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Buyang International Holding Inc

步陽國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2457)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR
THE YEAR ENDED DECEMBER 31, 2023**

The Board of the Company is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2023, together with the comparative figures for the year ended December 31, 2022.

RESULTS SUMMARY

	For the year ended		Year-on-year changes
	December 31, 2023	2022	
	RMB'000	RMB'000	
Revenue	367,053	440,329	(16.6)%
Gross profit	73,089	86,772	(15.8)%
Profit before taxation	57,144	71,920	(20.6)%
Profit for the year	41,314	53,984	(23.5)%
Total comprehensive income for the year	40,737	54,068	(24.7)%
Earnings per share (basic and diluted)	RMB0.04	RMB0.07	(42.9)%

Our revenue decreased to approximately RMB367.1 million for the year ended December 31, 2023 as compared to approximately RMB440.3 million for the year ended December 31, 2022.

Our profit for the year decreased to approximately RMB41.3 million for the year ended December 31, 2023 as compared to approximately RMB54.0 million for the year ended December 31, 2022 and our net profit margin decreased from 12.3% for the year ended December 31, 2022 to 11.3% for the year ended December 31, 2023.

Our total comprehensive income for the year decrease to approximately RMB40.7 million for the year ended December 31, 2023 as compared to approximately RMB54.1 million for the year ended December 31, 2022.

Basic and diluted earnings per share for the year ended December 31, 2023 were approximately RMB0.04, representing a decrease of 42.9% as compared to approximately RMB0.07 for the year ended December 31, 2022.

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31,

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3	367,053	440,329
Cost of sales		<u>(293,964)</u>	<u>(353,557)</u>
Gross profit		73,089	86,772
Other revenue	4(a)	7,316	1,685
Other net gain	4(b)	1,793	7,410
Selling and distribution expenses		(9,690)	(8,162)
Administrative and other operating expenses		(12,211)	(15,202)
Research and development costs		(9,106)	—
Impairment loss on trade receivables		(1,192)	(1,757)
Profit from operations		49,999	70,746
Finance income		7,558	2,546
Finance costs		(413)	(1,372)
Net finance income	5(a)	7,145	1,174
Profit before taxation	5	57,144	71,920
Income tax	6	(15,830)	(17,936)
Profit for the year		<u>41,314</u>	<u>53,984</u>
Other comprehensive income for the year			
(after tax and reclassification adjustments)			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference on translation of financial statements of the Company		1,751	11,443
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of the Company's subsidiaries outside mainland China		(2,328)	(11,359)
Other comprehensive income for the year		<u>(577)</u>	<u>84</u>
Total comprehensive income for the year		<u>40,737</u>	<u>54,068</u>
Earnings per share	7		
Basic and diluted (<i>RMB</i>)		<u>0.04</u>	<u>0.07</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31,

	<i>Note</i>	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		55,514	53,141
Right-of-use assets		15,946	16,677
Intangible assets		83	198
Deferred tax assets		1,732	1,647
A loan provided to a related party		14,500	—
Prepayments		1,969	32
		<u>89,744</u>	<u>71,695</u>
Current assets			
Inventories		91,796	57,762
Trade and other receivables	9	78,271	77,727
A loan provided to a related party		564	—
Pledged deposits		15,012	15,690
Cash and cash equivalents		223,729	270,728
		<u>409,372</u>	<u>421,907</u>
Current liabilities			
Trade and other payables	10	73,404	106,013
Contract liabilities		6,946	7,881
Lease liabilities		472	445
Current taxation		2,064	2,931
Dividend payable		27,187	—
		<u>110,073</u>	<u>117,270</u>
Net current assets		<u>299,299</u>	<u>304,637</u>
Total assets less current liabilities		<u>389,043</u>	<u>376,332</u>
Non-current liabilities			
Lease liabilities		6,649	7,120
Deferred income		1,507	1,748
		<u>8,156</u>	<u>8,868</u>
NET ASSETS		<u><u>380,887</u></u>	<u><u>367,464</u></u>
CAPITAL AND RESERVES			
Share capital		6,952	6,952
Reserves		373,935	360,512
TOTAL EQUITY		<u><u>380,887</u></u>	<u><u>367,464</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2023

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on November 14, 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 15, 2022 (the "**Listing**"). The Group is principally engaged in the research and development, design, manufacturing and sales of a broad range of aluminum alloy wheels for automobiles.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements of Buyang International Holding Inc (the "**Company**") and its subsidiaries (together referred to as the "**Group**") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2023 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “**Functional Currency**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, except when otherwise indicated, which is the functional currency of the Group’s subsidiaries established in mainland China. The functional currency of the Company and the Company’s subsidiaries outside mainland China are Hong Kong Dollars (“**HKD**”). The Group translates the financial statements of the Company and the Company’s subsidiaries outside mainland China from HKD into RMB.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the manufacturing and sales of a broad range of aluminum alloy wheels for automobiles. The Group's revenue from contracts with customers were recognised at point in time for the Reporting Period.

