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CHINA TANGSHANG HOLDINGS LIMITED

中國唐商控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 674)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Tangshang Holdings Limited (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) announces the consolidated results of the Group for the year ended 31 March 2023 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$	2022 HK\$
Revenue	3	650,769,369	256,890,302
Other losses, net		(9,415,351)	(19,862,292)
Cost of completed properties sold		(442,290,694)	(132,690,334)
Depreciation on property, plant and equipment		(2,233,674)	(2,802,375)
Staff costs		(9,712,291)	(10,632,652)
Other operating expenses	4	(31,892,378)	(29,283,337)
Finance costs		(34,010,779)	(36,848,887)
Profit before income tax	5	121,214,202	24,770,425
Income tax expense	6	(42,115,708)	(9,092,219)
Profit for the year		79,098,494	15,678,206

	<i>Notes</i>	2023 HK\$	2022 <i>HK\$</i>
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translating foreign operations		(40,129,183)	22,583,243
Reclassification of foreign exchange reserve upon disposal of subsidiaries		—	(1,942)
		<u> </u>	<u> </u>
Other comprehensive income for the year, net of tax		<u>(40,129,183)</u>	<u>22,581,301</u>
Total comprehensive income for the year		<u>38,969,311</u>	<u>38,259,507</u>
Profit for the year attributable to:			
Owners of the Company	8	30,366,064	8,021,068
Non-controlling interests		48,732,430	7,657,138
		<u> </u>	<u> </u>
Profit for the year		<u>79,098,494</u>	<u>15,678,206</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		762,847	21,507,533
Non-controlling interests		38,206,464	16,751,974
		<u> </u>	<u> </u>
Total comprehensive income for the year		<u>38,969,311</u>	<u>38,259,507</u>
Earnings per share attributable to owners of the Company			
Basic (<i>HK cents</i>)	8	1.097	0.347
Diluted (<i>HK cents</i>)		1.096	NA
		<u> </u>	<u> </u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		31 March 2023	31 March 2022
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Assets			
Non-current assets			
Property, plant and equipment		3,878,910	5,382,044
Investment properties	9	246,398,830	279,651,299
Finance lease receivables	10	231,796,903	266,635,423
		<u>482,074,643</u>	<u>551,668,766</u>
Current assets			
Completed properties held for sale		2,939,392,390	837,029,266
Trade and other receivables	11	389,462,880	297,927,334
Contract costs		17,362,013	13,665,085
Finance lease receivables	10	47,521,401	48,876,419
Amounts due from a director		—	77,800
Amounts due from related parties		1,735	1,916
Prepaid tax		—	16,216,960
Cash and bank balances		413,280,678	192,855,112
		<u>3,807,021,097</u>	<u>1,406,649,892</u>
Total assets		<u>4,289,095,740</u>	<u>1,958,318,658</u>
Liabilities			
Current liabilities			
Trade and other payables	12	307,764,174	102,715,169
Contract liabilities		1,998,314,566	579,969,382
Amounts due to non-controlling shareholders of subsidiaries		12,145,486	35,817,817
Bank borrowings		—	99,234,953
Lease liabilities		62,215,335	57,328,788
Current tax liabilities		9,599,234	333,034
		<u>2,390,038,795</u>	<u>875,399,143</u>
Total current liabilities		<u>2,390,038,795</u>	<u>875,399,143</u>
Net current assets		<u>1,416,982,302</u>	<u>531,250,749</u>
Total assets less current liabilities		<u>1,899,056,945</u>	<u>1,082,919,515</u>

		31 March	31 March
		2023	2022
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current liabilities			
Convertible bonds	13	170,283,454	—
Deferred tax liabilities		267,393,946	—
Lease liabilities		419,857,879	482,547,260
		<u>857,535,279</u>	<u>482,547,260</u>
Total non-current liabilities			
		<u>857,535,279</u>	<u>482,547,260</u>
Total liabilities		<u>3,247,574,074</u>	<u>1,357,946,403</u>
NET ASSETS		<u>1,041,521,666</u>	<u>600,372,255</u>
Capital and reserves attributable to owners of the Company			
Share capital		171,423,328	115,443,328
Reserves		630,403,946	271,014,525
		<u>801,827,274</u>	<u>386,457,853</u>
Non-controlling interests		<u>239,694,392</u>	<u>213,914,402</u>
TOTAL EQUITY		<u>1,041,521,666</u>	<u>600,372,255</u>

1. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for the investment properties which are measured at fair value.

(c) Functional and presentation currency

In prior years, the Company’s functional currency was Hong Kong dollar (“HK\$”). The Company is an investment holding company. Due to the continuing expansion of the Group’s business operations in Mainland China (“PRC”) which are transacted mainly in Renminbi (“RMB”), the directors have determined that the functional currency of the Company changed from HK\$ to RMB on the prospective basis from 1 April 2021. The consolidated financial statements are presented in HK\$ as the directors are of the view that the HK\$ is the appropriate presentation currency for the users of the Group’s financial statements given that the shares of the Company are listed on the Stock Exchange.

2. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of amended HKFRSs – effective 1 April 2022

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

None of these amended HKFRSs has a significant impact on the Group’s results and financial position for the current or prior period.

The Group has not early adopted any amended HKFRSs that are not yet effective for the current accounting period.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 17	Insurance Contracts ¹
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information ¹
Amendments to HKAS 1	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all the new and amendments to HKFRSs not yet effective for the current year will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

3. SEGMENT REPORTING

Management determines operating segments based on the reports regularly reviewed by the chief operating decision maker (the “**CODM**”), which is the board of directors (the “**Board**”), in assessing performance and allocating resources. The CODM considers the business primarily on the basis of the types of services supplied by the Group.

The Group had the following reportable operating segments during the year:

Property sub-leasing and investment business	—	sub-leasing and leasing of investment properties
Property development business	—	development of real estates
Money lending business	—	provision of loans to customers, including individuals and corporations under the provisions of Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in Hong Kong

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss, assets and liabilities and other information

	2023			
	Property sub-leasing and investment business <i>HK\$</i>	Property development business <i>HK\$</i>	Money lending business <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment revenue				
External revenue	51,827,872	598,941,497	—	650,769,369
Inter-segment revenue	—	—	—	—
	<u>51,827,872</u>	<u>598,941,497</u>	<u>—</u>	<u>650,769,369</u>
Reportable segment (loss)/profit before income tax	<u>(10,339,107)</u>	<u>143,565,698</u>	<u>(15,778)</u>	<u>133,210,813</u>
Other segment information				
Interest income	<u>39,826</u>	<u>178,469</u>	<u>582</u>	<u>218,877</u>
Interest expenses	<u>32,315,244</u>	<u>827,142</u>	<u>—</u>	<u>33,142,386</u>
Depreciation of property, plant and equipment	<u>—</u>	<u>1,827,673</u>	<u>—</u>	<u>1,827,673</u>
Fair value loss of investment properties	<u>22,653,200</u>	<u>—</u>	<u>—</u>	<u>22,653,200</u>
Gain on disposal of property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Gain on disposal of right-of-use assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss on termination of lease contracts	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss on transfer of investment properties	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss on modification of finance subleases in respect of finance lease receivable	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

2023

	Property sub-leasing and investment business <i>HK\$</i>	Property development business <i>HK\$</i>	Money lending business <i>HK\$</i>	Total <i>HK\$</i>
Reversal of impairment loss for finance lease receivables	<u>60,203</u>	<u>—</u>	<u>—</u>	<u>60,203</u>
Provision for/(reversal of) impairment loss on trade and other receivables, net	<u>175,295</u>	<u>(5,890,296)</u>	<u>—</u>	<u>(5,715,001)</u>
Reportable segment assets	<u>596,304,554</u>	<u>3,672,525,189</u>	<u>503,664</u>	<u>4,269,333,407</u>
Additions to reportable segment non-current assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Reportable segment liabilities	<u>539,359,736</u>	<u>2,531,277,077</u>	<u>3,546</u>	<u>3,070,640,359</u>

	Property sub-leasing and investment business <i>HK\$</i>	Property development business <i>HK\$</i>	Money lending business <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment revenue				
External revenue	80,198,009	176,692,293	—	256,890,302
Inter-segment revenue	—	—	—	—
	<u>80,198,009</u>	<u>176,692,293</u>	<u>—</u>	<u>256,890,302</u>
Reportable segment profit/(loss) before income tax	<u>15,379,479</u>	<u>20,548,327</u>	<u>(193,888)</u>	<u>35,733,918</u>
Other segment information				
Interest income	<u>17,506</u>	<u>434,668</u>	<u>1,977</u>	<u>454,151</u>
Interest expenses	<u>34,675,900</u>	<u>2,147,259</u>	<u>—</u>	<u>36,823,219</u>
Depreciation of property, plant and equipment	<u>—</u>	<u>1,923,668</u>	<u>—</u>	<u>1,923,668</u>
Fair value loss of investment properties	<u>11,546,666</u>	<u>—</u>	<u>—</u>	<u>11,546,666</u>
Gain on disposal of property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Gain on disposal of right-of-use assets	<u>1,845,024</u>	<u>—</u>	<u>—</u>	<u>1,845,024</u>
Loss on termination of lease contracts	<u>4,764,634</u>	<u>—</u>	<u>—</u>	<u>4,764,634</u>
Loss on transfer of investment properties	<u>2,927,880</u>	<u>—</u>	<u>—</u>	<u>2,927,880</u>
Loss on modification of finance subleases in respect of finance lease receivables	<u>6,205,268</u>	<u>—</u>	<u>—</u>	<u>6,205,268</u>

