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比亞迪電子(國際)有限公司
BYD ELECTRONIC (INTERNATIONAL) COMPANY LIMITED

(incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock code: 285)

**CONNECTED TRANSACTION AND
REVISION OF EXISTING ANNUAL CAP FOR CONTINUING
CONNECTED TRANSACTIONS**

CONNECTED TRANSACTION

On 16 April 2021 (after trading hours), BYD Precision (as purchaser), a wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with BYD (as vendor) and the transactions thereunder constitute a connected transaction of the Company.

**REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED
TRANSACTIONS – SUPPLEMENTAL AGREEMENT IN RELATION TO THE
PROVISION OF PROCESSING SERVICES BY THE BYD GROUP TO THE GROUP**

Reference is made to the announcements of the Company dated 26 November 2018 and 23 July 2020 in relation to, among others, the provision of certain processing services by the BYD Group for certain products and facilities (including waste water treatment) of the Group for a term commencing from 1 January 2019 to 31 December 2021 in accordance with the Existing Processing Services Agreement (as amended and supplemented by the First Supplemental Processing Services Agreement).

As the Company expects that the Group will continue to expand its business operations and production lines for products which the Group began producing in 2020, including but not limited to automotive electronic projects, medical products and unmanned aerial vehicles, as well as for its assembling business, the amount of processing services which the Group requires from the BYD Group (including but not limited to product design, testing, quality control and processing services) in respect of the products of the Group is expected to increase in 2021, as compared to the level anticipated by the Company when the Existing Processing Services Agreement was entered into in 2018. In order to accommodate the said expansion of business operations and production lines of the Group, certain production premises of the Group will be redistributed and renovated. As such, it is expected that more processing services including but not limited to the renovating, up keeping, fitting out and/or maintenance services will be required from the BYD Group in relation to the Group's plants and production facilities.

On 16 April 2021 (after trading hours), the Company entered into the Second Supplemental Processing Services Agreement with BYD to revise the existing annual cap for the year ending 31 December 2021. Save for the revision of the existing annual cap for the year ending 31 December 2021 from RMB517,273,000 to RMB666,495,000, all other terms and conditions under the Existing Processing Services Agreement remain the same.

LISTING RULES IMPLICATIONS

As BYD is the controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company, it is a connected person of the Company. As such, the Equity Transfer Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under Second Supplemental Processing Services Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

In relation to the Second Supplemental Processing Services Agreement, pursuant to the Listing Rules, as the Company proposes to revise the annual cap for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of each of the Equity Transfer Agreement and the Second Supplemental Processing Services Agreement exceed 0.1% but are less than 5%, each of the Equity Transfer Agreement and the Second Supplemental Processing Services Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

Details of the Equity Transfer Agreement are set out below:

THE EQUITY TRANSFER AGREEMENT

Date

16 April 2021 (after trading hours)

Parties

- (1) BYD Precision as purchaser
- (2) BYD as vendor

Subject matter

Pursuant to the Equity Transfer Agreement, BYD as vendor agrees to sell and BYD Precision as purchaser agrees to purchase the Equity, representing 3.00% of the entire registered capital of BYD Auto Finance. As at the date of this announcement, the total registered capital of BYD Auto Finance amounts to RMB1,500,000,000 which is fully paid up.

BYD Auto Finance is a company incorporated in the PRC with limited liability. As at the date of this announcement, BYD Auto Finance is owned as to 80% by BYD and 20% by Bank of Xi'an Co., Ltd* (西安銀行股份有限公司). BYD Auto Finance is principally engaged in the business of auto loan, auto financing lease (other than leaseback business), issuance of financial bonds and car finance consulting agency etc..

Consideration

The total consideration for the Equity is RMB80,800,000, which shall be payable by BYD Precision to BYD.

The consideration was determined after arm's length negotiation between the parties on normal commercial terms, taking into account (i) the scale of registered capital of BYD Auto Finance; (ii) the economic benefits and expected income of BYD Auto Finance in the next ten years; (iii) the business prospect of BYD Auto Finance; and (iv) the valuation of the Equity of approximately RMB80.9 million as at 31 December 2020 conducted by the Valuer, an independent valuer engaged by the Company.

The Valuer adopted the discounted cash flow method of income approach for valuation. Such method was based on simple reversal calculation by restating all the expected income and future cash flow pursuant to the existing items. In considering the expected future income, the Valuer has considered the structure of cost and income, financial position, capital structure, capital expenditures, investment income and level of risk of BYD Auto Finance.