(i) *Disaggregation of revenue*

Disaggregation of revenue from contracts with customers by major products is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of aluminum alloy wheels	356,673	432,409
Sales of others	10,380	7,920
	<u>367,053</u>	<u>440,329</u>

Disaggregation of revenue from contracts with customers by continent of delivery is disclosed in Note 3(b)(i).

- (ii) No revenue from transaction with single external customer amounts to 10% or more of the Group's revenue for each of the periods presented.

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For sales contracts of goods with original expected duration of less than one year, the Group has elected not to disclose information about the remaining performance obligations.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by geography. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no segment information is presented.

Geographical information

(i) Revenue from external customers by continent of delivery

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Asia	191,063	286,475
Europe	54,028	35,710
America	108,581	111,504
Africa	8,922	5,231
Oceania	4,459	1,409
	<u>367,053</u>	<u>440,329</u>

(ii) Non-current asset

The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the assets is provided.

4 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants	6,386	1,685
Rentals receivable from operating leases, other than those relating to investment property	63	—
Others	867	—
	<u>7,316</u>	<u>1,685</u>

(b) Other net gain

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net loss on disposal of property, plant and equipment	(2,123)	(214)
Net foreign exchange gain	3,916	7,624
	<u>1,793</u>	<u>7,410</u>

5 PROFIT BEFORE TAXATION

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

(a) Net finance income

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income on bank deposits	(6,994)	(2,546)
Interest income on a loan to a related party	(564)	—
Interest on bank loans	—	934
Interest on lease liabilities	413	438
	<u>(7,145)</u>	<u>(1,174)</u>

(b) Staff costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries and other benefits	46,765	45,987
Contributions to defined contribution scheme (Note)	<u>1,402</u>	<u>1,462</u>
	<u>48,167</u>	<u>47,449</u>

Note: The Group's subsidiaries in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated based on certain percentages of the prevailing average salary as agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. The Group has no other material obligation for the payment of retirement benefits beyond the contributions described above.

(c) Other items

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories*	293,964	353,557
Depreciation		
— Property, plant and equipment	11,966	15,251
— Right-of-use assets	695	744
Amortisation of intangible assets	115	123
Impairment loss on trade receivables	1,192	1,757
Research and development costs	9,106	—
Auditors' remuneration		
— Audit services related to the Group	1,400	1,400
— Other audit related services and non-audit services	660	80
Listing expenses	—	5,351

* Cost of inventories include RMB48,957,000 relating to staff costs and depreciation expenses for the year ended December 31, 2023 (2022: RMB55,241,000), which amounts are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss and other comprehensive income represents

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
PRC corporate income tax	12,615	18,682
Withholding tax on the dividend from the Group's PRC subsidiaries	<u>3,300</u>	<u>—</u>
	15,915	18,682
Deferred tax		
Origination and reversal of temporary differences	<u>(85)</u>	<u>(746)</u>
	<u><u>15,830</u></u>	<u><u>17,936</u></u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The applicable profits tax rate of the Group's subsidiary incorporated in Hong Kong was 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax for the year ended December 31, 2023.
- (iii) The Group's PRC subsidiary is subject to PRC income tax at 25%.
- (iv) According to the Implementation Rules of the Corporate Income Tax Law of the PRC, the Company's subsidiaries in the PRC are levied a 10% withholding tax on dividends declared to their foreign investment holding company arising from profit earned subsequent to January 1, 2008. Buyang (Hong Kong) Limited, a subsidiary of the Company is subject to PRC dividend withholding tax at 10% on dividends receivables from the PRC subsidiaries.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit before taxation	<u>57,144</u>	<u>71,920</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	14,664	17,923
Effect of additional deduction on research and development costs*	(2,164)	—
Withholding tax on the dividend from the Group's PRC subsidiaries (<i>Note 6(a)(iv)</i>)	3,300	—
Tax effect of non-deductible expenses, net of non-taxable income	<u>30</u>	<u>13</u>
Actual tax expense	<u>15,830</u>	<u>17,936</u>

* According to the relevant PRC income tax law, certain research and development costs of PRC subsidiaries are qualified for 100% (2022: 100%) additional deduction for tax purpose.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB41,314,000 (2022: RMB53,984,000) and the weighted average of 1,000,000,000 ordinary shares (2022: 759,884,932 ordinary shares) in issue during the year ended December 31, 2023, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at the beginning of the year	1,000,000,000	150,000,000
Effect of shares issued by capitalisation of balance due to related parties	—	241,096
Effect of capitalisation issue	—	598,000,000
Effect of shares issued upon initial public offering	—	<u>11,643,836</u>
Weighted average number of ordinary shares at the end of the year	<u>1,000,000,000</u>	<u>759,884,932</u>

There were no dilutive potential shares outstanding for the years ended December 31, 2023 and 2022 and therefore the diluted earnings per share are same as the basic earnings per share.

