



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)



THIRD QUARTERLY REPORT **2013**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Creative Energy Solutions Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

THIRD QUARTERLY RESULTS

The board of directors (the “Board”) of Creative Energy Solutions Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 March 2013 together with the comparative unaudited consolidated figures for the corresponding periods in 2012, as set out below:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2013

	Notes	Three months ended 31 March (Unaudited)		Nine months ended 31 March (Unaudited)	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	3	818	3,958	5,547	19,511
Cost of services		(771)	(3,566)	(4,689)	(18,478)
Gross profit		47	392	858	1,033
Other income		67	8	75	16
Distribution costs		(552)	(308)	(1,648)	(1,250)
General and administrative expenses		(2,008)	(2,182)	(5,431)	(7,123)
Loss for the period		(2,446)	(2,090)	(6,146)	(7,324)
Other comprehensive income/ (expenses):					
Exchange difference arising from translation of financial statements of operations outside Mainland China		(6)	16	(94)	(202)
Total comprehensive expense for the period		(2,452)	(2,074)	(6,240)	(7,526)
Loss for the period attributable to:					
Equity shareholders of the Company		(2,196)	(2,090)	(5,478)	(7,324)
Non-controlling interests		(250)	—	(668)	—
		(2,446)	(2,090)	(6,146)	(7,324)
Total comprehensive expense for the period attributable to:					
Equity shareholders of the Company		(2,202)	(2,074)	(5,572)	(7,526)
Non-controlling interests		(250)	—	(668)	—
		(2,452)	(2,074)	(6,240)	(7,526)
Loss per share					
Basic and dilute	7	(1.20 cents)	(1.19 cents)	(2.99 cents)	(4.16 cents)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 March 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective terms includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The unaudited condensed consolidated financial statements have been prepared under the historical cost conventional, as modified by financial assets designated as at fair value through profit or loss, which are carried at fair value.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2012.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

2. ORGANISATION AND OPERATIONS

Creative Energy Solutions Holdings Limited (the “Company”) is a public limited company domiciled and incorporated in Bermuda and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company’s functional currency is Hong Kong dollars. The unaudited condensed consolidated financial statements are presented in Renminbi as it is considered the most appropriate presentation currency in view of the Company’s past practice. All values are rounded to the nearest thousand except when otherwise indicated.

3. TURNOVER

Turnover represents revenue arising from provision of energy saving services and sales of energy saving products. The amount of revenue recognised in turnover during the period is as follows:

	Three months ended 31 March (Unaudited)		Nine months ended 31 March (Unaudited)	
	2013	2012	2013	2012
	RMB’000	RMB’000	RMB’000	RMB’000
Turnover				
Revenue from provision of energy saving services and sales of energy saving products	818	3,958	5,547	19,511

The Board considers that the business of the Group is organised in one operating segment as provision of energy saving services and sales of energy saving products. Additional disclosure in relation to segment information is not presented as the Board assesses the performance of the only operating segment identified based on the consistent information as disclosed in the condensed consolidated financial statements.

4. TAXATION

(i) Overseas income tax

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes. The Company's subsidiary established in the Republic of Seychelles is exempted from payment of the Republic of Seychelles income tax.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the three and nine months ended 31 March 2013 (2012: Nil).

(iii) PRC enterprise income tax

No provision for PRC enterprise income tax has been made for the three and nine months ended 31 March 2013 (2012: Nil).

5. LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	Three months ended 31 March		Nine months ended 31 March	
	2013	2012	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Attributable to:				
Equity holders of the Company	<u>(2,196)</u>	<u>(2,090)</u>	<u>(5,478)</u>	<u>(7,324)</u>

	Three months ended 31 March		Nine months ended 31 March	
	2013	2012	2013	2012
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
Number of ordinary shares: Issued ordinary shares at the beginning of the period and at the end of the period	183,404	176,000	183,404	176,000

	Three months ended 31 March		Nine months ended 31 March	
	2013	2012	2013	2012
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)
Loss per share	(1.20 cents)	(1.19 cents)	(2.99 cents)	(4.16 cents)

The Calculation of the diluted loss per share amount is based on the loss for the period attributable to ordinary equity shareholders of the Company. The weight average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the three months and nine months ended 31 March 2013 and 2012 as the impact of the share options in issue during those periods have no dilutive effect.