The valuation was also based on the following key assumptions, including but not limited to:

- (i) there are no material changes to the socio-economic environment, prevailing interest rates, exchange rates, tax bases and tax rates, and policy levies;
- (ii) there are no material changes to the international financial and global economic environment as well as the national macroeconomic situation;
- (iii) the current national laws and regulations as well as administrative policies, industrial policies, financial policies, taxation policies and other policies are relatively stable and the operations of BYD Auto Finance fully complies with relevant laws and regulations;
- (iv) the industry where BYD Auto Finance is operated remains unchanged from the current development direction and trend after the benchmark date, without considering the impact of emergence of unknown new technologies and new business ideas on the industry trends in the future;
- (v) BYD Auto Finance will continue to operate in accordance with the original business direction, business method, business scope and management level as well as the current industry conditions and market competition environment upon the realisation of the economic behavior;
- (vi) the valuation is only based on the existing operating capabilities of BYD Auto Finance on the benchmark date, without taking into account any future expansion of operating capabilities that may be caused by management, operation strategies and additional investments, and the impacts caused by any potential production and operation changes;

- (vii) the total investment amounts and financial leverage level of BYD Auto Finance on the benchmark date will remain unchanged;
- (viii) the assets of BYD Auto Finance bear no defects of rights, liabilities and restrictions that may affect their value, and it is assumed that relevant taxes and amounts payable have been settled; and
- (ix) BYD Auto Finance will not be affected by factors such as existing or possible pledges, guarantees and special transaction methods.

Income approach assessment is based on the expected return of the asset, which reflects the profitability of the asset. Such profitability is usually affected by a number of factors such as macro economy, government control, corporate operation and management and utilisation of the asset. As BYD Auto Finance is classified as part of the auto finance industry, its income mainly comprises interest income. The income approach assessment is not only related to the corporate's tangible asset, but to a certain extent also reflects intangible factors such as the advanced level of technology, market development ability, customers retention, talent gathering effect, experience in industry operation and in particular, the value contributed by the intangible asset.

The Valuer elected to adopt income approach to assess the impact of changes in the business development of BYD Auto Finance on its future profitability, mainly taking into account the fact that the income approach, as compared to other valuation methods such as market approach, is more capable of eliminating the impact of profit-seeking factors and short term fluctuations.

The valuation report was prepared in accordance with the PRC Accepted Asset Valuation Standards.

The Board believed the relevant basis, assumption and valuation method of such valuation are fair and reasonable, and the consideration is properly determined with reference to the valuation, thus the consideration is fair and reasonable.

The consideration will be financed by internal resources of the Group.

Payment term

The consideration shall be paid by BYD Precision by way of a bank transfer within ten days from the effective date of the shareholders' approval of BYD Auto Finance in respect of the resolution on the Equity Transfer Transaction.

Equity transfer

Both parties undertake that after the Equity Transfer Agreement takes effect, the parties shall immediately commence and actively cooperate in completing the Equity Transfer, including but not limited to transfer registration, obtaining the required approvals from shareholders and directors, and submitting the required documents to the relevant governmental authorities.

REVISION OF EXISTING ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to (i) the announcement of the Company dated 26 November 2018 in relation to, among others, the provision of certain processing services by the BYD Group for certain products and facilities (including waste water treatment) of the Group for a term commencing from 1 January 2019 to 31 December 2021 in accordance with the Existing Processing Services Agreement; and (ii) the announcement of the Company dated 23 July 2020 in relation to, among others, the revision of existing annual cap for the year ended 31 December 2020 for the Existing Processing Services Agreement.

PROVISION OF PROCESSING SERVICES BY THE BYD GROUP TO THE GROUP – SECOND SUPPLEMENTAL PROCESSING SERVICES AGREEMENT

On 23 July 2020, the Company entered into the First Supplemental Processing Services Agreement with BYD to revise the existing annual cap for the year ended 31 December 2020 under the Existing Processing Services Agreement from RMB512,774,000 to RMB809,537,000. The First Supplemental Processing Services Agreement was entered into for the purpose of revising the annual cap for the year ended 31 December 2020 under the Existing Processing Services Agreement, as a result of the expansion of the Group's business operations and production capacity and for the purpose of bringing the plants and production facilities of the Group to working condition for its intended use in 2020.