2022

	Property sub-leasing and investment business <i>HK\$</i>	Property development business <i>HK\$</i>	Money lending business <i>HK\$</i>	Total <i>HK\$</i>
Reversal of impairment loss for finance lease receivables	—	—	—	—
(Reversal of)/provision for impairment loss on trade and other receivables, net	—	—	—	—
Reportable segment assets	665,707,000	1,261,791,697	533,733	1,928,032,430
Additions to reportable segment non-current assets	17,854,449	236,996	—	18,091,445
Reportable segment liabilities	600,912,588	751,724,687	3,546	1,352,640,821

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

Profit before income tax

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Reportable segment profit before income tax	133,210,813	35,733,918
Unallocated gain on disposal of subsidiaries	—	5,407
Unallocated reversal of impairment loss on other receivables	7,231	—
Unallocated interest income and other income	1,011,364	2,373,909
Unallocated staff costs	(6,179,024)	(6,279,204)
Unallocated finance costs	(868,393)	(25,668)
Unallocated depreciation of property, plant and equipment	(406,001)	(878,707)
Unallocated head office and corporate expenses (<i>note</i>)	(5,561,788)	(6,159,230)
Profit before income tax	121,214,202	24,770,425

Note:

Unallocated head office and corporate expenses mainly include professional and consultancy fees, administrative expenses and business development expenses.

Assets

	2023 HK\$	2022 HK\$
Reportable segment assets	4,269,333,407	1,928,032,430
Property, plant and equipment	697,257	271,851
Trade and other receivables	6,355,225	8,494,327
Cash and cash equivalents	12,708,116	21,440,334
Unallocated head office and corporate assets	<u>1,735</u>	<u>79,716</u>
Total assets	<u><u>4,289,095,740</u></u>	<u><u>1,958,318,658</u></u>

Liabilities

	2023 HK\$	2022 HK\$
Reportable segment liabilities	3,070,640,359	1,352,640,821
Convertible bonds	170,283,454	—
Lease liabilities	698,858	286,583
Unallocated head office and corporate liabilities	<u>5,951,403</u>	<u>5,018,999</u>
Total liabilities	<u><u>3,247,574,074</u></u>	<u><u>1,357,946,403</u></u>

(c) Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

An analysis of the Group's geographical segments is set out as follows:

	2023		
	Hong Kong HK\$	PRC HK\$	Total HK\$
Revenue	—	650,769,369	650,769,369
Non-current assets other than financial instruments	<u>693,238</u>	<u>249,584,502</u>	<u>250,277,740</u>
	2022		
	Hong Kong HK\$	PRC HK\$	Total HK\$
Revenue	—	256,890,302	256,890,302
Non-current assets other than financial instruments	<u>265,264</u>	<u>284,768,079</u>	<u>285,033,343</u>

4. OTHER OPERATING EXPENSES

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Property sub-leasing and investment business expenses	8,156,248	7,107,791
Property development business expenses	18,157,882	15,820,451
Legal and professional fees	1,186,319	3,297,524
Travelling expenses	4,326	2,129
Auditor's remuneration	1,000,000	1,000,000
Others	3,387,603	2,055,442
	<u>31,892,378</u>	<u>29,283,337</u>

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after (crediting)/charging:

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Cost of completed properties sold	442,290,694	132,690,334
Gain on disposal of subsidiaries [#]	—	(5,407)
Gain on disposal of right-of-use assets [#]	—	(1,845,024)
Loss on transfer of investment properties [#]	—	2,927,880
Reversal of impairment losses on finance lease receivable, net [#]	(60,203)	—
Reversal of impairment losses on trade and other receivables, net [#]	(5,722,232)	—
Auditor's remuneration	1,000,000	1,000,000
Fair value loss on investment properties [#]	22,653,200	11,546,666
Loss on modification of finance subleases in respect of finance lease receivable [#]	—	6,205,268
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[#] The amount is included under the “other losses, net” in the consolidated statement of comprehensive income.

6. INCOME TAX EXPENSE

The income tax expense in the consolidated statement of comprehensive income represents:

	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
Current tax for the year		
— Hong Kong profits tax	—	—
— PRC Enterprise Income Tax	(26,258,459)	(5,358,011)
— PRC Land Appreciation Tax (“LAT”)	(15,857,249)	(3,734,208)
	<u>(42,115,708)</u>	<u>(9,092,219)</u>

For the years ended 31 March 2023 and 2022, no Hong Kong profits tax have been provided as the Group has no estimated assessable profits for the year.

The PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2022: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

7. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 March 2023, nor has any dividend been proposed since the end of reporting period (2022: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Earnings		
Earnings for the purpose of basic earnings per share		
Earnings for the year attributable to owners of the Company	30,366,064	8,021,068
Effect of dilutive potential ordinary shares:		
Effective interest on the liability components of convertible bonds	<u>850,004</u>	—
Earnings for the purpose of diluted earnings per share	<u>31,216,068</u>	<u>8,021,068</u>
	No. of share	No. of share
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	2,767,059,447	2,308,866,570
Effect of dilutive potential ordinary shares:		
Convertible bonds	<u>80,658,904</u>	—
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share	<u>2,847,718,351</u>	<u>2,308,866,570</u>

The computation of diluted earnings per share for the years ended 31 March 2023 and 2022 does not assume the exercise of the Company's share options granted because the exercise price of these share options was higher than the average market price for shares for the year.

