development.

In respect of our industrial towns development business, we will focus on the development of Longhe Park and the foundation works of other outbound projects (including projects in Beijing-Tianjin-Hebei Region and projects in Yangtze River Delta Economic Zone) during the second half of 2022.

In respect of our property development business, we will focus on the construction of Foxconn City Phase III, Longhe Center, Electronic Information Industrial Park and Ezhou Huineng Project during the second half of 2022. Revenue from sales of properties during the second half of 2022 is expected to be derived mainly from the sales of Foxconn City Phase III and Ezhou Huineng Project Phase I and the remaining units of Foxconn City Phase II, Electronic Information Industrial Park and other projects.

Taking into account our cash and future operating cash flows, and bank and other borrowings available, we believe that we have sufficient funding to support these development plans.

Since China Jinmao Holdings Group Limited (“**China Jinmao**”) and the Company have jointly announced the proposed privatization of the Company by way of a scheme of arrangement during the period, if the privatization scheme is approved and becomes effective, China Jinmao and the Company will continue to make strategic decisions focused on long-term growth and benefits, leveraging on relevant resources to strengthen the Group’s ability to develop and operate large-scale industrial towns in order to enhance the parks’ ability to attract business and investment.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declared any interim dividend for the six months ended 30 June 2022.

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2022, the Group had a total of 683 employees (31 December 2021: 744 employees). The Group provides its employees with competitive remuneration and benefits, and regularly reviews its remuneration policy based on employee performance and contribution and the industry remuneration level. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

PURCHASE, SALE OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the reporting period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the guidelines for the directors' dealings in the securities of the Company. Upon specific enquiries being made with all directors of the Company, each of them confirmed that they have complied with the required standards set out in the Model Code throughout the reporting period.

CORPORATE GOVERNANCE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. During the reporting period, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") except for the deviation from the Code Provisions C.1.6 and F.2.2.

Under Code Provision C.1.6, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended, Mr. Song Liuyi, being a non-executive director of the Company, and Professor Wang Yijiang, being an independent non-executive director of the Company, were not present at the annual general meeting of the Company held on 22 June 2022 (the “AGM”). However, Dr. Wong Wing Kuen, Albert and Ms. Hsieh Yafang, being independent non-executive directors and members of the audit committee of the Company, were present at the AGM to ensure an effective communication with the shareholders thereat.

Code provision F.2.2 provides that the chairman of the board should attend the annual general meeting. Mr. Song Liuyi, the Chairman of the Board, was unable to attend the AGM due to other pre-arranged business commitments which must be attended. Ms. Wang Wei, an executive director of the Company who took the chair of the AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and Code Provision D.3 of the Corporate Governance Code. The audit committee consists of three independent non-executive directors, namely, Dr. Wong Wing Kuen, Albert, Ms. Hsieh Yafang and Professor Wang Yijiang, and is chaired by Dr. Wong Wing Kuen, Albert who possesses appropriate accounting and related financial management expertise. The primary duties of the audit committee are to assist the Board to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company and to perform other duties and responsibilities as assigned by the Board.

The audit committee has discussed with the independent auditor of the Company, Deloitte Touche Tohmatsu, and has reviewed the accounting principles and practices adopted by the Company, and has reviewed the unaudited financial results of the Group for the six months ended 30 June 2022.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.vastiud.com). The Company’s 2022 interim report will be dispatched to shareholders and will be published on the aforementioned websites in due course.

By Order of the Board
China VAST Industrial Urban Development Company Limited
Song Liuyi
Chairman

Hong Kong, 24 August 2022

As at the date of this announcement, the non-executive director is Mr. SONG Liuyi; the executive directors of the Company are Mr. WANG Jianjun, Mr. ZHAO Lei, Mr. YANG Yun, Mr. WANG Yagang and Ms. WANG Wei; and the independent non-executive directors are Dr. WONG Wing Kuen, Albert, Ms. HSIEH Yafang and Professor WANG Yijiang.