8 CAPITAL AND DIVIDENDS

(a) Share capital

Authorised share capital

	2023		2022	
	No. of shares (<i>'000</i>)	Amount <i>US\$'000</i>	No. of shares (<i>'000</i>)	Amount <i>US\$'000</i>
Authorised:				
Ordinary shares of US\$0.001 each	<u>2,000,000</u>	<u>2,000</u>	<u>2,000,000</u>	<u>2,000</u>

Issued share capital

	2023			2022		
	No. of shares (<i>'000</i>)	Amount <i>HKD'000</i>	Amount <i>RMB'000</i>	No. of shares (<i>'000</i>)	Amount <i>HKD'000</i>	Amount <i>RMB'000</i>
Ordinary shares, issued and fully paid:						
At the beginning of the year	1,000,000	7,777	6,952	150,000	1,167	1,057
Issue of ordinary shares by capitalisation of balance due to related parties	—	—	—	2,000	16	14
Capitalisation issue	—	—	—	598,000	4,650	4,147
Issue of ordinary shares upon initial public offering	—	—	—	250,000	1,944	1,734
At the end of the year	<u>1,000,000</u>	<u>7,777</u>	<u>6,952</u>	<u>1,000,000</u>	<u>7,777</u>	<u>6,952</u>

Notes:

- (i) Issue of ordinary shares by capitalisation of balance due to related parties

On November 18, 2022, the Company allotted and issue 2,000,000 shares of the Company respectively to First Oriental Limited which is one of shareholders of the Company to settle off the balance of amounts due to First Oriental Limited amounting to HKD1,410,000 (equivalent to RMB1,281,000) out of which HK\$16,000 (equivalent to RMB14,000) and HK\$1,394,000 (equivalent to RMB1,267,000) were recorded in share capital and share premium respectively.

- (ii) Capitalisation issue

Pursuant to the resolutions of the Company's shareholders passed on November 18, 2022, the directors of the Company are authorised to allot and issue a total of 598,000,000 shares credited as fully paid at par to shareholders whose names appear on the register of members of the Company at the close of business on the date immediately prior to the Listing Date in proportion to their respective shareholdings by way of capitalisation of the sum of USD598,000 (equivalent to RMB4,147,000) standing to the credit of the share premium account of the Company.

- (iii) Issue of ordinary shares upon initial public offering

On December 15, 2022, the Company issued 250,000,000 shares with par value of US\$0.001, at a price of HK\$0.50 per share by initial public offering. Net proceeds from such issue amounted to HK\$109,561,000 (equivalent to RMB97,695,000) out of which HK\$1,944,000 (equivalent to RMB1,734,000) and HK\$107,617,000 (equivalent to RMB95,961,000) were recorded in share capital and share premium respectively.

(b) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the year:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Special dividend declared and approved during the year of HKD0.03 per ordinary share	<u>27,314</u>	<u>—</u>

The special dividend declared and approved during the year ended December 31, 2023 was paid on January 19, 2024.

- (ii) No final dividend was declared to equity shareholders of the Company after the end of the Reporting Period.

9 TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
— Third parties	71,254	79,502
Bills receivable	2,591	820
Less: Loss allowance for trade and bills receivable	(3,091)	(2,782)
	70,754	77,540
Amounts due from related party, net of loss allowance	63	—
Financial assets measured at amortised cost	70,817	77,540
Value-added tax recoverable and others	1,181	64
Prepayment	6,273	123
	78,271	77,727

Ageing analysis of trade and bills receivables

As of the end of the Reporting Period, the ageing analysis of trade and bills receivables based on the date of revenue recognition and net of loss allowance, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	65,910	61,795
Over 3 months but within 6 months	4,424	7,703
Over 6 months but within 12 months	420	8,042
Over 12 months	—	—
	70,754	77,540

10 TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables		
— Third parties	26,666	54,173
— Related parties	535	471
Bills payable	15,012	15,690
	42,213	70,334
Other payables and accruals	19,524	22,122
Financial liabilities measured at amortised cost	61,737	92,456
Accrued payroll and other benefits	11,019	10,694
Other taxes and charges payable	648	2,863
	73,404	106,013

The amounts due to related parties are unsecured and interest-free.