Diluted earnings per share for the year ended 31 March 2022 is not presented as the Group has no potential ordinary shares in issue during the year.

9. INVESTMENT PROPERTIES

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
At 1 April	279,651,299	284,436,451
Additions	9,929,017	—
Loss on change in fair value recognised in consolidated statement of comprehensive income	(22,653,200)	(11,546,666)
Transferred to finance lease receivables	—	(4,948,571)
Exchange realignment	<u>(20,528,286)</u>	<u>11,710,085</u>
At 31 March	<u><u>246,398,830</u></u>	<u><u>279,651,299</u></u>

Investment properties were revalued at 31 March 2023 and 2022 on market value basis by APAC Appraisal and Consulting Limited (“APAC”), an independent valuer, has appropriated qualification and relevant experience in the location and category of the investment property being valued.

10. FINANCE LEASE RECEIVABLES

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Gross finance lease receivables	459,722,180	540,337,522
<i>Less: unearned finance income</i>	<u>(179,413,546)</u>	<u>(223,737,790)</u>
Net finance lease receivables	280,308,634	316,599,732
<i>Less: loss allowance</i>	<u>(990,330)</u>	<u>(1,087,890)</u>
Finance lease receivables	<u><u>279,318,304</u></u>	<u><u>315,511,842</u></u>
Finance lease receivables analysed as:		
Receivable within one year	47,521,401	48,876,419
Receivable after one year	<u>231,796,903</u>	<u>266,635,423</u>
	<u><u>279,318,304</u></u>	<u><u>315,511,842</u></u>

The finance lease receivables are arising from the property sub-leasing business. For finance lease receivables, the customers are obligated to settle the amounts according to the terms set out in the relevant lease contracts.

11. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Trade receivables (<i>notes (a), (b)</i>)	—	1,170,385
Deposits (<i>note (c)</i>)	15,813,656	20,929,601
Prepayments and other receivables (<i>note (c)</i>)	373,649,224	275,827,348
	389,462,880	297,927,334

Notes:

- (a) The Group generally grants a credit period of 60-90 days from date of agreement to its customers.
- (b) The ageing analysis of trade receivables based on invoice date after impairment loss at the end of the reporting period is as follows:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Within 90 days	—	1,170,385

- (c) The balance mainly represented prepayments to contractors and refundable deposits for various potential business development projects.

12. TRADE AND OTHER PAYABLES

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Trade payables	184,448,066	27,118,695
Accruals	3,900,341	1,612,400
Other payables	88,986,647	40,569,143
Other deposits received	30,429,120	33,414,931
	307,764,174	102,715,169

- (a) Included in trade and other payables are trade payables with the following ageing analysis based on invoice date as of the end of reporting period:

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Current or within 30 days	2,511,389	3,406,271
31 to 60 days	<u>181,936,677</u>	<u>23,712,424</u>
	<u><u>184,448,066</u></u>	<u><u>27,118,695</u></u>

13. CONVERTIBLE BONDS

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Convertible bonds:		
– Liability component	<u>170,283,454</u>	<u>–</u>
Classified under non-current liabilities:		
– Convertible bonds	<u>170,283,454</u>	<u>–</u>

Notes

(i) **Convertible Bonds July 2022**

On 6 July 2022, the Company issued convertible bonds with the aggregate principal amount of HK\$27,120,000 (the “**Convertible Bonds July 2022**”) as part of the consideration for acquisition of the 65% equity interest in Huachuangwen Land. The convertible bonds bear zero interest and carry a right to convert the principal amount into share of HK\$0.05 each in the share capital of the Company at an initial conversion price of HK\$0.2 per share during the period commencing from 6 July 2022 (the “**Bond Issue Date**”) to 6 July 2027 (the “**Bond Maturity Date**”). The conversion price is subject to adjustment on the occurrence of dilutive or concentration event. The Company may at anytime from the Bond Issue Date to the Bond Maturity Date redeem the convertible bonds at par.

The convertible bonds contain two components: liability and equity components. The equity component is presented in the equity heading “convertible bonds reserve”. The effective interest rate of the debt component on initial recognition is 8% per annum.

