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OKG Technology Holdings Limited **歐科雲鏈控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1499)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Year was approximately HK\$356.4 million, decreased approximately 7.6% from approximately HK\$385.6 million for the year ended 31 March 2022.
- Profit attributable to the owners of the Company for the Year amounted to approximately HK\$43.5 million, compared to a loss of approximately HK\$58.1 million for the year ended 31 March 2022. The turnaround from loss to profit was mainly attributable to the increase in the revenues from the Group's proprietary trading in digital assets business.
- Basic and diluted earnings per share for the Year amounted to approximately HK cents 0.81 (Basic and diluted loss per share for the year ended 31 March 2022: approximately HK cents 1.08).
- Equity attributable to the owners of the Company as at 31 March 2023 amounted to approximately HK\$205.6 million (as at 31 March 2022: approximately HK\$162.1 million).
- The Board does not recommend the declaration of a final dividend for the Year (2022: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of OKG Technology Holdings Limited (the “**Company**”, together with subsidiaries of the Company, the “**Group**”) is pleased to announce the audited consolidated financial results of the Group for the year ended 31 March 2023 (the “**Year**”), together with comparative figures for the year ended 31 March 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	356,431	385,614
Cost of sales		<u>(201,207)</u>	<u>301,339</u>
Gross profit		155,224	84,275
Other income, gains and losses	4	(824)	19,180
Administrative and other operating expenses		(88,641)	(129,320)
Impairment losses on intangible assets		(1,646)	(50)
Impairment losses on financial assets and contract assets, net		<u>(6,973)</u>	<u>(27,353)</u>
Operating profit/(loss)		57,140	(53,268)
Finance costs		<u>(5,604)</u>	<u>(5,435)</u>
Profit/(Loss) before income tax	5	51,536	(58,703)
Income tax (expenses)/credit	6	<u>(9,216)</u>	<u>271</u>
Profit/(Loss) for the year		<u>42,320</u>	<u>(58,432)</u>

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Other comprehensive (loss)/income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(348)	857
Reclassification of cumulative translation reserve upon disposal of foreign operations		—	(177)
Other comprehensive (loss)/income for the year, net of tax		(348)	680
Total comprehensive income/(loss) for the year		41,972	(57,752)
Profit/(Loss) for the year attributable to:			
Owners of the Company		43,491	(58,061)
Non-controlling interests		(1,171)	(371)
		42,320	(58,432)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		43,486	(57,505)
Non-controlling interests		(1,514)	(247)
		41,972	(57,752)
		HK cents	HK cents
Earnings/(Loss) per share attributable to owners of the Company			
Basic and diluted	7	0.81	(1.08)

Details of dividends are disclosed in Note 8 to this announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		14,357	17,072
Right-of-use assets		5,661	10,251
Intangible assets		200	4,897
Deferred tax assets		–	242
		<u>20,218</u>	<u>32,462</u>
Current assets			
Trade and other receivables	9	54,075	32,769
Contract assets		42,132	67,265
Digital assets		649,487	560,097
Financial assets at fair value through profit or loss		14,631	20,856
Amounts due from related parties		4,972	–
Tax recoverable		2,371	783
Trust bank balance held on behalf of customers		226,683	147,547
Bank balances and cash		90,625	135,555
		<u>1,084,976</u>	<u>964,872</u>
Total assets		<u>1,105,194</u>	<u>997,334</u>
EQUITY			
Capital and reserves			
Share capital	10	26,853	26,853
Reserves		178,701	135,215
		<u>205,554</u>	<u>162,068</u>
Equity attributable to the owners of the Company		205,554	162,068
Non-controlling interests		3,041	4,555
		<u>208,595</u>	<u>166,623</u>
Total equity		<u>208,595</u>	<u>166,623</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,685	6,126
Deferred tax liabilities		–	457
		<u>1,685</u>	<u>6,583</u>
Current liabilities			
Trade and other payables	<i>11</i>	76,174	56,212
Contract liabilities		59	775
Liabilities due to customers		226,683	147,547
Amounts due to former subsidiaries		10,641	10,791
Amount due to a related party		18,087	18,073
Loans from related parties		77,906	92,135
Borrowings		471,560	494,072
Lease liabilities		4,263	4,414
Current income tax liabilities		9,541	109
		<u>894,914</u>	<u>824,128</u>
Total liabilities		<u>896,599</u>	<u>830,711</u>
Total equity and liabilities		<u>1,105,194</u>	<u>997,334</u>
Net current assets		<u>190,062</u>	<u>140,744</u>
Total assets less current liabilities		<u>210,280</u>	<u>173,206</u>

For the year ended 31 March 2023

1 GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 2 September 2015. Its parent company is OKC Holdings Corporation, a company incorporated in the Cayman Islands with limited liability and controlled by Mr. Xu Mingxing. The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Unit 902-903, 9th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in provision of foundation, building construction works and ancillary services, construction wastes handling services, digital assets related businesses, technical services and other businesses.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company, unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which is a collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and related interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values and as otherwise stated in the Group’s accounting policies.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3 APPLICATION OF AMENDMENTS TO HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4 REVENUE, OTHER INCOME, GAINS AND LOSSES AND SEGMENT INFORMATION