6. SHARE CAPITAL

	Number of share '000	Amount RMB'000
Authorised:		
Ordinary shares of HK\$0.05 (equivalent to approximately RMB0.053 each)		
At 1 July 2011 (audited), 30 June 2012 (audited) and 31 March 2013 (unaudited)	2,000,000	106,000
Issued and fully paid:		
At 1 July 2011	176,000	7,774
Issue of ordinary shares to the subscribers	7,404	302
At 30 June 2012 (audited) and 31 March 2013 (unaudited)	183,404	8,076

7. RESERVES

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 31 March 2013

	Share capital	Share premium	Share option reserve	Translation reserve	Accumulated losses	Total	Non- Controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2011 (Audited)	7,774	86,082	5,074	5,913	(78,269)	26,574	—	26,574
Total comprehensive income/ (expenses) for the period	—	—	2,187	(202)	(7,324)	(5,339)	—	(5,339)
At 30 March 2012 (Unaudited)	7,774	86,082	7,261	5,711	(85,593)	21,235	—	21,235
At 1 July 2012 (Audited)	8,076	102,525	9,369	5,712	(92,500)	33,182	2,353	35,535
Capital injection by non-controlling shareholder	—	—	—	—	—	—	2,450	2,450
Total comprehensive expenses for the period	—	—	—	(94)	(5,478)	(5,572)	(668)	(6,240)
At 31 March 2013 (Unaudited)	8,076	102,525	9,369	5,618	(97,978)	27,610	4,135	31,745

8. EVENT AFTER THE REPORTING PERIOD

Pursuant to result of the special general meeting held on 22 April, 2013, the resolution of share subdivision (the “Share Subdivision”) of every one (1) issued and unissued ordinary share of a par value of HK\$0.05 each in the share capital of the Company into ten (10) Subdivided Share of a par value of HK\$0.005 each was approved. Further details of Share Subdivision are set out in the Company’s announcement and the Circular dated 12 March 2013 and 5 April 2013 respectively.

On 3 May 2013, Best Creation International Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement with an independent third party, Energy Treasure Limited (the “Vendor”), to acquire the Vendor’s subsidiary, Luck Shamrock Limited (the “Target Company”), together with the Target Company’s 100% interests in 徐州安邦自動化設備有限公司, at a total consideration of HK\$18,600,000. The Consideration shall be satisfied by allotment and issue of ordinary shares of the Company upon completion. Further details of the conditional agreement are set out in the Company’s announcement dated 3 May 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company acts as an investment holding company and the Group is principally engaged in the provision of energy saving services and sales of energy saving products in the People's Republic of China ("PCR") including Hong Kong.

Financial Review

During the nine months ended 31 March 2013, the Group's turnover was approximately RMB5,547,000, representing a decrease of 71.6% as compared to the same period in the previous year (31 March 2012: approximately RMB19,511,000). Turnover for the three months ended 31 March 2013 was decreased from approximately RMB3,958,000 to approximately RMB818,000, representing a 79.3% decrease as compared to the same period in 2012. Dramatic decrease in turnover was mainly attributable to business remodeling in pursuit of higher profit margin works. Besides, temporary production halt due to relocation of the lighting production plant during the period adversely affected the sales volume of not only Shaoxing plant but also Beijing office.