As of the end of the Reporting Period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	28,765	56,271
Over 3 months but within 6 months	12,182	12,803
Over 6 months but within 12 months	370	314
Over 12 months	896	946
	42,213	70,334

BUSINESS OVERVIEW AND OUTLOOK

Overview

We are an aluminum alloy automobile wheel manufacturer focusing on the aftermarket which is the market for parts and accessories used in the repair or maintenance of an automobile. We manufacture and sell different types of aluminum alloy automobile wheels to our customers. For the year ended December 31, 2023, our revenue amounted to approximately RMB367.1 million.

Our principal operating subsidiary, Buyang Wheel, was incorporated in 2007. Our manufacturing facility is located in Yongkang City, Jinhua City, Zhejiang Province, PRC, and is leased from Buyang Group Co., Ltd., which is controlled by our Controlling Shareholders. As of December 31, 2023, we self-owned and operated 31 gravity casting machines, 12 low pressure casting machines, 56 CNC lathes, 24 machining centers, 3 pre-treatment spray equipment, 7 powder spray machines and 10 liquid spray machines and had a maximum designed production capacity of approximately 1.2 million units of aluminum alloy automobile wheel per year.

Business Model

We are primarily engaged in the research and development, design, production and sales of aluminum alloy automobile wheels to domestic and overseas customers who purchase our branded and non-branded products. We cooperate closely with our customers to provide them with high quality products which are tailor-made to their specifications and budgets in a timely manner.

During the first half of 2023, as COVID-19 prevention and control measures were relaxed, the government actively encouraged enterprises to expand into overseas markets. In line with this initiative, we embarked on customer visits to various countries including Dubai, Japan, Thailand, and Malaysia. Additionally, we participated in prominent exhibitions such as the “2023 Indonesia INAPA International Auto Parts Exhibition”, the “2023 UK (Birmingham) International Auto Parts and After-sales Service Exhibition”, and the “2023 133rd Canton Fair”.

Our top five customers in terms of revenue during 2023 were wholesale traders and after-sales retailers in the aftermarket. During 2023, we made consistent effort to expand our sales in overseas market. We generated revenue of approximately RMB245.5 million during the year ended December 31, 2023 from sales in overseas markets.

Our customers are mainly aluminum alloy automobile wheel wholesale traders and retailers in the aftermarket. We had 139 customers located in the PRC and had 103 customers located in overseas countries and territories for the year ended December 31, 2023.

Our products are mainly categorized by size, in particular the diameter of the aluminum alloy automobile wheels. The table below sets forth details of our products by type.

Type	Diameter	Main utilization
Small	12–16 inches	Subcompact and compact car
Medium	17–20 inches	Mid-size and large car and sports utility vehicle
Large	21–24 inches	Full-size sports utility vehicle and pickup truck

We generally design and produce aluminum alloy automobile wheels with a wide variety of elements, including size, design and color pursuant to customers' specific requirements and specifications. We also periodically offer our own designs to our customers based on our knowledge of contemporary market trends.

The following table sets forth our revenue by sizes of aluminum alloy automobile wheel, in absolute amount and as a percentage of total revenue derived from sales of aluminum alloy automobile wheels, for the years ended December 31, 2022 and 2023:

	Year ended December 31,			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Small	64,679	18.1	55,361	12.8
Medium	252,617	70.8	326,090	75.4
Large	39,377	11.1	50,958	11.8
Total sales of aluminum alloy automobile wheel	<u>356,673</u>	<u>100.0</u>	<u>432,409</u>	<u>100.0</u>

FINANCIAL REVIEW

Revenue

Our revenue decreased to approximately RMB367.1 million for the year ended December 31, 2023 as compared to approximately RMB440.3 million for the year ended December 31, 2022 mainly due to the decrease in revenue generated from the sales of aluminum alloy wheels in the PRC.

Sales of aluminum alloy automobile wheel

Our total revenue from sales of aluminum alloy steamers slightly decreased from approximately RMB432.4 million for the year ended December 31, 2022 to approximately RMB356.7 million for the year ended December 31, 2023 mainly due to (i) the slowdown in global economic growth in 2023; (ii) the decline in demand in certain markets; and (iii) the fierce price competition among foreign trade companies.

Sales of other products

Our total revenue from sales of other products increased by approximately 31.1% from approximately RMB7.9 million for the year ended December 31, 2022 to RMB10.4 million for the year ended December 31, 2023.