Revenue and other income, gains and losses recognised during the Year are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue		
Foundation, building construction works and ancillary services	177,378	207,242
Construction wastes handling services	9,516	148,816
Technology services	32,382	19,813
Trust and custody services	4,377	8,712
Services income from operation of USDK	1,971	248
	<hr/>	<hr/>
Revenue from contracts with customers	225,624	384,831
Rental income from lease of machinery	1,970	268
Trading in digital assets and net fair value change on digital assets	130,066	4,954
Interest income from lending business	531	2,686
Fair value change on investments in securities	(1,760)	(7,125)
	<hr/>	<hr/>
Total revenue	356,431	385,614
	<hr/> <hr/>	<hr/> <hr/>
Other income, gains and losses		
Interest income	680	143
Distribution and interest income from financial assets at fair value through profit or loss	133	1,089
Loss on disposal of property, plant and equipment – net	–	(20)
Written-off of property, plant and equipment	–	(1,195)
Gain on early termination of lease	28	–
Gain on COVID-19 related rent concession from lessor	47	–
Government grants	1,918	107
Gains on disposal of subsidiaries – net	–	15,724
Net gains/(losses) on change in fair value of financial assets at fair value through profit or loss	16	(13,848)
(Loss)/gain on the amendment and restatement of the warrants	(3,994)	16,484
Others	348	696
	<hr/>	<hr/>
	(824)	19,180
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Operating segment information

Management has determined the operating segments based on the reports reviewed by the directors, the chief operating decision-maker (“**CODM**”), that are used to make strategic decisions. The CODM considers the business from a product/service perspective. Principal activities of the segments are as follows:

- (a) Foundation, building construction works and ancillary services: Provision of site formation works, excavation and lateral support, piling construction, pile caps or footing construction and reinforced concrete structure works, building construction works and ancillary services mainly included hoarding and demolition works and lease of machinery;
- (b) Construction wastes handling services: Provision of management and operation of public fill reception facilities, including public fill banks and temporary construction waste sorting facilities, for construction and demolition materials;
- (c) Digital assets related businesses: Provision of 1) proprietary trading in digital assets; and 2) trust and custody services;
- (d) Technical services: Provision of 1) the Group’s blockchain technology services, including the provision of Chaintelligence Pro, blockchain explorers and other related services; 2) developing the USDK smart contract, managing the USDK smart contract to effect minting and burning of USDK; and 3) technology development and I.T. infrastructure service; and
- (e) Other businesses: 1) investment in securities; and 2) lending business which includes the Group’s money lending business carried out in Hong Kong.

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The CODM assesses the performance of the operating segments based on a measure of segment results. Unallocated income, unallocated corporate expenses, finance costs and income tax expenses/credit are not included in segment results.

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except tax recoverable, unallocated bank balances and cash, deferred tax assets and other unallocated assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated statement of financial position except current income tax liabilities, deferred tax liabilities, amounts due to former subsidiaries, loans from related parties, amount due to a related party and other unallocated liabilities.

	Foundation, building construction works and ancillary services <i>HK\$'000</i>	Construction wastes handling services <i>HK\$'000</i>	Digital assets related businesses <i>HK\$'000</i>	Technical services <i>HK\$'000</i>	Other businesses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2023						
Revenue						
External revenue	179,348	9,516	134,443	34,353	(1,229)	356,431
Cost of sales	(135,086)	(9,037)	(41,679)	(14,861)	(544)	(201,207)
Impairment losses on intangible assets	-	-	-	(1,646)	-	(1,646)
Impairment losses on financial assets and contract assets, net	(564)	638	(152)	(1,423)	(5,472)	(6,973)
Segment results	<u>43,698</u>	<u>1,117</u>	<u>92,612</u>	<u>16,423</u>	<u>(7,245)</u>	<u>146,605</u>
Unallocated income, gains and losses						(824)
Unallocated corporate expenses						(88,641)
Finance costs						(5,604)
Profit before income tax						51,536
Income tax expense						(9,216)
Profit for the year						<u>42,320</u>
Other profit and loss disclosures:						
Depreciation of property, plant and equipment	1,663	3,559	989	887	33	7,131
Depreciation of right-of-use assets	573	-	1,621	437	1,572	4,203
Amortisation of intangible assets	-	-	-	2,791	-	2,791
	<u>2,236</u>	<u>3,559</u>	<u>2,610</u>	<u>4,115</u>	<u>1,605</u>	<u>14,125</u>
At 31 March 2023						
Segment assets	83,578	16,124	930,097	37,797	17,617	1,085,213
Unallocated assets						19,981
Total assets						<u>1,105,194</u>
Additions to non-current asset:						
Segment assets	16	591	3,990	9	-	<u>4,606</u>
Segment liabilities	44,155	6,933	721,944	2,504	2,414	777,950
Unallocated liabilities						2,474
Amount due to a former subsidiary						10,641
Loans from related parties						77,906
Amount due to a related party						18,087
Current income tax liabilities						9,541
Total liabilities						<u>896,599</u>