As the Company expects that the Group will continue to expand its business operations and production lines for products which the Group began producing in 2020, including but not limited to automotive electronic projects, medical products and unmanned aerial vehicles, as well as for its assembling business, the amount of processing services which the Group requires from the BYD Group (including but not limited to product design, testing, quality control and processing services) in respect of the products of the Group is expected to increase in 2021, as compared to the level anticipated by the Company when the Existing Processing Services Agreement was entered into in 2018. In order to accommodate the said expansion of business operations and production lines of the Group, certain production premises of the Group will be redistributed and renovated. As such, it is expected that more processing services including but not limited to the renovating, up keeping, fitting out and/or maintenance services will be required from the BYD Group in relation to the Group's plants and production facilities. The transaction amounts under the Existing Processing Services Agreement for the year ending 31 December 2021 are expected to be higher than the existing annual cap for the period.

On 16 April 2021 (after trading hours), the Company entered into the Second Supplemental Processing Services Agreement with BYD to revise the existing annual cap for the year ending 31 December 2021. Save for the revision of the existing annual cap for the year ending 31 December 2021 from RMB517,273,000 to RMB666,495,000, all other terms and conditions under the Existing Processing Services Agreement remain the same.

Details of the Second Supplemental Processing Services Agreement are set out below:

Date

16 April 2021 (after trading hours)

Parties

- (1) The Company
- (2) BYD

Subject matter

Pursuant to the Second Supplemental Processing Services Agreement, the existing annual cap for the year ending 31 December 2021 of RMB517,273,000 is amended to RMB666,495,000.

The proposed annual cap for the year ending 31 December 2021 was determined based on arm's length negotiations between the Company and BYD having considered, among others, the following factors and assumptions:

- (a) the historical transaction amounts incurred by the Group under the Existing Processing Services Agreement. In particular, the actual transaction amounts incurred under the Existing Processing Services Agreement were approximately RMB374,660,000 and RMB807,329,000 for each of the year ended 31 December 2019 and 31 December 2020, which accounted for approximately 73.18% and 99.72% of the annual cap for each of the year ended 31 December 2019 and 31 December 2020, respectively;
- (b) the business needs, production plan and capacity of the Group;
- (c) the conditions of the plants and production facilities of the Group and the expected development plan including but not limited to the renovation, up keeping, fitting out and/or maintenance plan for the said facilities by reference to the Group's operational and production needs; and
- (d) the estimated market rate of the processing services, including but not limited to renovation, up keeping, fitting out and/or maintenance, which the Group may require.

If the total transaction amounts under the Second Supplemental Processing Services Agreement are expected to exceed the annual cap, the Company will re-comply with the relevant requirements in accordance with the Listing Rules such as by publication of a further announcement or to seek approval from independent Shareholders, if applicable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT AND THE SECOND SUPPLEMENTAL PROCESSING SERVICES AGREEMENT

Equity Transfer Agreement

Auto financing is one of the developing industries in the PRC during the last decade. BYD Auto Finance focuses on auto financing and is the first auto financing company in the northwest region in the PRC. BYD Auto Finance also focuses on green financing, which aligns with the government policies to encourage sustainable development and the use of new energy vehicles.

It is believed that the purchase of the Equity from BYD can further increase the yield of BYD Precision and can strengthen the overall competitiveness and profitability of BYD Precision. The purchase of the Equity could also provide BYD Precision an opportunity to understand the operation of the auto finance industry and to diversify its existing business as well as explore future business and investment opportunities in the auto finance industry.

At the same time, the permitted scope of business of BYD Auto Finance includes acceptance of fixed deposits from its shareholders. Therefore, becoming a shareholder of BYD Auto Finance will offer BYD Precision an additional choice of institution for their placing of fixed deposit, thereby offering the Group an additional channel to utilise any excess funds in the Group. BYD Precision may or may not proceed with the said transaction and in the event that the Group elects to do so, the Company will comply with the requirements under the Listing Rules as and when appropriate, including, where required, seeking independent Shareholders' approval prior to the transaction.

