



China Bio Cassava Holdings Limited
中國生物資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8129)

First Quarterly Report
2017

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 of the Stock Exchange 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 of China Bio Cassava 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 for the purpose of giving information with regard to the Company. The directors of the Company, 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.

FINANCIAL HIGHLIGHTS

The Group recorded a turnover of HK\$1,329,000 for the three months ended 31 March 2017, representing a decrease of 19.7% from the corresponding period of previous year.

The Group recorded loan interest income of HK\$544,000 from provision of financing services for the three months ended 31 March 2017, representing a decrease of 27.1% from the corresponding period of previous year (three months ended 31 March 2016: HK\$746,000).

The Group recorded revenue of HK\$348,000 from sales and licensing of software and embedded system through online platform for the three months ended 31 March 2017, representing a decrease of 2.5% from the corresponding period of previous year (three months ended 31 March 2016: HK\$357,000).

Packaged software sales for the three months ended 31 March 2017 was HK\$437,000, representing a decrease of 21.0% from the corresponding period of previous year (three months ended 31 March 2016: HK\$553,000).

The Group's total operating expenses for the three months ended 31 March 2017 were HK\$2,661,000, representing a decrease of 18.7% as compared to the three months ended 31 March 2016 (three months ended 31 March 2016: HK\$3,272,000).

The Group recorded a net loss attributable to owners of the Company for the three months ended 31 March 2017 of HK\$1,342,000 (three months ended 31 March 2016: HK\$1,638,000). Loss per share attributable to the owners of the Company for the three months ended 31 March 2017 was HK0.05 cent (loss per share for the three months ended 31 March 2016: HK0.07 cent).

The unaudited condensed consolidated results for the three months ended 31 March 2017 and the comparison with last year are set out in the accompanying table.

THREE MONTHS RESULTS (UNAUDITED)

The board (the "Board") of directors (the "Directors") of China Bio Cassava Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three months ended 31 March 2017

		Three months ended	
		31 March	
		2017	2016
	Notes	HK\$'000	HK\$'000
Revenue	3		
– Interest income		544	746
– Sales and licensing of software and embedded systems		785	910
		<u>1,329</u>	<u>1,656</u>
Cost of sales		(15)	(23)
Gross profit		<u>1,314</u>	<u>1,633</u>
Other income		5	1
Selling and distribution expenses		(95)	(330)
Research and development expenses		(368)	(359)
General and administrative expenses		<u>(2,198)</u>	<u>(2,583)</u>
Loss before tax		<u>(1,342)</u>	<u>(1,638)</u>
Income tax expense	4	–	–
Loss for the period		<u><u>(1,342)</u></u>	<u><u>(1,638)</u></u>
Loss per share for the period	5		
– Basic (HK cent)		<u>(0.05)</u>	<u>(0.07)</u>
– Diluted (HK cent)		<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

For the three months ended 31 March 2017

	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Loss for the period	(1,342)	(1,638)
Other comprehensive expense, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive expense for the period	<u>(1,342)</u>	<u>(1,638)</u>
Total comprehensive expense attributable to owners of the Company	<u>(1,342)</u>	<u>(1,638)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2017

	Reserves								Sub-total	Total
	Share capital	Share premium	Share options reserve	Capital redemption reserve	Warrant reserve	Reorganisation reserve	Foreign currency translation reserve	Accumulated losses		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	24,822	163,243	65,784	37	6,952	3,000	(237)	(231,875)	6,904	31,726
Total comprehensive expense for the period	-	-	-	-	-	-	-	(1,638)	(1,638)	(1,638)
At 31 March 2016	<u>24,822</u>	<u>163,243</u>	<u>65,784</u>	<u>37</u>	<u>6,952</u>	<u>3,000</u>	<u>(237)</u>	<u>(233,513)</u>	<u>5,266</u>	<u>30,088</u>
At 1 January 2017	24,822	163,243	46,670	37	-	3,000	(301)	(212,926)	(277)	24,545
Total comprehensive expense for the period	-	-	-	-	-	-	-	(1,342)	(1,342)	(1,342)
Lapse of share options (Note a)	-	-	(260)	-	-	-	-	260	-	-
At 31 March 2017	<u>24,822</u>	<u>163,243</u>	<u>46,410</u>	<u>37</u>	<u>-</u>	<u>3,000</u>	<u>(301)</u>	<u>(214,008)</u>	<u>(1,619)</u>	<u>23,203</u>

Notes:

- During the three months ended 31 March 2017, the Group reversed the share options reserve of approximately HK\$260,000 upon the lapse of 2,500,000 share options.
- The amount represented the reserve arising from group reorganisation of the Company during the year ended 31 December 2000.