	Foundation, building construction works and ancillary services <i>HK\$'000</i>	Construction wastes handling services <i>HK\$'000</i>	Digital assets related businesses <i>HK\$'000</i>	Technical services <i>HK\$'000</i>	Other businesses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2022						
Revenue						
External revenue	207,510	148,816	13,666	20,061	(4,439)	385,614
Cost of sales	(173,157)	(106,671)	(8,282)	(12,577)	(652)	(301,339)
Impairment losses on intangible assets	-	-	-	-	(50)	(50)
Impairment losses on financial assets and contract assets	(24,639)	-	-	(289)	(2,425)	(27,353)
Segment results	<u>9,714</u>	<u>42,145</u>	<u>5,384</u>	<u>7,195</u>	<u>(7,566)</u>	<u>56,872</u>
Unallocated income, gains and losses						19,180
Unallocated corporate expenses						(129,320)
Finance costs						(5,435)
Loss before income tax						(58,703)
Income tax credit						271
Loss for the year						<u>(58,432)</u>
Other profit and loss disclosures:						
Depreciation of property, plant and equipment	1,683	4,936	32	4,142	156	10,949
Depreciation of right-of-use assets	718	74	135	976	1,923	3,826
Amortisation of intangible assets	-	-	-	4,420	-	4,420
	<u>2,401</u>	<u>5,010</u>	<u>167</u>	<u>9,538</u>	<u>2,079</u>	<u>19,195</u>
At 31 March 2022						
Segment assets	60,900	37,791	709,619	74,585	66,088	948,983
Deferred tax assets						242
Unallocated assets						48,109
Total assets						<u>997,334</u>
Additions to non-current asset:						
Segment assets	1,515	1,753	3,985	6,517	4,869	<u>18,639</u>
Segment liabilities	36,057	11,340	648,176	7,058	3,956	706,587
Unallocated liabilities						2,559
Amounts due to former subsidiaries						10,791
Loans from related parties						92,135
Amount due to a related party						18,073
Current income tax liabilities						109
Deferred tax liabilities						457
Total liabilities						<u>830,711</u>

Geographical information

Information about the Group's revenue from external customers is presented based on location of operation is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PRC	20,634	19,812
Hong Kong	<u>335,797</u>	<u>365,802</u>
	<u>356,431</u>	<u>385,614</u>

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the geographical location of the assets:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
PRC	1,756	7,074
Hong Kong	<u>18,462</u>	<u>25,146</u>
	<u>20,218</u>	<u>32,220</u>

5 PROFIT/(LOSS) BEFORE INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration	1,400	1,100
Staff costs including directors' emoluments	107,548	132,467
Depreciation of property, plant and equipment	7,131	10,949
Depreciation of right-of-use assets	4,203	3,826
Amortisation of intangible assets	2,791	4,420
Expenses relating to short-term leases and other leases	992	872
Exchange loss/(gain), net	<u>240</u>	<u>(281)</u>

6 INCOME TAX EXPENSES/(CREDIT)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong profits tax:		
– Current income tax	9,431	1,443
Deferred income tax	<u>(215)</u>	<u>(1,714)</u>
Income tax expenses/(credit)	<u>9,216</u>	<u>(271)</u>

7 EARNINGS/(LOSS) PER SHARE**(a) Basic earnings/(loss) per share**

	2023	2022
Profit/(loss) attributable to owners of the Company <i>(HK\$'000)</i>	<u>43,491</u>	<u>(58,061)</u>
Weighted average number of ordinary shares in issue during the year for the purpose of calculating basic earnings/(loss) per share <i>(in thousand)</i>	<u>5,370,510</u>	<u>5,370,510</u>
Basic earnings/(loss) per share <i>(HK Cents)</i>	<u>0.81</u>	<u>(1.08)</u>

(b) Diluted earnings/(loss) per share

For the years ended 31 March 2023 and 2022, the diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there was no potential ordinary share outstanding.

8 DIVIDENDS

No interim dividend was declared for the Year (2022: Nil).

No final dividend was proposed by the Board for the Year (2022: Nil).

9 TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	23,120	11,595
Less: Provision for impairment losses	<u>(7,711)</u>	<u>(7,699)</u>
	<u>15,409</u>	<u>3,896</u>
Loan receivables	28,194	28,802
Less: Provision for impairment losses	<u>(17,046)</u>	<u>(10,944)</u>
	<u>11,148</u>	<u>17,858</u>
Other receivables, deposits and prepayments	<u>27,518</u>	<u>11,015</u>
	<u>54,075</u>	<u>32,769</u>

The ageing analysis of the trade receivables based on the date of payment certificate issued by customers or invoice date is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	1,903	3,895
31–60 days	13,573	139
61–90 days	15	94
Over 90 days	7,629	7,467
	<u>23,120</u>	<u>11,595</u>

As at 31 March 2023, trade receivables of approximately HK\$7,615,000 (2022: approximately HK\$7,467,000) were past due. Out of the past due balances, nil (2022: approximately HK\$240,000) has been past due 90 days or more and are not considered as in default by past experience and forward-looking estimates.