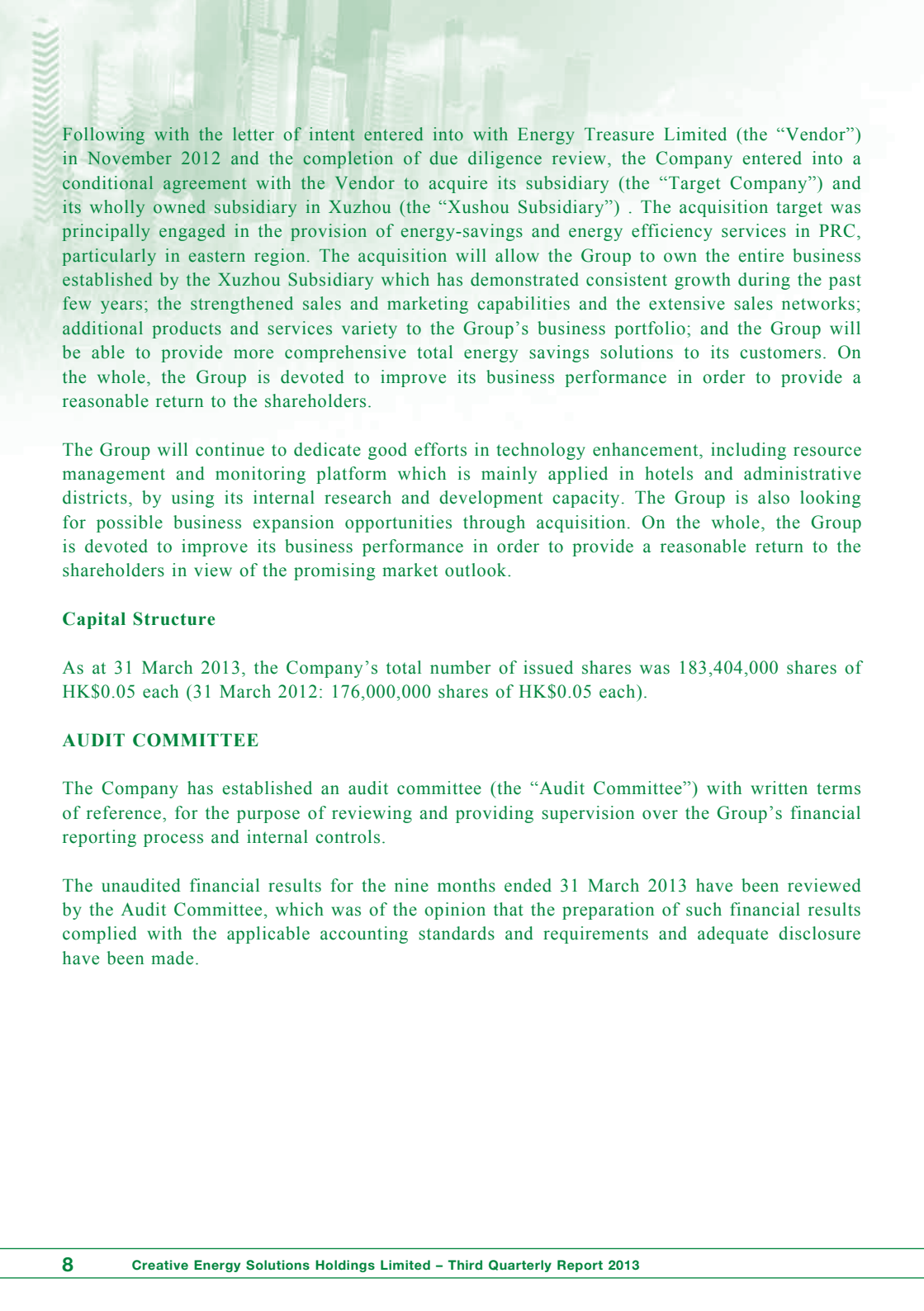
Distribution costs for the nine months ended 31 March 2013 was approximately RMB552,000, representing an increase of 79.2% as compared to approximately RMB308,000 in 2012. Increase in distribution costs was mainly attributable to inclusion of selling and marketing expenses incurred by the newly acquired subsidiary in Shaoxing, Zhejiang. The acquisition was completed in May 2012.

Administrative expenses for the nine months ended 31 March 2013 was approximately RMB5,431,000, representing a 23.8% decrease as compared to the same period in 2012 (31 March 2012: approximately RMB7,123,000), which was mainly due to decrease in equity-settled share based payment from RMB2,219,000 in 2012 to nil in the current period.

The Group recorded a loss of approximately RMB6,146,000 for the nine months ended 31 March 2013, representing a 16.1% decrease as compared to the same period in the previous year (31 March 2012: RMB7,324,000).