The fair value of the liability component of the Convertible Bonds July 2022 was estimated to be HK\$18,453,525 at the issue date as valued by the external valuer based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

Details of principal valuation parameters applied in determining the fair value of the Convertible Bonds July 2022 liability component is summarized as follows:

	Bond Issue Date
Principal amount:	HK\$27,120,000
Coupon rate:	Nil
Maturity date:	6 July 2027
Conversion price:	HK\$0.20
Risk-free rate:	1.96%
Expected volatility:	74.88%
Expected dividend yield:	0%

(ii) Convertible Bonds March 2023

On 10 March 2023, the Company issued convertible bonds with the aggregate principal amount of HK\$249,150,000 (the “**Convertible Bonds March 2023**”) as part of the consideration for acquisition of the 100% equity interest in Reach Glory Holdings Limited (“**Reach Glory**”) and its subsidiaries (collectively referred to as the “**Reach Glory Group**”). The convertible bonds bear zero interest and carry a right to convert the principal amount into share of HK\$0.05 each in the share capital of the Company at an initial conversion price of HK\$0.2 per share during the period commencing from 10 March 2023 (the “**Bond Issue Date**”) to 10 March 2028 (the “**Bond Maturity Date**”). The conversion price is subject to adjustment on the occurrence of dilutive or concentration event. The Company may at anytime from the Bond Issue Date to the Bond Maturity Date redeem the convertible bonds at par.

The convertible bonds contain two components: liability and equity components. The equity component is presented in the equity heading “convertible bonds reserve”. The effective interest rate of the debt component on initial recognition is 8% per annum.

The fair value of the liability component of the Convertible Bonds March 2023 was estimated to be HK\$169,495,811 at the issue date as valued by the external valuer based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan.

Details of principal valuation parameters applied in determining the fair value of the Convertible Bonds March 2023 liability component is summarized as follows:

	Bond Issue Date
Principal amount:	HK\$249,150,000
Coupon rate:	Nil
Maturity date:	10 March 2028
Conversion price:	HK\$0.20
Risk-free rate:	3.70%
Expected volatility:	79.46%
Expected dividend yield:	0%

No repayment for and conversion of the Convertible Bonds March 2023 took place during the current year and the Convertible Bonds March 2023 remained outstanding as at 31 March 2023.

The movements of the liability component of the convertible bonds are set out below:

	Liability components		
	Convertible Bonds July 2022 HK\$	Convertible Bonds March 2023 HK\$	Total HK\$
Carrying amount at 1 April 2022	—	—	—
Issuance of convertible bonds	18,453,525	169,495,811	187,949,336
Effective interest expenses	62,361	787,643	850,004
Derecognition upon conversion of convertible bonds by the bondholder	(18,515,886)	—	(18,515,886)
Carrying amount at 31 March 2023	—	170,283,454	170,283,454

14. CONTINGENT LIABILITIES

At the respective reporting dates, the contingent liabilities of the Group were as follows:

	2023	2022
	HK\$	HK\$
Guarantees granted to financial institutions on behalf of purchasers of property units	<u>1,211,274,630</u>	<u>415,660,013</u>

The Group arranges with various domestic banks in the PRC to provide loan and mortgage facilities to purchasers of its properties prior to the transfer of land title deeds. In line with the consumer banking practices in the PRC, these banks require the Group to provide guarantees in respect of these loans including the principal, interest and other incidental costs. If a purchaser defaults on a loan, the relevant mortgagee bank is entitled to deduct the amount repayable from the restricted cash account. These guarantees provided by the Group to the banks would be released by the banks upon the receipt of the building ownership certificate of the respective properties by the banks from the customers when it is issued by the relevant authorities.

The directors consider that it is not probable of the Group to sustain a loss under these guarantees as during the period of these guarantees, the Group can take over the ownerships of the related properties under default and sell the properties to recover the amounts paid by the Group to the banks. The Group has not recognised these guarantees. The directors also consider that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in event that the purchases default payments to banks for their mortgage loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Consolidated results

For the year ended 31 March 2023, the Group recorded revenue of approximately HK\$650.8 million compared to approximately HK\$256.9 million from continuing operations for the last financial year, representing an increase of about 153.3%, and profit for the year ended 31 March 2023 of approximately HK\$79.1 million compared to approximately a profit of HK\$15.7 million for the last financial year, representing an increase of profit of about 403.8%. The significant increase in profit was primarily resulted from 1) implementation of various measures on cost control and on reduction expenditures; and 2) recognition on revenue of property development business during the year.

The Board considers that the fair value loss on investment properties are non-cash items and has no effect on the cash flow of the Group's operations.

Business Review

Property sub-leasing and investment business

For the year ended 31 March 2023, this business segment recorded revenue of approximately HK\$51.8 million compared to approximately HK\$80.2 million for the last financial year, representing a decrease of about 35.4%, this business segment recorded loss for the year ended 31 March 2023 of approximately HK\$10.3 million as compared to profit of approximately HK\$15.4 million for the last financial year. The increase in loss was mainly resulted from the increase in fair value loss on investment properties.