10 SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023, ordinary shares of HK\$0.005 each	<u>20,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>5,370,510,000</u>	<u>26,853</u>

11 TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	47,647	45,436
Accruals and other payables	<u>28,527</u>	<u>10,776</u>
	<u>76,174</u>	<u>56,212</u>

Payment terms granted by suppliers are generally 15 to 80 days from the invoice date of the relevant purchases.

The ageing analysis of trade payables based on the invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	22,964	7,019
31 – 60 days	864	3,377
61 – 90 days	1,987	8,804
Over 90 days	<u>21,832</u>	<u>26,236</u>
	<u>47,647</u>	<u>45,436</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's major sources of revenue were from foundation, building construction works and ancillary services, construction wastes handling services, digital assets related businesses, technical services and other businesses. During the Year, the Group had no material change in its business nature and principal activities.

Foundation, Building Construction Works and Ancillary Services

The foundation works of the Group mainly include building construction works, site formation works, excavation and lateral support (“ELS”) works, piling construction, pile caps or footing construction and reinforced concrete structure works and ancillary services mainly include hoarding and demolition works and lease of machinery.

During the Year, revenue from this segment was approximately HK\$179.3 million, representing a decrease of 13.6% as compared with approximately HK\$207.5 million for the year ended 31 March 2022. Such decrease was mainly due to the number of new projects awarded is decreased during the Year.

Gross profit of this segment during the Year was approximately HK\$44.3 million, which increased approximately 28.8% as compared with approximately HK\$34.4 million for the year ended 31 March 2022. Gross profit margin of this segment for the Year was approximately 24.7%, representing an increase of approximately 8.1 percentage points from approximately 16.6% for the year ended 31 March 2022. The increase is mainly attributable to the increase in revenue of certain projects with high profit margin.

Construction Wastes Handling Services

The Group's construction wastes handling services mainly include the management and operation of public fill reception facilities such as public fill banks and temporary construction waste sorting facilities, for construction and demolition materials.

During the Year, revenue from this segment amounted to approximately HK\$9.5 million, which decreased approximately HK\$139.3 million as compared with approximately HK\$148.8 million for the corresponding period in 2022. Such decrease was mainly caused by the project completed during the Year and the Group will continue to evaluate the business opportunities in this segment and adjust its business development strategies when needed.

Gross profit of this segment for the Year was approximately HK\$0.5 million, which decreased approximately 98.8% as compared with approximately HK\$42.1 million for the year ended 31 March 2022. The decrease in gross profit was mainly due to the decrease in revenue together with the increase in the subcontracting costs. Gross profit margin of this segment for the Year was approximately 5.0%, representing a decrease of 23.3 percentage points from approximately 28.3% for the year ended 31 March 2022.

New Projects Awarded

During the Year, the Group had been awarded 4 new contracts with total contract value amounted to approximately HK\$187.3 million. The details of the new projects are as follows:

Type of Projects	Site Location	Type of Works
Foundation Works and Ancillary Services	Wong Tai Sin District	Foundation, Pile Cap and ELS Works
Foundation Works and Ancillary Services	Wong Tai Sin District	Foundation, Pile Cap and ELS Works
Foundation Works and Ancillary Services	Wong Tai Sin District	Foundation, Pile Cap and ELS Works
Building Construction Works	Yuen Long District	Reinforced Concrete Structure Work

Projects in Progress

As at 31 March 2023, the Group had 5 projects in progress with total contract value amounted to approximately HK\$293.8 million. The details of projects in progress are as follows:

Type of Projects	Site Location	Type of Works
Foundation Works and Ancillary Services	Wong Tai Sin District	Foundation, Pile Cap and ELS Works
Foundation Works and Ancillary Services	Wong Tai Sin District	Foundation, Pile Cap and ELS Works
Foundation Works and Ancillary Services	Wong Tai Sin District	Foundation, Pile Cap and ELS Works
Building Construction Works	Yuen Long District	Reinforced Concrete Structure Work
Foundation Works and Ancillary Services	Wong Tai Sin District	ELS Works, Soldier Piles and Site Preparation

Completed Projects

During the Year, the Group had completed 5 projects with total contract value amounted to approximately HK\$784.0 million. The details of completed projects are as follows:

Type of Projects	Site Location	Type of Works
Foundation Works and Ancillary Services	North District	Hoarding, Drainage Diversion and Associated Works
Building Construction Works	Yau Tsim Mong District	Carcass Works
Foundation Works and Ancillary Services	Yau Tsim Mong District	Foundation and ELS Works
Foundation Works and Ancillary Services	Sai Kung District	Foundation and ELS Works
Construction Wastes Handling Services	Tuen Mun District	Fill Bank Operation