Sales by geographic market

The majority of our revenue is generated from overseas markets. During the Reporting Period, revenue from sales in overseas markets accounted for 66.9% of total revenue. Revenue from sales in overseas markets increased by 6.5% from approximately RMB230.5 million for the year ended December 31, 2022 to approximately RMB245.5 million for the year ended December 31, 2023. Our revenue from Asia decreased by 33.3% from approximately RMB286.5 million for the year ended December 31, 2022 to approximately RMB191.1 million for the year ended December 31, 2023. Our revenue from the America slightly decreased from approximately RMB111.5 million for the year ended December 31, 2022 to approximately RMB108.6 million for the year ended December 31, 2023. Our revenue from Europe increased by 51.3% from approximately RMB35.7 million for the year ended December 31, 2022 to approximately RMB54.0 million for the year ended December 31, 2023. Our revenue from Africa increased by 70.6% from approximately RMB5.2 million for the year ended December 31, 2022 to approximately RMB8.9 million for the year ended December 31, 2023. Our revenue from Oceania significantly increased by 216.5% from approximately RMB1.4 million for the year ended December 31, 2022 to approximately RMB4.5 million for the year ended December 31, 2023.

Cost of Sales

Our cost of sales decreased by 16.9% from approximately RMB353.6 million for the year ended December 31, 2022 to approximately RMB294.0 million for the year ended December 31, 2023, primarily due to the decrease in the sales volume of aluminum alloy automobile wheels.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 15.8% from approximately RMB86.8 million for the year ended December 31, 2022 to approximately RMB73.1 million for the year ended December 31, 2023, primarily due to the decrease in the sales volume of aluminum alloy automobile wheels.

Our gross margin remained stable at 19.7% and 19.9% for the years ended December 31, 2022 and 2023, respectively.

Other Revenue

Our other revenue primarily included government grants. Such government grants included financial subsidies for various aspects of our operations, which were granted by local government authorities in the PRC.

Our other revenue significantly increased by 334.2% from approximately RMB1.7 million for the year ended December 31, 2022 to approximately RMB7.3 million for the year ended December 31, 2023, primarily due to the listing subsidy of RMB5.0 million received by the Group from the government.

Other Net Gain

Our other net gain primarily included net exchange gain, which were primarily attributable to translation of our trade and other receivables and cash at bank denominated in U.S. dollar into RMB.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 18.7% from approximately RMB8.2 million for the year ended December 31, 2022 to approximately RMB9.7 million for the year ended December 31, 2023, primarily due to the increase in sales personnel's travel expenses and exhibition and advertisement fees.

Administrative and Other Operating Expenses

Our administrative and other operating expenses decreased by 19.7% from approximately RMB15.2 million for the year ended December 31, 2022 to approximately RMB12.2 million for the year ended December 31, 2023, primarily due to the absence of listing expense in 2023 (2022: approximately RMB5.4 million).

Research and Development Costs

We recorded research and development costs of approximately RMB9.1 million for the year ended December 31, 2023 (2022: nil), resulting from the establishment of new research and development department by the Group in April 2023. The department is responsible for research and development of new products, product improvements, and the optimization of production processes and technologies. Currently, the department is prioritizing aluminum alloy automobile wheel lightweighting and production line mechanization.

Net Finance Income

Our net finance income significantly increased by 508.6% from approximately RMB1.2 million for the year ended December 31, 2022 to approximately RMB7.1 million for the year ended December 31, 2023, primarily due to the increase in interest income on bank deposits.

Income Tax

Our income tax decreased by 11.7% from approximately RMB17.9 million for the year ended December 31, 2022 to approximately RMB15.8 million for the year ended December 31, 2023 primarily due to the decrease in profit before taxation. Our effective tax rate slightly increased from 24.9% for the year ended December 31, 2022 to 27.7% for the year ended December 31, 2023, mainly due to 10% withholding tax charged by a subsidiary of the Company on dividends receivables from the PRC subsidiaries during 2023 (2022: nil), offsetting by the effect of additional tax deduction on research and development costs in 2023 (2022: nil).

Profit for the Year

Based on the above, our profit for the year decreased by 23.5% from approximately RMB54.0 million for the year ended December 31, 2022 to approximately RMB41.3 million for the year ended December 31, 2023 and our net profit margin decreased from 12.3% for the year ended December 31, 2022 to 11.3% for the year ended December 31, 2023.

Liquidity and Financial Resources

Our total assets remained stable at approximately RMB499.1 million as of December 31, 2023 as compared to approximately RMB493.6 million as of December 31, 2022. Total liabilities decreased by 6.3% from approximately RMB126.1 million as of December 31, 2022 to approximately RMB118.2 million as of December 31, 2023, primarily due to the decrease in the trade and other payables.