Property development business

During the year ended 31 March 2023, the property development business in the PRC contributed revenue of approximately HK\$598.9 million compare to approximately HK\$176.7 million for the last financial year, and segment recorded profit of approximately HK\$143.6 million (2022: profit of approximately HK\$20.5 million) to the Group. The increase in segment revenue was attributable to the increase of booked gross floor area (“GFA”) delivered to the property owners during the year, which was contributed from the Group's completed property development projects, namely, Tangshang Hanlin Mansion* (唐商翰林居) in Dongguan land situates at Caole Village, Xiegang Town, Dongguan City, the PRC designated for urban residential use and business service use (R2 Class II residential land (R2 二類居住用地)). The construction of the property was completed in December 2021, As at 31 March 2023, there were approximately 56,010 sq.m. booked GFA delivered and recognised into the revenue. The completed properties are held for sale and the management expects part of the remaining GFA will recognise in the next financial year. The Group will remain proactive in reviewing its pace of business expansion. During this year, the Group had acquired the total issued share capital of Reach Glory Holdings Limited, a company is indirectly hold 70% equity interest in the project company Puning Huachuangwen Industrial Development Co., Ltd., which is expected to maintain this business and achieve sustainable growth of the Group, the management may adjust its project development plans and schedules in response to changing market conditions, as and when appropriate.

Financial Services Business

Money lending

During the year ended 31 March 2023, no interest income was recognised (2022: nil). The management would continue to find new opportunity for this segment.

Securities, futures and asset management

The Group returned its Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) licenses to Securities and Futures Commission in November 2020 as no suitable business opportunities have been identified. The management would like to focus more on the other business segments of the Group.

Liquidity and financial resources

As at 31 March 2023, no bank borrowings were incurred by the Group (31 March 2022: bank borrowings of approximately HK\$99.2 million).

The maturity profile of the Group's bank and other borrowings is set out as follows:

	2023	2022
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Repayable:		
Within one year	–	99.2
More than one year, but not exceeding two years	–	–
More than two years, but not exceeding five years	–	–
More than five years	–	–
	<hr/>	<hr/>
Total	–	99.2
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of all the Group's bank and other borrowings were denominated in RMB. As at 31 March 2023, the Group's bank borrowings was nil (2022: 7.24% per annum).

The gearing ratio of the Group as at 31 March 2023 and 31 March 2022 were not applicable (since the Group maintained net cash position as at 31 March 2023). The Directors consider the Group as in a healthy financial position. Such ratio was calculated with reference to the bank borrowings deduction of cash and bank balances over the Company's equity attributable to owners of the Company. As at 31 March 2023, the Group had net current assets of approximately HK\$1,417.0 million as compared with the net current assets as at 31 March 2022 of approximately HK\$531.3 million. The current ratio of the Group as at 31 March 2023 was 1.6 compared with 1.6 as at 31 March 2022.

The revenue of the Group, being mostly denominated in Renminbi and Hong Kong dollar, matches the currency requirement of the Group's expenses while other foreign currencies were immaterial. During the year ended 31 March 2023, no financial instrument was entered into by the Group used for hedging purpose. The Group was not exposed to any exchange rate risk or any related hedges.

Fund raising activities

In previous years, the Group completed the following fund raising exercise to strengthen its financial position:

In 2018, convertible bonds in the aggregate principal amount of approximately HK\$42.0 million were issued, with the net proceeds of approximately HK\$41.8 million after deduction of issuance expenses. Details of which are set out as follows:

Date of announcement	Description of fund raising activities	Intended Use of Proceeds	Amount of Net Proceeds Brought Forward to the year ending 31 March 2022		Amount of Net Proceeds Brought Forward to the year ended 31 March 2023		Amount of unutilized proceeds	Expected timeline/ Intended use of unutilized proceeds
			Amount utilized up to 31 March 2022	Amount utilized up to 31 March 2022	Amount utilized up to 31 March 2023	Amount utilized up to 31 March 2023		
31 August 2018	Issue of convertible bonds in an aggregate principal amount of HK\$42,031,080, which has been converted into ordinary shares of the Company on 30 July 2020	Money lending business of the Group in Hong Kong; approximately HK\$27.2 million (as per the announcement of the Company dated 25 August 2021, the use of proceeds have been reallocated to general working capital)	nil	nil	nil	nil	nil	N/A

In 2017, convertible bonds in the aggregate principal amount of approximately HK\$46.3 million were issued, with the net proceeds of approximately HK\$46.1 million after deduction of issuance expenses. Details of which are set out as follows:

Date of announcement	Description of fund raising activities	Intended Use of Proceeds	Amount of Net Proceeds Brought Forward to the year ending 31 March 2022		Amount of Net Proceeds Brought Forward to the year ended 31 March 2023		Amount of unutilized proceeds	Expected timeline/ Intended use of unutilized proceeds
			Amount utilized up to 31 March 2022	Amount utilized up to 31 March 2022	Amount utilized up to 31 March 2023	Amount utilized up to 31 March 2023		
		General working capital of the Group: approximately HK\$14.6 million	nil	nil	nil	nil	nil	N/A
26 July 2017	Issue of convertible bonds in an aggregate principal amount of HK\$46,341,960, which has been converted into ordinary shares of the Company on 30 July 2020	Potential acquisition (Note 1) approximately HK\$32.1 million	HK\$32.1 million	nil	HK\$32.1 million	HK\$32.1 million	nil	N/A
		General working capital of the Group: approximately HK\$14.0 million	nil	nil	nil	nil	nil	N/A

Note 1: The proceeds of approximately HK\$32.1 million was utilized to settle the consideration of an acquisition in July 2020.