Digital Assets Related Businesses

(i) *Proprietary Trading in Digital Assets*

The revenue of this segment was generated through the Group's trading activities in leading cryptocurrency exchanges (the "Trading Platform"). Revenue from trading in digital assets represents trading net gains arising from trading various digital assets and net gains or losses from remeasurement of the market value of digital assets. As at 31 March 2023, the market value of the Group's digital assets was approximately HK\$649.5 million (2022: approximately HK\$560.1 million). The Group also borrowed loans from the Trading Platform in forms of digital assets whose fair value were approximately HK\$400.9 million at the end of the Year (2022: approximately HK\$494.1 million). During the Year, the revenue from trading in digital assets and net fair value changes on digital assets was approximately HK\$130.1 million, which increased approximately 2,525.5% compared with approximately HK\$ 5.0 million for the corresponding period in 2022. The increase was mainly due to the Group has gradually scaled up its investments in this segment, to diversify its business developments and broaden the source of income during the Year.

Set out below were significant digital assets held by the Group as of 31 March 2023:

Name of Digital Assets	Number of Digital Assets Held	Market Value as at 31 March 2023 (HK\$'000)	% to the Group's Total Assets as at 31 March 2023
Stablecoins	44,464,440.0	349,061.6	31.6%
Ethereum (ETH)	6,134.8	88,153.9	8.0%
Bitcoin (BTC)	507.5	113,504.5	10.3%

(ii) Trust and Custody Services

The Group's trust and custody services were being carried out through OKLink Trust Limited ("**OKLink Trust**"). OKLink Trust has been registered as a Trust Company under section 78(1) of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) since 17 June 2020. The trust and custody services provided by the Group typically include the safekeeping, settlement and other customised services of its clients' assets. The types of assets custodied under this business include digital assets and fiat currencies. At the end of the Year, the total assets held by the Group on behalf of its custody clients were approximately HK\$313.5 million, increased approximately 11.8% compared with approximately HK\$280.5 million as at 31 March 2022. The clients' digital assets constitute trust assets and are not accounted for as assets of the Group and do not give rise to liabilities to the relevant customers.

During the Year, the revenue generated from the provision of trust and custody services was approximately HK\$4.4 million, which decreased approximately 49.4% compared with approximately HK\$8.7 million for the corresponding period in 2022. The decrease was mainly due to the decrease in the transaction volumes and related services provided by the Group.

Gross profit of the Group's digital assets related businesses was approximately HK\$92.8 million, which increased by approximately HK\$87.4 million or 1,618.5% as compared with approximately HK\$5.4 million for corresponding period in 2022. The increase in gross profit was mainly attributable to the proprietary trading in digital assets commenced in 2022. Gross profit margin of this segment for the Year was approximately 69.0%, representing an increase of approximately 29.6 percentage points from approximately 39.4% for the year ended 31 March 2022.

Technical Services

The Group's technical services income mainly includes (i) the Group's blockchain technology services, including the provision of Chaintelligence Pro, blockchain explorers and other related services; (ii) income generated by developing the USDK smart contract, managing the USDK smart contract to effect minting and burning of USDK; and (iii) providing the technology development and I.T. infrastructure services.

During the Year, revenue from this segment amounted to approximately HK\$34.4 million, which increased by approximately HK\$14.3 million or 71.1% as compared with approximately HK\$20.1 million for the corresponding period in 2022. The increase in revenue was mainly attributable to the increase in security audit and other blockchain technology services provided during the Year. Gross profit of this segment was approximately HK\$19.5 million, which increased by approximately HK\$12.0 million or 160.0% as compared with approximately HK\$7.5 million for corresponding period in 2022.

Other Businesses

(i) Investment in Securities

During the Year, the Group maintained the business of investment in securities in order to diversify the Group's business. The Group invested in a portfolio of listed securities in Hong Kong and overseas.

As at 31 March 2023, the Group managed a portfolio of listed securities with total market value of approximately HK\$1.4 million (2022: approximately HK\$3.2 million). During the Year, the Group recorded a loss on fair value change of approximately HK\$1.8 million, compared with a loss of approximately HK\$7.1 million for the corresponding period in 2022. The Group reviewed the performance of its investment portfolio and evaluated the investment potentials of other investment opportunities available to the Group as part of the routine exercise with a view to optimise the expected return and minimise the risks.

(ii) Lending Business

During the Year, the Group continued to carry out its money lending business, which maintains a money lender's licence in Hong Kong, under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the Year, revenue from the Group's lending business was approximately HK\$0.5 million, representing a decrease of approximately 81.5% as compared with approximately HK\$2.7 million for the year ended 31 March 2022. The Directors believe that the lending business benefits to the Group in exploring opportunities to widen its revenue base and minimise the risks of the Group overall, so as to enhance the capital use of the Group as well as for the interests of the Company and the shareholders of the Company (the "Shareholders") overall.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately HK\$356.4 million for the Year, representing a decrease of approximately 7.6% as compared with approximately HK\$385.6 million for the corresponding period in 2022. The decrease was mainly resulted from the decrease in the revenue of Group's construction wastes handling services which was offset by the increase in the revenue of proprietary trading in digital assets.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Year amounted to approximately HK\$155.2 million, representing an increase of approximately 84.1% as compared with approximately HK\$84.3 million for the corresponding period in 2022. The gross profit margin increased by 21.6 percentage points to approximately 43.5% for the Year from approximately 21.9% for the same period of last year. Such increase was mainly due to the Group's proprietary trading in digital assets business which had a higher gross profit margin.