Notes:

1. General information

The shares of the Company are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company. The Group are principally engaged in the computer software and embedded systems development, sales and licensing of the software and systems and provision of financing services. The Group discontinued its operations in the development of biotech renewable energy. Save for this, there were no significant changes in the Group’s operations during the three months ended 31 March 2017.

The unaudited condensed consolidated first quarterly financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) unless otherwise stated.

2. Summary of significant accounting policies

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the unaudited condensed consolidated financial statements for the three months ended 31 March 2017 include all applicable disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”).

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of Hong Kong Accounting Standard (“HKAS”) 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The accounting policies and basis of preparation adopted for the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2017 are consistent with those adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2016.

3. Revenue and segment information

i. Revenue

Revenue represents the amounts received and receivables that are derived from sales of goods to customers and interest income from provision of financing services.

An analysis of the Group's revenue by major products and services for the three months ended 31 March 2017 are as follows:

	Unaudited Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Sales and licensing of software and embedded systems through packaged software	437	553
Sales and licensing of software and embedded systems through online platform	348	357
Interest income	544	746
	<u>1,329</u>	<u>1,656</u>

ii. Segment information

Information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance, focus on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (a) Sales and licensing of software and embedded systems
- (b) Provision of financing services

a. Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the three months ended 31 March 2017:

	Unaudited Three months ended 31 March					
	Sales and licensing of software and embedded systems		Provision of financing services		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue						
External sales	<u>785</u>	<u>910</u>	<u>544</u>	<u>746</u>	<u>1,329</u>	<u>1,656</u>
Result						
Segment results	<u>(66)</u>	<u>24</u>	<u>129</u>	<u>422</u>	63	446
Interest income					5	1
Unallocated expenses					<u>(1,410)</u>	<u>(2,085)</u>
Loss before taxation					<u>(1,342)</u>	<u>(1,638)</u>

Revenue reported above represents revenue generated from external customers.

There were no inter-segment sales during the three months ended 31 March 2017 and 31 March 2016.

Segment results represented the profit earned by or loss from each segment without allocation of central administration costs, directors' emoluments, interest income and other items not directly related to the relevant segments. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

b. Geographical information

For the three months ended 31 March 2017 and 31 March 2016, all of the Group's revenue is derived from customers and operations based in Hong Kong, and accordingly, no further analysis of the Group's geographical information is disclosed.

4. Income tax expense

For the three months ended 31 March 2017, no Hong Kong Profits Tax has been provided as the Group did not generate any assessable profits arising in Hong Kong (three months ended 31 March 2016: Nil).

For the three months ended 31 March 2017, no profits tax has been provided for the subsidiaries which are operating outside Hong Kong as these subsidiaries have not generated any assessable profits in the respective jurisdictions (three months ended 31 March 2016: Nil).

5. Loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the consolidated loss for the three months ended 31 March 2017 attributable to the owners of the Company of approximately HK\$1,342,000 (three months ended 31 March 2016: HK\$1,638,000) and the weighted average of 2,482,150,000 ordinary shares (three months ended 31 March 2016: 2,482,150,000 ordinary shares) of the Company in issue during the period.

Diluted loss per share for the three months ended 31 March 2017 and 31 March 2016 are not presented because the exercise of the outstanding share options and warrants would have anti-dilutive effect on the basic loss per share.

6. Dividend

The Board does not recommend the payment of dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

BUSINESS REVIEW AND PROSPECTS

Overall performance

The consolidated turnover of the Group for the three months ended 31 March 2017, amounted to HK\$1,329,000, representing a decrease of 19.7% from the corresponding period of previous year. Loss attributable to owners of the Company for the three months ended 31 March 2017 was HK\$1,342,000 (three months ended 31 March 2016: HK\$1,638,000). The loss per share was HK0.05 cent (three months ended 31 March 2016: loss per share HK0.07 cent).