Charges

As at 31 March 2023, no bank borrowings were incurred by the Group and no charges and guarantees were secured.

As at 31 March 2023, certain bank borrowings of the Group in the total amount of approximately HK\$99.2 million were secured by i) corporate guarantees provided by related companies of a non-controlling shareholder, and a subsidiary of the Group; ii) personal guarantees provided by Mr. Chen Weiwu, the director of the Group and his spouse; iii) entire equity interest of a subsidiary of the Group; and iv) completed properties held for sale of the Group with carrying amounts of HK\$837.0 million.

Save as disclosed above, the Group did not have any other charges on assets as at 31 March 2023.

Contingent liabilities

Please refer to note 14 of this announcement for material contingent liabilities of the Group as at 31 March 2023.

Emolument policy

As at 31 March 2023, the Group employed a total number of 47 (2022: 53) employees. The remuneration of the employees of the Group is amounted to approximately HK\$9.7 million for the year ended 31 March 2023 (2022: HK\$10.6 million). The Group remunerates its employees based on their performance, experience and prevailing industry practices. The emoluments of the directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

The Group periodically reviews its remuneration package in order to attract, motivate and retain its employees. Discretionary bonuses may be rewarded to the directors and employees depending on the Group's operating results and their performance.

Further, the Company has also adopted a share option scheme for the primary purpose of providing incentives or rewards to any the director, employee and other eligible participant who made significant contribution to the Group. The Group also provides external training courses to its staff to improve their skills and services on an ongoing basis.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

Reference is made to the announcement of the Company's announcement dated 31 October 2022 and circular (the "**Circular**") dated 20 January 2023 regarding the very substantial acquisition and connected transaction in relation to the acquisition of the Target Group, as well as the announcement of the Company dated 16 February 2023 regarding the poll results of the special general meeting held on 16 February 2023. Capitalised terms used in this announcement shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 31 October 2022, the Company entered into the Equity Sale and Purchase Agreement with Mr. Chen, pursuant to which the Company has agreed conditionally to acquire, and Mr. Chen has agreed conditionally to sell the total issued share capital in Reach Glory Holdings Limited (the "**Acquisition**"). Upon the completion of the Acquisition on 10 March 2023, the Company indirectly wholly holds 70% of the equity interest in the Puning Huachuangwen Industrial Development Co., Ltd* (普寧華創文實業開發有限公司) through Reach Glory Holdings Limited. The Consideration has been settled by way of (i) the issue and allotment of 534,000,000 Consideration Shares at an issue price of HK\$0.2 per Consideration Share, resulting in the total value of the Consideration Shares being HK\$106,800,000 (equivalent to approximately RMB94,513,274) and (ii) the issue of Convertible Bonds in the principal amount of HK\$249,150,000 (equivalent to approximately RMB220,486,726).

Reference is made to the Company's announcement dated 30 July 2021 and circular dated 30 September 2021 in relation to, among other things, a very substantial acquisition and connected transaction. Capitalised terms used under this sub-heading shall have the same meaning as in the said announcement and circular unless otherwise defined in this announcement.

On 30 July 2021, the Company entered into the equity sale and purchase agreement (the “**Equity Sale and Purchase Agreement**”) with Shenzhen Yaoling Investment Company Limited* (深圳市耀領投資有限公司) (“**Shenzhen Yaoling**”) to acquire 55% equity interest of Dongguan Huachuangwen Land Limited* (東莞市華創文置地有限公司) (“**Huachuangwen Land**”) (the “**Acquisition**”). Upon the completion of the Acquisition, the Company will hold 90% of the equity interest in Huachuangwen Land and the financial statements of Huachuangwen Land will continue to be consolidated into the consolidated financial statements of the Group. The consideration shall be settled by way of (i) cash of RMB40,000,000 (equivalent to approximately HK\$48,000,000); (ii) issue and allotment of 450,000,000 shares of the Company at an issue price of HK\$0.2 per share, resulting in a total value of HK\$90,000,000 of shares and (iii) issue of convertible bonds of the Company in the principal amount of HK\$27,120,000 (equivalent to approximately RMB22,600,800). Details of the Acquisition were disclosed in the Company's announcement dated 30 July 2021 and the Company's circular dated 30 September 2021.

Subsequently, the Acquisition was approved at the special general meeting of the Company on 20 October 2021. On 29 October 2021, the Company announced that as additional time is required for the fulfillment of the conditions precedent to the Equity Sale and Purchase Agreement, the Company and Shenzhen Yaoling agreed in writing to extend the long stop date from 31 October 2021 to 31 December 2021 (or such other date as the parties may agree in writing).