Business Review and Prospects

Following the expiry of the Shaoxing lighting factory premise tenancy agreement and the business expansion plan, the Group's Shaoxing subsidiary company underwent a plant relocation. Hence, production halted in March and was resumed in April 2013. The new plant is capable to cope with the increasing demand of lighting products in the future.



Following with the letter of intent entered into with Energy Treasure Limited (the “Vendor”) in November 2012 and the completion of due diligence review, the Company entered into a conditional agreement with the Vendor to acquire its subsidiary (the “Target Company”) and its wholly owned subsidiary in Xuzhou (the “Xuzhou Subsidiary”) . The acquisition target was principally engaged in the provision of energy-savings and energy efficiency services in PRC, particularly in eastern region. The acquisition will allow the Group to own the entire business established by the Xuzhou Subsidiary which has demonstrated consistent growth during the past few years; the strengthened sales and marketing capabilities and the extensive sales networks; additional products and services variety to the Group’s business portfolio; and the Group will be able to provide more comprehensive total energy savings solutions to its customers. On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to the shareholders.

The Group will continue to dedicate good efforts in technology enhancement, including resource management and monitoring platform which is mainly applied in hotels and administrative districts, by using its internal research and development capacity. The Group is also looking for possible business expansion opportunities through acquisition. On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to the shareholders in view of the promising market outlook.

Capital Structure

As at 31 March 2013, the Company’s total number of issued shares was 183,404,000 shares of HK\$0.05 each (31 March 2012: 176,000,000 shares of HK\$0.05 each).

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls.

The unaudited financial results for the nine months ended 31 March 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 March 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Name of Directors	Nature of interest	Note	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximately percentage of total issued shares as at 31 March 2013
Mr. Xu Bo	Corporate	(1)	127,057,440	—	127,057,440	69.33%
	Personal	(2)	—	88,000	88,000	
					<u>127,145,440</u>	
Mr. Wu Chun Wah	Corporate	(1)	127,057,440	—	127,057,440	69.33%
	Personal	(2)	—	88,000	88,000	
					<u>127,145,440</u>	
Mr. Cheong Ying Chew, Henry	Personal	(3)	—	176,000	176,000	0.1%
Mr. Leung Heung Ying	Personal	(3)	—	176,000	176,000	0.1%
Dr. Zhao Bin	Personal	(3)	—	176,000	176,000	0.1%

Notes:

- (1) The interest disclosed represents the corporate interest in 127,057,440 shares held by Million Sino Investments Limited, which is a company incorporated in the British Virgin Islands and is owned as to 50% by each of Mr. Xu Bo and Mr. Wu Chun Wah.
- (2) The interest disclosed represents the personal interest in 88,000 underlying shares in respect of the 88,000 share options granted by the Company to each of Mr. Xu Bo and Mr. Wu Chun Wah. These share options were granted on 2 June 2011 and are exercisable as to 50% during the period from 2 June 2011 to 1 June 2013 and as to 50% during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$3.55 per share.
- (3) The interest disclosed represents the personal interest in 176,000 underlying shares in respect of the 176,000 share options granted by the Company to each of Mr. Cheong Ying Chew, Henry, Mr. Leung Heung Ying and Dr. Zhao Bin. These share options were granted on 2 June 2011 and are exercisable as to 50% during the period from 2 June 2011 to 1 June 2013 and as to 50% during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$3.55 per share.
- (4) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above and in the section headed “Substantial Shareholders’ Interest in Securities” below, as at 31 March 2013, none of the directors and chief executive of the Company or their associates had or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS’ INTEREST IN SECURITIES

At 31 March 2013, save as disclosed in the section headed “Directors’ and Chief Executive’s Interests in Securities” above for interests of Mr. Xu Bo and Mr. Wu Chun Wah and each of their associates including Million Sino Investments Limited, in shares and underlying shares of the Company, the following persons had or deemed to have an interest in the shares and the underlying shares of the Company which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Note	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximately percentage of total issued shares as at 31 March 2013
Ms Chen Li	Interest of spouse	(1)	127,057,440	88,000	127,145,440	69.33%
Ms Lee Siu Yee, Brenda	Interest of spouse	(1)	127,057,440	88,000	127,145,440	69.33%