The Group recorded loan interest income of HK\$544,000 from provision of financing services for the three months ended 31 March 2017, representing a decrease of 27.1% from the corresponding period of previous year (three months ended 31 March 2016: HK\$746,000).

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The Group's total operating expenses for the three months ended 31 March 2017 were HK\$2,661,000, representing a decrease of 18.7% as compared to the three months ended 31 March 2016 (three months ended 31 March 2016: HK\$3,272,000).

Although the results of all business segments for the three months ended 31 March 2017 were out of the management's expectation, the management will continue to provide resources and explore more business opportunities in attempts to obtain growth in profitability for the Group.

Events after the reporting period

On 11 April 2017, the Company and the Vendor entered into the Agreement pursuant to which the Vendor had conditionally agreed to sell and the Company had conditionally agreed to purchase Sale Shares, representing 30% of the issued share capital in the Target Company for the Consideration satisfied by the issue of the Promissory Note with principal sum of HK\$7.5 million at Completion. The Acquisition was completed on 26 April 2017 upon the fulfilment of all Conditions Precedent under the Agreement. Following the Completion, the Company has become the ultimate holder of 30% issued share capital in the Target Company. Details of the above were disclosed in the announcements of the Company dated 11 April 2017 and 26 April 2017.

Capital structure

On 12 April 2017, the Company and a third party Placing Agent entered into the Placing Agreement, whereby the Company had conditionally agreed to place, through the placing agent, on a best effort basis, of up to 240,000,000 Placing Shares to not less than six Placees at a price of HK\$0.1 per Placing Share (representing a discount of approximately 8.26% to the closing price of HK\$0.109 per Share as quoted on the Stock Exchange on 12 April 2017). On 11 May 2017, the Company and the Placing Agent entered into an extension letter dated 11 May 2017 to extend the date for fulfillment of all conditions precedent to the Placing (the "Long Stop Date") from 11 May 2017 to 19 May 2017 or such later date to be agreed between the Company and the Placing Agent. Save for the extension of the Long Stop Date, all other terms and conditions of the Placing Agreement remained unchanged. As at the date of this report, the total number of issued shares of the Company remained unchanged. Details of the above were disclosed in the announcements of the Company dated 12 April 2017 and 11 May 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, save for the interest of the Directors in share options as below, neither of the Directors nor the chief executive of the Company had interests and/or short positions in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

Share Option

As at 31 March 2017, there were a total of 14,300,000 outstanding share options of the Company granted to the Directors, details of which are summarised in the following table:

Options to subscribe for shares of the Company									
Directors	Date of grant	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding	Option exercise period	Exercise price per share	Approximate percentage of shareholding
		as at 1 January 2017				as at 31 March 2017			
Kwan Kin Chung	29/5/2007	4,000,000	-	-	-	4,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.26%
	21/9/2011	1,250,000	-	-	-	1,250,000	21/9/2011 to 20/9/2021	HK\$0.172	
	10/1/2014	1,200,000	-	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	
Yu Huaguo (Note 2)	10/1/2014	1,200,000	-	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	0.05%
Poon Yu Keung	10/1/2014	1,200,000	-	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	0.05%
Hung Ching Fung	10/1/2014	1,200,000	-	-	-	1,200,000	10/1/2014 to 9/1/2024	HK\$0.147	0.05%
Leung Lap Yan	29/5/2007	2,000,000	-	-	-	2,000,000	29/5/2007 to 28/5/2017	HK\$0.450	0.13%
	21/9/2011	250,000	-	-	-	250,000	21/9/2011 to 20/9/2021	HK\$0.172	
	10/1/2014	1,000,000	-	-	-	1,000,000	10/1/2014 to 9/1/2024	HK\$0.147	
Chow Wing Tung	10/1/2014	1,000,000	-	-	-	1,000,000	10/1/2014 to 9/1/2024	HK\$0.147	0.04%
Total		<u>14,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,300,000</u>			

Notes:

- 1) The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 March 2017, all options have been vested.
- 2) Mr. Yu Huaguo resigned as an executive Director with effect from 10 April 2017.

Save as disclosed above, none of the Directors or the chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31 March 2017.

SHARE OPTION SCHEMES

On 27 April 2007, a new share option scheme (the "New Share Option Scheme") was adopted by the shareholders of the Company and the share option scheme adopted by the Company on 30 April 2002 (the "Old Share Option Scheme") was terminated accordingly on the same date. No share option was outstanding under the Old Share Option Scheme.