On 31 December 2021, the Company announced that additional time is required for the fulfillment of the conditions precedent to the Equity Sale and Purchase Agreement the Company and Shenzhen Yaoling agreed in writing to extend the Long Stop Date from 31 December 2021 to 31 January 2022 (or such other date as the parties may agree in writing). On 31 January 2022, the Company announced that as additional time is required for the fulfillment of the conditions precedent to the Equity Sale and Purchase Agreement, the Company and Shenzhen Yaoling agreed in writing to extend the long stop date from 31 January 2022 to 31 March 2022 (or such other date as the parties may agree in writing).

On 31 March 2022, the Company announced that as additional time is required for the fulfillment of the conditions precedent to the Equity Sale and Purchase Agreement, the Company and Shenzhen Yaoling agreed in writing to extend the long stop date from 31 March 2022 to 30 June 2022 (or such other date as the parties may agree in writing).

On 6 July 2022, the Acquisition has been completed, the Company holds 90% equity interest in Huachuangwen Land, the Consideration Shares and Convertible Bonds were issued to Shenzhen Yaoling in settlement of the Consideration pursuant to the Equity Sale and Purchasing Agreement. On 18 July 2022, the Company received a conversion notice from Shenzhen Yaoling for exercise of the conversion rights attached to the Convertible Bonds in respect of the entire principal amount of HK\$27,120,000 at conversion price of HK\$0.2 per conversion share, a total number of 135,600,000 conversion share shall be issued to Shenzhen Yaoling. For further details, please refer to the Company's announcement dated 6 July 2022 and 18 July 2022, respectively.

Save as disclosed above, there was no significant investments held, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 March 2023.

Outlook

In light of the relaxation and lifting of the restrictions and measures on the novel coronavirus (the “COVID-19”) pandemic in the PRC since November 2022, business activities in the PRC have gradually resumed. The Group will continue to assess the impact of the COVID-19 pandemic on the Group's operations and financial performance, and closely monitor the Group's exposure to the risks in connection with the COVID-19 pandemic on an ongoing basis. The property market has experienced a rapid decline and the industry is facing enormous challenges. The government aims to maintain healthy and stable development of the real estate industry, stabilize land prices, housing prices and market expectations. The Group has put forward higher requirements to review and perform in terms of its future strategy planning during the period ended 31 March 2023. Despite tremendous uncertainties, the Directors of the Group have implemented various appropriate measures to lower the cost which improve the performance of the Group. The Board is expecting the management to remain cautious, meanwhile, to also maintain open-minded in identifying new property development projects in the PRC which could strengthen the financial profitability for the Group.

The management team and the Board of Directors are made up of highly qualified and competent individuals who are experienced in the real estate development industry in PRC. The team possesses significant knowledge, resources and networks in China of which the Company expects to be able to leverage for its future growth in the property development, property sub-leasing and investment projects in the PRC.

The Group has continued its efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position and to meet its performance objectives. The Group is working towards attaining a sustainable growth whilst continuously exploring and diversifying other suitable investment opportunities (if any) to enhance the overall earning potential, and ultimately maximising the shareholder value.

PROPOSED FINAL DIVIDEND

The Directors do not recommend any payment of final dividend for the year ended 31 March 2023 (2022: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are entitled to attend and vote at the 2023 annual general meeting of the Company (“**2023 AGM**”), the register of members of the Company will be closed from Monday, 18 September 2023 to Friday, 22 September 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2023 AGM, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company’s share registrar, Tricor Secretaries Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 15 September 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed the Company’s listed securities during the year ended 31 March 2023.

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, CCTH CPA Limited, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on the preliminary announcement.

CODE OF CORPORATE GOVERNANCE

Throughout the year ended 31 March 2023, the Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules, save for the deviation of code provision A.1.1 of the CG Code below:

Pursuant to code provision A.1.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals. Although only two regular Board meetings were held during the year ended 31 March 2023 on 29 June 2022 and 28 November 2022 respectively, the Board considered that sufficient meetings had been held as business operations were under the management and the supervision of the executive Directors. In addition, senior management of the Group provided to the Directors the information in respect of the Group's business development and activities from time to time and, when required, ad hoc Board meetings will be held.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. The Company has made specific enquiry with all the Directors and, all the Directors confirmed that they have fully complied with the required standards set out in the Model Code during the year.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**"), comprises three independent non-executive Directors, namely Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 March 2023.

PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

ANNUAL GENERAL MEETING

The 2023 AGM will be held on Friday, 22 September 2023 and the notice of the 2023 AGM will be published and despatched in the manner as required by the Listing Rules and the Company's memorandum and articles in due course.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S AND COMPANY’S WEBSITE

The Company’s annual report for the year ended 31 March 2023 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “**Latest Listed Company Information**” and on the website of the Company at <http://www.ts674.com> in due course.

On behalf of the Board
China Tangshang Holdings Limited
Chen Weiwu
Chairman

Hong Kong, 29 June 2023

As at the date of this announcement, the executive Directors are Mr. Chen Weiwu (Chairman), Mr. Zhou Houjie and Mr. Jiang Ruowenhao; and the independent non-executive Directors are Mr. Chen Youchun, Ms. Lui Mei Ka and Mr. Zhou Xin.

* *for identification purpose only*