Notes:

- (1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 127,057,440 shares and 88,000 underlying shares in which Mr. Xu Bo is deemed to be interested.
- (2) Ms Lee Siu Yee, Brenda, the spouse of Mr. Wu Chun Wah, is also deemed to be interested in such 127,057,440 shares and 88,000 underlying shares in which Mr. Wu Chun Wah is deemed to be interested.
- (3) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 31 March 2013, so far as was known to Directors based on the information available, no person, other than the Directors and chief executive of the Company whose interest have been set out in the section headed “Directors’ and Chief Executive’s Interests In Securities” above, had registered an interest and a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) pursuant to a resolution passed by the shareholders on 5 November 2010, based on their contribution towards the growth and development the Group to grant share options to individual eligible persons as defined in the Scheme.

Under the Scheme, the Board may grant share options to the eligible persons to subscribe for such number of shares during such period of time as the Board may determine. Share options granted should be accepted not later than 28 days from the offer date for each tranche of share options granted. Upon acceptance of the share options, the grantee shall pay HK\$1.00 (equivalent to RMB0.81) to the Company by way of consideration for the grant.

The exercise price of the share option shall be the highest of (i) the closing price of the shares on the Growth Enterprise Market (“GEM”) as stated in The Hong Kong Stock Exchange Limited’s (“Stock Exchange”) daily quotation sheet on the date of grant; (ii) the average closing price of the shares on the GEM as stated in the Stock Exchange’s daily quotation sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

Details of movements in the share options during nine months ended 31 March 2013 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares)			Balance as at 31.03.2013
		Balance as at 1.7.2011	Granted during the period	Lapsed during the period	
<i>Executive Directors:</i>					
Xu Bo	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
Wu Chun Wah	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
<i>Independent Non-Executive Directors:</i>					
Cheong Ying Chew, Henry	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Leung Heung Ying	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Zhao Bin	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Employees	2.6.2011-1.6.2013	3,800	—	—	3,800
	2.6.2012-1.6.2014	3,800	—	—	3,800
Other eligible persons	2.6.2011-1.6.2013	2,400	—	—	2,400
	2.6.2012-1.6.2014	2,400	—	—	2,400
Total		13,104	—	—	13,104

Notes:

- (1) All share options were granted on 2 June 2011 and the exercise price is HK\$3.55 per share.
- (2) The closing price of the shares of the Company immediately before the date on which the share options were granted (i.e. 1 June 2011) was HK\$3.55.

- (3) No share options were cancelled under the Share Option Scheme during the period.
- (4) As a result of the Share Subdivision having become effective on 23 April 2013 and pursuant to the terms of the Share Option Scheme, the exercise price of the outstanding Share Options has been adjusted to HK\$0.355 per Share and the number of the Shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding Share Options has been adjusted to 131,040,000 Shares with effect from 23 April 2013. Further details of Share Subdivision are set out in the Company's announcement and the Circular dated 12 March 2013 and 5 April 2013 respectively.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2013, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 March 2013, except for the following deviation:

The Code provision A4.1 provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision in that all independent non-executive Directors are not appointed for specific term but are subject to retirement by rotation and re-election in accordance with the provisions of the Bye-law of the Company. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company's shareholders and the retirement and re-election requirements of independent non-executive Directors have given the Company's shareholders the right to approve continuation of independent non-executive Directors' offices.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings (“Standard Dealings”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and all the Directors confirmed that they have complied with the Standard Dealings during the nine months ended 31 March 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 31 March 2013.

By order of the Board

Xu Bo
Chairman

Hong Kong, 13 May 2013

As at the date of this report, the Board comprises Mr. Xu Bo, Mr. Wu Chun Wah as the executive directors; and Mr. Cheong Ying Chew, Henry, Mr. Leung Heung Ying, Alvin and Dr. Zhao Bin as the independent non-executive directors.