As at 31 March 2017, options to subscribe for up to an aggregate of 415,830,000 shares of HK\$0.01 each had been granted by the Company under the New Share Option Scheme. Details of the share options which had been granted under the Share Option Scheme are as follows:

Options to subscribe for shares of the Company								
Category of participant	Date of grant	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2017	Option exercise period	Exercise price per share
Directors	29/5/2007	6,000,000	-	-	-	6,000,000	29/5/2007 to 28/5/2017	HK\$0.450
	21/9/2011	1,500,000	-	-	-	1,500,000	21/9/2011 to 20/9/2021	HK\$0.172
	10/1/2014	6,800,000	-	-	-	6,800,000	10/1/2014 to 9/1/2024	HK\$0.147
Employees other than the Directors	29/5/2007	2,000,000	-	-	(1,000,000)	1,000,000	29/5/2007 to 28/5/2017	HK\$0.450
	21/9/2011	750,000	-	-	(500,000)	250,000	21/9/2011 to 20/9/2021	HK\$0.172
	10/1/2014	1,000,000	-	-	(1,000,000)	-	10/1/2014 to 9/1/2024	HK\$0.147
Consultants	29/5/2007	163,190,000	-	-	-	163,190,000	29/5/2007 to 28/5/2017	HK\$0.450
	10/1/2014	237,090,000	-	-	-	237,090,000	10/1/2014 to 9/1/2024	HK\$0.147
Total		<u>418,330,000</u>	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>	<u>415,830,000</u>		

Notes:

- (i) The option exercise period is commenced from the date of grant for ten years. The options may be exercised at any time within the option period provided that the options have been vested. As at 31 March 2017, all options have been vested.
- (ii) During the three months ended 31 March 2017, a total of 2,500,000 options were lapsed while there were no options being exercised or cancelled.

Details of options granted to Directors under the Share Option Scheme are set out in the sub-section headed "Long Positions in Underlying Shares of the Company" under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures".

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2017, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, the Directors are not aware of any other party (save for those disclosed above in respect of the Directors and chief executives) who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

INTERESTS IN COMPETING BUSINESS

Mr. Chow Wing Tung, an independent non-executive Director, held share interests in Great Harvest Finance Limited which is principally engaged in the business of hire purchase car financing. Mr. Chow was therefore considered to have interests in businesses which compete or are like to compete with the businesses of the Group pursuant to the GEM Listing Rules.

As the businesses of the Company and the above entity are operated under separate management with no reliance (whether financial or business) on each other, the Group is able to operate its businesses independently of, and at arm's length from, the competing entity.

Save as disclosed above, none of the Directors and their respective close associates (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company did not redeem any of its listed securities during the three months ended 31 March 2017. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the three months ended 31 March 2017.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the three months ended 31 March 2017.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance. Maintaining a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the three months ended 31 March 2017 under review, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") set out in Appendix 15 of the GEM Listing Rules, with the exception of deviation set out below.

Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. During the three months ended 31 March 2017 under review, the Company has not appointed a chairman, and the roles and functions of a chairman have been performed by all the executive Directors collectively.

AUDIT COMMITTEE

The Audit Committee, with written terms of reference in compliance with Code Provision C.3.3 of the Code as set out in Appendix 15 of the GEM Listing Rules, currently comprises three independent non-executive Directors, namely Mr. Chow Wing Tung, Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph. Mr. Chow Wing Tung is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control procedures. The Group's unaudited condensed consolidated results for the three months ended 31 March 2017 have been reviewed by the Audit Committee together with management, which was of the opinion that the preparation of such results were complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By order of the Board
China Bio Cassava Holdings Limited
Kwan Kin Chung
Managing Director

Hong Kong, 15 May 2017

As at the date of this report, the Board comprises Mr. Kwan Kin Chung, Mr. Poon Yu Keung, Mr. Hung Ching Fung, Mr. Tang Lap Chin Richard and Mr. Ng Chung Yuen Frank as executive Directors, Mr. Leung Lap Yan as non-executive Director, Mr. Chow Wing Tung, Mr. Ko Wai Lun Warren and Mr. Yam Chiu Fan Joseph as independent non-executive Directors.