As at December 31, 2023, current assets amounted to approximately RMB409.4 million, representing a decrease of 3.0% from approximately RMB421.9 million as at December 31, 2022. Of which, inventories were approximately RMB91.8 million (December 31, 2022: RMB57.8 million); trade and other receivables were approximately RMB78.3 million (December 31, 2022: RMB77.7 million); pledged deposits were approximately RMB15.0 million (December 31, 2022: RMB15.7 million); and the interest for a loan provided to a related party was approximately RMB0.6 million (December 31, 2022: nil). Current liabilities amounted to approximately RMB110.1 million (December 31, 2022: RMB117.3 million); trade and other payables amounted to approximately RMB73.4 million (December 31, 2022: RMB106.0 million); contract liabilities amounted to approximately RMB6.9 million (December 31, 2022: RMB7.9 million); lease liabilities of approximately RMB0.5 million (December 31, 2022: RMB0.4 million); current taxation of approximately RMB2.1 million (December 31, 2022: RMB2.9 million); and dividend payable of RMB27.2 million (December 31, 2022: nil). Non-current liabilities amounted to approximately RMB8.2 million (December 31, 2022: RMB8.9 million).

Inventories

As of December 31, 2023, our inventories amounted to approximately RMB91.8 million, representing an increase of 58.9% from approximately RMB57.8 million as of December 31, 2022, mainly due to the increased production and purchase of inventories.

Trade and other receivables

Our trade and other receivables remained stable at approximately RMB78.3 million as of December 31, 2023 as compared with approximately RMB77.7 million as of December 31, 2022.

Cash and Cash Equivalents

As of December 31, 2023, our cash and cash equivalents amounted to approximately RMB223.7 million, representing decrease of 17.4% from approximately RMB270.7 million as of December 31, 2022, mainly due to the increased purchase of the inventories.

Funding and Treasury Policy

The Group's funding and finance policy aims to maintain stable financial position and mitigate financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

Trade and other payables

Our trade and other payables decreased by 30.8% from approximately RMB106.0 million as of December 31, 2022 to approximately RMB73.4 million as of December 31, 2023, mainly due to the faster payment settlement with suppliers.

Borrowings

As of December 31, 2023, the bank loans of the Group was nil (December 31, 2022: nil).

Gearing Ratio

The Group's gearing ratio (which equals total debt (including bank loans and lease liabilities) divided by total equity) decreased from 2.1% as of December 31, 2022 to 1.9% as of December 31, 2023.

Capital structure

As at the date of this announcement, the issued share capital of the Company was US\$1.0 million, comprising 1,000,000,000 Shares of nominal value of US\$0.001 per Share.

Working Capital

As at December 31, 2023, our net current assets amounted to approximately RMB299.3 million (December 31, 2022: RMB304.6 million). Our current assets principally consist of inventories, trade and other receivables, a loan provided to a related party, cash and cash equivalents and pledged deposits. Our current liabilities principally consist of trade and other payables, contract liabilities, lease liabilities, current taxation and dividend payable.

Capital Expenditures

As at December 31, 2023, we incurred and settled capital expenditure, mainly comprising expenditure on property, plant and equipment and intangible assets, of approximately RMB18.5 million (December 31, 2022: RMB7.7 million), mainly for the construction in progress.

Capital Commitments

As at December 31, 2023, we had capital commitments of approximately RMB4,733,000 (December 31, 2022: RMB21,000) which had been contracted for but had not been provided for in the financial statements for the acquisition of property, plant and equipment.

In addition, in connection with the Prospectus, we intend to (i) expand our production capacity in 2024, including the acquisition of new equipment for the production of aluminum alloy steam turbines; (ii) construct new production plants, warehouses and other ancillary facilities on potential sites to be acquired to complement our expanded production capacity; and (iii) design, develop and test our new moulds and prototypes. Each of these plans will constitute a capital commitment on our part. We expect to fund these capital expenditures with cash from operations, bank and other loans and proceeds from the Global Offering.

Pledge of Assets

As of December 31, 2023, we had collateral deposits of RMB15.0 million (December 31, 2022: RMB15.7 million), which mainly consist of deposits for the issuance of bank acceptance notes. The pledged deposits will be released upon settlement of the relevant bank acceptance notes or maturity of the relevant derivative financial instruments by the Group.

Contingent Liabilities

During the Reporting Period, we did not have any material contingent liabilities.

Significant Investments Held

During the Reporting Period, the Group did not hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as of December 31, 2023).

Material Acquisitions and Disposals of Subsidiaries and Associates

During the Reporting Period, the Group did not have material acquisitions or disposals of subsidiaries or associates.

Future Plans for Major Investments and Capital Assets

During the Reporting Period, save as disclosed in the paragraph headed "Use of Net Proceeds from Global Offering" below, the Group has no specific plans for major investments or acquisitions of major capital assets or other businesses.

RISK FACTORS AND RISK MANAGEMENT

We are exposed to various types of financial risk in the ordinary course of business, including market risk (consisting of currency risk and interest rate risk), credit risk and liquidity risk.

1. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits and bills receivable is limited because the counterparties are banks which the Group considers to represent low credit risk. In respect of other receivables and loans provided to related parties, the Group has assessed that the expected credit loss rate for these receivables is immaterial and no loss allowance provision for these receivables was recognised during the Reporting Period. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Our exposure to credit risks is influenced mainly by the individual characteristics of each customer or debtor rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers or debtors. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are mostly due from the date of revenue recognition. Normally, we do not obtain collateral from customers.

In respect of trade receivables, we measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix and individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. For the provision matrix method, as our historical credit loss experience do not indicate significantly different loss patterns for different customer segments, the loss allowance based on ageing information which is analyzed based on the date of revenue recognition is not further distinguished between our different customer bases.

2. Liquidity Risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

3. Interest Rate Risk

The Group's interest-bearing financial instruments at variable rates are the cash at bank as at each of the years ended December 31, 2022 and 2023. The cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates are lease liabilities and a loan provided to a related party that are measured at amortized cost, and the change of market interest rate does not materially expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

4. Currency Risk

The Group is exposed to currency risk primarily through sales which give rise to receivables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars.

FUTURE PROSPECTS

To drive sustainable long-term growth, we will continue to develop new products, expand our multi-channel sales and distributions network, enhance brand recognition, expand production capacities and improve operational efficiency and invest in human capital development. We will endeavor to consistently outperform the market and deliver superior results for our shareholders, employees and communities in a socially and environmentally responsible manner.

The Group is principally engaged in the manufacturing of aluminum alloy automobile wheels. Whilst the Group intends to maintain the continual operation of its existing principal businesses, the Group has been exploring and identifying potential business opportunities to develop and diversify the Group's existing business portfolio in order to diversify its income streams and achieve sustainable growth in the long run, thereby maximising the return to the Shareholders.

The Group intends to develop and expand its businesses in livestreaming e-commerce and establish Buyang Buy (the “**New Business Activity**”) to cope with the increasing awareness and emphasis on the trend of shopping online. In addition to the existing principal businesses, the Group will also position themselves as a livestreaming platform that focuses on carefully selecting premium products for the customers. The Company has established a wholly owned subsidiary, namely Yongkang Lumi Intelligent Technology Co., Ltd.* (永康市鹿米智能科技有限公司), to facilitate the development of the New Business Activity. The Group will consider financing the development of the New Business Activity through internal resources.

OTHER INFORMATION

Major Customers and Suppliers

For the year ended December 31, 2023, the Group's largest customer and five largest customers accounted for approximately 9.0% (2022: 6.1%) and 34.3% (2022: 25.5%) respectively of the Group's total revenue, and the Group's largest supplier and five largest suppliers accounted for approximately 23.7% (2022: 46.0%) and 80.5% (2022: 84.0%) respectively of the Group's total purchases. None of the Directors, their associates or any shareholders of the Company owning more than 5% of the Company's share capital has any interest in any of the Group's five largest customers or suppliers other than Buyang Group Co., Ltd. that the Directors are aware of.

Human Resources and Remuneration Policies

The number of employees of the Group was 494 as of December 31, 2023 (December 31, 2022: 547). The total staff costs for the Reporting Period was approximately RMB48.2 million as compared to approximately RMB47.4 million for the year ended December 31, 2022. We did not incur equity settled share-based expenses during the Reporting Period.

To promote employees' knowledge and technical expertise, the Group offers training programmes to employees from time to time according to their job duties. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also makes contributions to mandatory social security funds for the benefit of the PRC employees that provide for retirement insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing funds.

Use of Net Proceeds from Global Offering

The Company's shares were listed on the Main Board of the Stock Exchange on December 15, 2022. The Company received net proceeds (after deduction of Listing expenses) from the Global Offering of approximately HK\$75.1 million. Set out below are details of the allocation of the net proceeds, and the unutilised amount of the net proceeds up to December 31, 2023:

Planned use of net proceeds as stated in the Prospectus	Percentage of Net proceeds %	Net Proceeds from the Global Offering HK'million	Utilised up to December 31, 2023 HK'million	Unutilised as at December 31, 2023 HK'million	Expected timeline of utilisation
Expansion of our production capacity	57.0	42.8	15.3	27.5	On or before November 2024
Construction of a new manufacturing facility, warehouse and other supporting facilities	36.2	27.2	—	27.2	On or before November 2024
Design, development and testing of our new molds and prototypes	6.8	5.1	2.3	2.8	On or before December 2024
	<u>100.0</u>	<u>75.1</u>	<u>17.6</u>	<u>57.5</u>	

The unutilised net proceeds are placed in licensed banks in PRC and Hong Kong as of the date of this announcement.