The terms of the Equity Transfer Agreement have been negotiated on an arm's length basis. The Directors, including the independent non-executive Directors, believe that the Equity Transfer Transaction has been entered into on normal commercial terms and the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Second Supplemental Processing Services Agreement

The annual cap for the year ended 31 December 2020 under the Existing Processing Services Agreement was revised pursuant to the First Supplemental Processing Services Agreement as a result of the continuing expansion of the Group's business operations and production capacity and for the purpose of bringing the plants and production facilities of the Group to working condition for its intended use. As the Company expects that the Group will continue to expand its business operations and production lines for products which the Group began producing in 2020, automotive electronic projects, medical products and unmanned aerial vehicles, as well as for its assembling business, the amount of processing services which the Group requires from the BYD Group (including but not limited to product design, testing, quality control and processing services) in respect of the products of the Group is expected to increase in 2021, as compared to the level anticipated by the Company when the Existing Processing Services Agreement was entered into in 2018. In order to accommodate the said expansion of business operations and production lines of the Group, certain production premises of the Group will be redistributed and renovated. As such, it is expected that more processing services including but not limited to the renovating, up keeping, fitting out and/or maintenance services will be required from the BYD Group in relation to the Group's plants and production facilities.

Furthermore, given the historical friendly business relationship between the Group and the BYD Group, the proximity of the factories and premises of the Group and the BYD Group, the mutual understanding of the parties' business and production practices and standard required, the Directors (including the independent non-executive Directors) considered that it is in the interest of the Company to enter into the Second Supplemental Processing Services Agreement with BYD to revise the annual cap for the year ending 31 December 2021 to ensure that the Group and BYD Group can continue the transactions under the Existing Processing Services Agreement to minimize administration costs in relation to the engagement and/or supervision of the required services.

The Company will continue to review and supervise the transaction amounts in respect of the Second Supplemental Processing Services Agreement going forward with a view to ensuring that necessary measures and appropriate actions will be promptly taken in order to comply with the applicable requirements under the Listing Rules.

The Directors (including the independent non-executive Directors) have confirmed that the Second Supplemental Processing Services Agreement and the transactions contemplated thereunder have been subject to arm's length negotiations between the parties and were entered into by the Group in the ordinary and usual course of business and on normal commercial terms, and are of the view that the Second Supplemental Processing Services Agreement and the proposed annual cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES

To ensure that the service fees charged by the BYD Group under the Second Supplemental Processing Services Agreement will be fair and reasonable and on normal commercial terms, the business department of the Group will obtain quotations and/or invite for tenders from independent third parties to determine the prevailing prices being charged by independent third parties under ordinary course of business for providing the required renovation services in the PRC on a monthly basis. Such reference prices will then be reviewed and approved by the general manager of the business department of the Group at least quarterly.

Furthermore, in addition to our compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group's continuing connected transactions, to ensure the transactions contemplated under the Second Supplemental Processing Services Agreement do not exceed the annual cap(s), the business department of the Group shall fill in and submit statistical charts for the continuing connected transactions at least quarterly. In the event that the amount of the transactions incurred or to be incurred under the Existing Supplemental Processing Services Agreement for a financial year is expected to reach the relevant annual cap, the business department will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the annual cap(s) is required, report the particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance with the requirements under the Listing Rules.

The Company also arranges compliance trainings for the Directors, senior management and staff from the relevant departments of the Company and its subsidiaries from time to time, primarily focusing on the rules relating to connected transactions under Chapter 14A of the Listing Rules.

INFORMATION ON THE GROUP AND THE BYD GROUP

The Company and the Group

The Company is incorporated under the laws of Hong Kong with limited liability whose shares are listed on the Stock Exchange. Approximately 65.76% of the equity interests of the Company is held by Golden Link Worldwide Limited, a company incorporated in the British Virgin Islands, which is ultimately wholly-owned by BYD. The Group is principally engaged in the business of the manufacture and sales of handset components and modules, the provision of handset design and assembly services, and the provision of parts and assembly services of other electronic products.

BYD

BYD is a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Stock Exchange and the Shenzhen Stock Exchange. The BYD Group is principally engaged in rechargeable battery and photovoltaic business, handset components and assembly services, as well as automobile business which includes traditional fuel-engined vehicles and new energy vehicles and is actively developing the urban rail transportation business segment.

BYD Auto Finance

BYD Auto Finance is a company incorporated in the PRC with limited liability. As at the date of this announcement, BYD Auto Finance is owned as to 80% by BYD and 20% by Bank of Xi'an Co., Ltd* (西安銀行股份有限公司). BYD Auto Finance is principally engaged in the business of auto loan, auto financing lease (other than leaseback business), issuance of financial bonds and car finance consulting agency etc.. As at the date of this announcement, the total registered capital of BYD Auto Finance amounts to RMB1,500,000,000 which is fully paid up.