Other Income, Gains and Losses

Other income, gains and losses of the Group recorded a loss of approximately HK\$0.8 million, representing a decrease of approximately HK\$20.0 million as compared with a net gain of approximately HK\$19.2 million for the corresponding period in 2022. The decrease was mainly due to the gain on disposal of subsidiaries recorded in the year ended 31 March 2022.

Administrative and Other Operating Expenses

The administrative and other operating expenses of the Group for the Year amounted to approximately HK\$88.6 million, representing a decrease of approximately 31.5% compared with approximately HK\$129.3 million for the year ended 31 March 2022. Such decrease was mainly due to the achievement in cost saving through more effective cost control performed by the Group.

Impairment Losses under Expected Credit Loss (“ECL”) Model

Impairment losses under ECL model derived from trade receivables, loan receivables, other receivables, amounts due from related parties and contract assets of the Group. The Group classified them as in default when there was an evidence indicating the assets are credit impaired. The Group recorded an impairment loss of approximately HK\$7.0 million during the Year, decreased approximately HK\$20.4 million compared with approximately HK\$27.4 million for the year ended 31 March 2022.

Finance Costs

Finance costs for the Group during the Year amounted to approximately HK\$5.6 million, representing an increase of approximately 3.7% compared with approximately HK\$5.4 million for the corresponding period in 2022.

Income Tax Expenses/(Credit)

Income tax expenses for the Group during the Year amounted to approximately HK\$9.2 million as compared with an income tax credit of approximately HK\$0.3 million for the corresponding period in 2022. The increase in income tax expenses was mainly due to the higher assessable profits generated in the digital assets related businesses.

Profit/(Loss) for the Period Attributable to the Owners of the Company

The Group recorded a net profit attributable to the owners of the Company of approximately HK\$43.5 million, compared to a loss of approximately HK\$58.1 million for the corresponding period in 2022. The increase in the profit for the Year was mainly attributable to the increase in revenue from proprietary trading in digital assets.

Capital Structure

The Group's total assets and total liabilities as at 31 March 2023 amounted to approximately HK\$1,105.2 million (31 March 2022: approximately HK\$997.3 million) and approximately HK\$896.6 million (31 March 2022: approximately HK\$830.7 million), respectively. The Group's debt ratio (which was expressed as a percentage of total liabilities over total assets) was approximately 81.1% as at 31 March 2023 (31 March 2022: approximately 83.3%).

Liquidity, Financial and Capital Resources

The Group has funded the liquidity and capital requirements primarily through capital contributions from the Shareholders, borrowings, internally generated cash flow and proceeds received from the placing of the Company's shares.

As at 31 March 2023, the Group had bank balances and cash of approximately HK\$90.6 million (31 March 2022: approximately HK\$135.6 million), and the Group did not have any pledged bank deposit (31 March 2022: nil).

Gearing Ratio

The gearing ratio is calculated based on the amount of total interest-bearing debts divided by total equity. The gearing ratio of the Group as at 31 March 2023 was approximately 40.2% (as at 31 March 2022: approximately 61.6%). The decrease was mainly due to the Group repaid partially the loans from related parties with interest for approximately HK\$14.2 million during the Year.

Pledge of Assets

The Group did not have any charge on its assets during the Year.

Contingent Liabilities

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

Risk Disclosures

(i) Foreign Exchange Risk

The Group mainly operates in Hong Kong and the People's Republic of China (the "PRC") and most of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong dollars, United States Dollar ("USD") and Renminbi ("RMB"). The Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group has not engaged in any derivative contracts to hedge its exposure to foreign exchange risk during the Year.

(ii) Credit Risk

The Group's credit risk arises mainly from trade and other receivables, contract assets, amounts due from related parties, bank deposit and bank balances. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets and contract assets is the carrying amount of those assets as stated in the "Consolidated Statement of Financial Position" in this announcement.

In respect of cash at banks, the credit risk is considered to be low as the counterparties are reputable banks. Therefore, expected credit loss rate of cash at banks are assessed to be close to zero and no provision was made.

In respect of trade and other receivables, contract assets and amounts due from related parties, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables, contract assets and amounts due from related parties balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts. During the Year, an impairment loss of approximately HK\$7.0 million was recorded comparing to approximately HK\$27.4 million for the year ended 31 March 2022.

(iii) Price Risk of Digital Assets

To facilitate the Group's proprietary trading in digital assets, the Group held approximately HK\$649.5 million digital assets as of 31 March 2023. The majority of the Group's digital asset were stablecoins and other digital assets with higher liquidity, such as Bitcoin (BTC) and Ethereum (ETH). As at 31 March 2023, the fair values of the stablecoins, ETH and BTC held by the Group were approximately HK\$349.1 million, HK\$88.2 million and HK\$113.5 million, representing approximately 31.6%, 8.0% and 10.3% of the Group's total assets, respectively. In addition, the Group also had borrowings of approximately HK\$274.8 million in form of stablecoins and approximately HK\$126.1 million in forms of other digital assets. Consequently, the Group's risk exposures to the price risk of digital assets were limited to the net balance of each digital asset it held.