Connected Transactions

Provision of financial assistance to TopSun

On May 8, 2023, the Company entered into a loan agreement (the “**Loan Agreement**”) with TopSun Investment Holding Company Limited (“**TopSun**”), one of the Controlling Shareholders, by having considered (i) the good financial position and the existing cash surplus of the Group and that the Company had not identified other better investment opportunities; (ii) the interest income per annum to be generated by the transactions contemplated under the Loan Agreement being more favorable than that offered by independent banks in Hong Kong for a 1-year fixed deposit; (iii) the repayment capacity of TopSun is satisfied to the Company in view of it is one of the Controlling Shareholders and the credit risk is relatively low; and (iv) Mr. Xu Buyun, the chairman of the Board, non-executive Director and one of the Controlling Shareholders, acting as a guarantor for the Loan Agreement agreed to provide personal guarantee to the Company, which further minimizes the risks. Pursuant to the Loan Agreement, the Company agreed to grant to TopSun a secured loan of HK\$16,000,000 (the “**Loan**”) with a fixed term of 3 years from the date of drawdown of the loan. The interest rate is 6% per annum, which shall accrue from day to day and be calculated on a basis of actual number of days elapsed over a year of 365 days. TopSun shall pay the interest on the Loan quarterly in arrears with the first interest repayment date on May 8, 2024. The Group finances the Loan with its internal resources.

As of December 31, 2023, the gross loan provided to TopSun amounted to RMB15,064,000 including the principal of HK\$16,000,000 (equivalent to approximately RMB14,500,000) and corresponding interests of HK\$623,342 (equivalent to approximately RMB564,000).

For the details of the Loan Agreement, please refer to the announcement of the Company dated May 8, 2023.

Dividends

As of December 31, 2023, the dividend payable of special dividend declared and approved during the Reporting Period amounted to RMB27,187,000. The special dividend declared and approved during the Reporting Period was paid on January 19, 2024.

The Board does not recommend the payment of a final dividend for the Reporting Period (2022: nil).

Closure of Register of Members/Record Date

The register of members of the Company will be closed from Tuesday, May 28, 2024 to Friday, May 31, 2024 both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, May 27, 2024.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. During the Reporting Period and up to the date of this announcement, the Company has complied with all applicable code provisions under Part 2 of the CG Code and adopted most of the best practices set out therein.

Model Code For Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period and up to the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Public Float

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, during the Reporting Period and up to the date of this announcement, not less than 25% of the issued share capital of the Company is held by members of the public, which is in compliance with the requirements of the Stock Exchange and the Listing Rules.

Events After The Reporting Period

As at the date of this announcement, the Group did not have any significant event subsequent to December 31, 2023.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Fu Yi, Mr. Yeung Man Simon and Mr. Chen Jingeng (with Mr. Yeung Man Simon possessing the appropriate professional qualifications and accounting expertise). Mr. Yeung Man Simon is the chairman of the Audit Committee. The Audit Committee has jointly reviewed with the Board the accounting principles and practices adopted by the Group, and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed and discussed the annual results and the audited financial statements for the year ended December 31, 2023 prepared in accordance with Hong Kong Financial Reporting Standards.

SCOPE OF WORK OF THE EXTERNAL AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 the auditor.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at bywheel.com. The 2023 annual report of the Company containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following terms or expressions shall have the following meanings unless otherwise specified:

“Annual General Meeting” or “AGM”	the 2023 Annual General Meeting of the Company to be held on Friday, May 31, 2024
“Board”	the board of Directors
“Buyang Wheel”	Zhejiang Buyang Auto Wheel Co., Ltd. (浙江步陽汽輪有限公司), a company incorporated in the PRC with limited liability on September 3, 2007, which is an indirect wholly-owned subsidiary of our Company
“Company”, “our Company” or “the Company”	Buyang International Holding Inc (步陽國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on November 14, 2018, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2457)
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules
“CG Code”	the corporate governance code as set out in Part 2 of Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Global Offering”	as defined in the Prospectus
“Group”, “our Group”, “we” or “us”	our Company together with its subsidiaries and, in respect of the period before our Company became the holding company of our present subsidiaries, refers to the companies that are the present subsidiaries of the Company

“HKD” or “HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 of the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Prospectus”	prospectus of the Company dated November 29, 2022
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	financial year ended December 31, 2023
“Share(s)”	ordinary share(s) in the capital of our Company with par value of US\$0.001 each
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “USD”	the lawful currency of the United States
%	percent

* *for identification purpose only*

By Order of the Board
Buyang International Holding Inc
Xu Buyun
Chairman

Hong Kong, March 27, 2024

As at the date of this announcement, the Board comprises Ms. Xu Jingjun, Mr. Ying Yonghui and Ms. Hu Huijuan as executive Directors; Mr. Xu Buyun and Mr. Zhu Ning as non-executive Directors; and Mr. Fu Yi, Mr. Yeung Man Simon and Mr. Chen Jingeng as independent non-executive Directors.