Set out below are the net profits (both before and after taxation) of BYD Auto Finance and its subsidiaries based on the audited consolidated accounts of BYD Auto Finance for the two financial years ended 31 December 2020:

	For the financial year ended 31 December	
	2019	2020
	RMB'000	RMB'000
Net profits before taxation	180,144.64	154,699.39
Net profits after taxation	133,675.33	114,470.49

As at 31 December 2020, the audited net asset value of BYD Auto Finance was approximately RMB2,024,913,522.61 based on the audited consolidated account of BYD Auto Finance.

BYD Auto Finance was set up as a joint venture by BYD and Bank of Xi'an Co., Ltd* (西安銀行股份有限公司) in 2015. Since preparation for the establishment of BYD Auto Finance in 2014, BYD has contributed a total of RMB1,200,000,000 towards the total registered capital of the BYD Auto Finance, of which approximately RMB36,000,000 is attributable to the Equity.

LISTING RULES REQUIREMENTS

As BYD is the controlling Shareholder of the Company indirectly interested in approximately 65.76% of the issued share capital of the Company, it is a connected person of the Company. As such, the Equity Transfer Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Second Supplemental Processing Services Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Mr. WANG Chuan-fu, being a non-executive Director of the Company, is also an executive director and chairman of the board of directors of BYD and is interested in approximately 19.00% of the total issued share capital of BYD as at the date of this announcement. Accordingly, Mr. WANG Chuan-fu, being a Director who may have a material interest, had voluntarily abstained from voting on the board resolutions of the Company concerning the Equity Transfer Agreement and the Second Supplemental Processing Services Agreement.

In relation to the Second Supplemental Processing Services Agreement, pursuant to the Listing Rules, as the Company proposes to revise the annual cap for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of each of the Equity Transfer Transaction and the Second Supplemental Processing Services Agreement exceed 0.1% but are less than 5%, each of the Equity Transfer Transaction and the Second Supplemental Processing Services Agreement is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Board”	the board of Directors or a duly authorized committee of the board of Directors;
“BYD”	BYD Company Limited, a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Main Board of the Stock Exchange and A shares are listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange;
“BYD Auto Finance”	BYD Auto Finance Company Limited* 比亞迪汽車金融有限公司, a company incorporated in the PRC with limited liability, a subsidiary of BYD;
“BYD Group”	BYD and its subsidiaries (excluding, except where the context indicates otherwise, the Group);

“BYD Precision”	BYD Precision Manufacture Co. Ltd.* 比亞迪精密製造有限公司, a company incorporated in the PRC with limited liability and is wholly owned by the Company;
“Company”	BYD Electronic (International) Company Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Processing Services Agreement”	the processing services agreement dated 26 November 2018 between the Company and BYD in relation to the provision of processing services by the BYD Group to the Group and as supplemented and amended by the First Supplemental Processing Services Agreement dated 23 July 2020. For further details, please refer to the announcements of the Company dated 26 November 2018 and 23 July 2020;
“Equity”	3.00% of the total registered capital of BYD Auto Finance of RMB1,500,000,000;
“Equity Transfer Agreement”	the Equity Transfer agreement dated 16 April 2021 entered into between BYD Precision and BYD for the purchase of the Equity by BYD Precision from BYD;
“Equity Transfer Transaction”	the transaction contemplated under the Equity Transfer Agreement;
“First Supplemental Processing Services Agreement”	the supplemental processing services agreement dated 23 July 2020 between the Company and BYD in relation to the revision of the annual cap for the year ended 31 December 2020 under the Existing Processing Services Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;

“Second Supplemental Processing Services Agreement”	the agreement entered into between the Company and BYD on 16 April 2021 to revise the Existing Processing Services Agreement;
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Valuer”	Allied Appraisal Co., Ltd. (中聯國際評估諮詢有限公司); and
“%”	per cent.

* *for identification only*

By order of the Board of
BYD Electronic (International) Company Limited
Wang Nian-qiang
Director

Hong Kong, 16 April 2021

As at the date of this announcement, the Board consists of Mr. WANG Nian-qiang and Mr. JIANG Xiangrong being the executive Directors, Mr. WANG Chuan-fu and Mr. WANG Bo being the non-executive Directors and Mr. CHUNG Kwok Mo John, Mr. Antony Francis MAMPILLY and Mr. QIAN Jing-jie being the independent non-executive Directors.