Price volatility of digital assets may cause significant impacts to the Group's performance. Although the stablecoins are asset-backed and the market price was approximately US\$1 per unit with minimal fluctuation, the volatility and any unpredictability of the price of such stablecoins relative to fiat currencies could also cause significant impact to the Group's financial performance. Furthermore, compared with stablecoins, ETH, BTC and other digital assets are generally with higher volatility.

(iv) Risks Related to Safekeeping of Digital Assets

The Group mainly deposited its digital assets in the cryptocurrency exchanges to facilitate its proprietary trading in digital assets business. In addition, the Group also held approximately HK\$86.8 million digital assets on behalf of its clients as at 31 March 2023, of which approximately 15.4% were deposited with the Trading Platform and third party sub-custodian, and approximately 84.6% were deposited in the Group's own wallets. As the Group had not any insurance policy for its digital assets under custody, although the Group has implemented a series of risk control and safeguarding protocols, any breakdown or closedown of such cryptocurrency exchanges, potential cyber-attacks or thefts could cause significant losses to the Group.

(v) Investment risk related to trading of digital assets

In January 2022, the Group launched its proprietary trading in digital assets business. The Group adopted quantitative trading strategies (the “**Strategies**”) for its digital assets investment. The investment performance mainly depends on market liquidity, Strategies effectiveness and system reliability. The Group's Strategies in theory could make profits over time but could also suffer huge losses in black swan events. In addition, there are inherent risks with its trading, including but not limited to errant algorithms, hacking, liquidation from extreme market moves and counterparty risks. Although market liquidity is closely monitored by the Group with the aid of systematic alerting mechanism, under extreme market condition there may occur huge mark-to-market losses. And such losses may never recover if stop loss risk control mechanism is triggered.

In addition, the Group has a very short operation history in the trading of digital assets, which gives rise to higher unpredictability to its success in this new business. As the Group faces a variety of new risks and uncertainties in its new business, the Group cannot guarantee that this business will continue to be profitable in the future, which may materially and adversely affect its financial performance.

The Group has its own proprietary risk management system that constantly monitors the performance of the Strategies and conduct data analytics to review and modify the Strategies. The trading systems are also constantly monitored by the Group, including but not limited to their memory usage, CPU consumption, network latency, etc., for any anomalies. The system will also stop trading if certain circuit breakers such as profit/loss performance or position limits are hit. The automated system aims to stop trading before material loss and revoke account access if it detects any abnormalities.

(vi) *Risks Related to Anti-Money Laundering*

Any person who carries on a trust business in Hong Kong has to comply with the relevant requirements of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (“AMLO”) and the guideline issued by the Companies Registry of Hong Kong. To mitigate such risks, the Group has implemented policies and procedures for Anti-Money-Laundering (AML) and Know-Your-Client (KYC) that are initiated during the client onboarding process and are applied by way of continuous monitoring and reporting. In enhancing these policies and procedures, we have also considered industry best-practice and the recommendations of the Financial Action Task Force (FATF).

Laws and regulations governing the digital assets related businesses in Hong Kong are developing and subject to further changes. The amended AMLO which includes a licensing regime for virtual assets service providers took effect on 1 June 2023. The Group may need to apply for new licenses or permits for its businesses, if new laws or regulations are implemented in the future. The Group believes a comprehensive and balanced regulatory framework can protect investors and promote responsible and sustainable industry development.

Capital Commitments

The Group did not have any significant capital commitment as at 31 March 2023 (31 March 2022: Nil).

PROSPECTS

The year of 2022 was a year full of challenges. Under the negative impacts of coronavirus disease (COVID-19) epidemic, geopolitical conflicts and tightening monetary policies adopted by the Federal Reserve of the United States, the global economy experienced intensified fluctuations. Stepping into 2023, the impacts of the pandemic are gradually receding, and the global economy is expected to recover slowly. With the effective outcomes powered by the tightening of monetary policy by most central banks, inflation is expected to return to target. The International Monetary Fund forecasted that global growth would bottom out at 2.8% in 2023 before rising modestly to 3.0% in 2024. Global inflation will also fall from 8.7% in 2022 to 7% this year and to 4.9% in 2024.

As an international financial center, Hong Kong has seen its economic development also damaged by the global economic downturn over the past few years. During this crucial moment of economic development, digital assets and Web3 space were frequently discussed among the public. On 31 October 2022, the Hong Kong SAR Government (the “**Government**”) officially issued the “Policy Statement on the Development of Virtual Assets in Hong Kong” (the “**Policy Statement**”). According to the Policy Statement, the Securities and Futures Commission (SFC) will be conducting a public consultation on how retail investors may be given a suitable degree of access to virtual assets under the new licensing regime. The Government will also be open to the possibility of having Exchange Traded Funds (ETF) on virtual assets in its market. Moreover, the Government and the regulators are exploring a number of pilot projects to test the technological benefits brought by virtual assets and their further applications in the financial markets.

On 1 June 2023, the “Guidelines for Virtual Asset Trading Platform Operators” and the “Anti-Money Laundering and Counter-Terrorist Financing Ordinance” have officially come into effect. The SFC has started to accept applications for virtual asset trading platform operators and allowed retail access to licensed virtual asset trading platforms. The new licensing regime coming into force demonstrates that Hong Kong maintains its leading position in the world’s innovation and compliance development of virtual assets and Web3.

As a leading blockchain technology service provider, the Group has been following the trend of compliant development of the global virtual assets industry and meeting the market needs. The Group has completed our product upgrade recently. The Group now provides a wide range of product offerings through our Web3 one-stop data analysis platform oklink.com, which includes blockchain explorer (the “**Explorer**”), on-chain anti-money laundering solution (the “**On-chain AML**”), and on-chain monitoring solution (the “**Chaintelligence**”) for regulators’ supervision.

With our long-term investments in product development and profound experiences accumulated over past years, the Group has already created competitive advantages for our products. We truly believe our new business model can significantly enhance our product capability and market competitiveness. Under the regulatory environment of virtual assets industry, this business segment is expected to have a promising development in future. In addition, our proprietary trading in digital assets business, together with our trust and custody services, will continue to contribute considerable cash flow for the Group’s developments.

Meanwhile, we will continue to operate prudently our foundation works and ancillary services as well as construction wastes handling services in Hong Kong. We will assess and adjust our business segments based on the market environments and company strategies, when appropriate.

Looking ahead, we are optimistic about the future development of digital assets and Web3 industry. We will also seize this new era opportunities, and actively explore long-term business development opportunities, to bring remarkable returns to the Shareholders in the long run.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed a total of 107 staff (31 March 2022: 141 staff). Total staff costs, including directors’ emoluments and share-based payment expenses for the Year, amounted to approximately HK\$107.5 million (31 March 2022: approximately HK\$132.5 million). The salary and benefit levels of the employees of the Group are competitive and individual performance is rewarded through the Group’s salary and bonus system. The Group provides adequate job training to the employees to equip them with practical knowledge and skills.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any other significant investments held or any material acquisitions or disposals of subsidiaries or associated companies during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the date of this announcement, the Company does not have any future plans for material investments or capital assets.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year and up to the date of this announcement, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

During the Year, the Group did not have any pledge of shares by controlling shareholder.

FINAL DIVIDEND

The Board has resolved not to declare any final dividend for the Year (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period of the Group up to the date of this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board of the Company is committed to upholding a high standard of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the Shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

During the Year, to the best knowledge of the Board, the Company has applied the principles of and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 (the “**CG Code**”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) contained therein except for the following deviations:

Code Provision C.2.1

Pursuant to the code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Ren Yunan serves as an executive Director, the chairman of the Board (the “**Chairman**”) as well as the chief executive officer (the “**Chief Executive Officer**”) of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of the Group. Although Mr. Ren performs both the roles of Chairman and Chief Executive Officer, the division of responsibilities between the Chairman and Chief Executive Officer is clearly established. These two roles are performed by Mr. Ren distinctly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions with terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 of the Listing Rules. Having made specific enquiries of the Directors, each of the Directors has confirmed that he has complied with the required standard set out in the Model Code during the Year and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in accordance with the requirements of among Listing Rules with terms of reference aligned with the provision of the CG Code as set out in Appendix 14 to the Listing Rules.

As at the date of this announcement, the Audit Committee comprises of three independent non-executive Directors, namely Mr. Li Zhouxin (the chairman of the Audit Committee), Mr. Lee Man Chiu and Mr. Jiang Guoliang, with at least one of whom with appropriate professional qualifications or accounting or related financial management expertise as required in the Listing Rules.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2023 with senior management and external auditor of the Company, and confirmed that the preparation of such complied with applicable accounting standards and practices adopted by the Company and the requirements under the Listing Rules and other applicable statutory and regulatory requirements, and adequate disclosures had been made.

SCOPE OF WORK OF AUDITOR

The 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 as set out in the preliminary announcement have been agreed by the Group’s auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by the Group’s auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the sufficient public float as required under the Listing Rules during the Year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.okg.com.hk). The annual report of the Company for the Year containing all information as required by the Listing Rules will be dispatched to the Shareholders and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all of our Shareholders and investors for their support and our customers for their patronage.

By order of the Board

OKG Technology Holdings Limited

Ren Yunan

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 June 2023

As at the date of this announcement, the executive Directors are Mr. Ren Yunan and Mr. Zhang Chao; the non-executive Directors are Mr. Tang Yue and Mr. Pu Xiaojiang; and the independent non-executive Directors are Mr. Li Zhouxin, Mr. Lee Man Chiu and Mr. Jiang Guoliang.