CNT GROUP LIMITED
北 海 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

ANNOUNCEMENT OF 2020 INTERIM RESULTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	
	(Unaudited)	(Unaudited)	Change
	HK$'000	HK$'000	%
Results			
Revenue	**293,904**	365,202	-19.5
Gross profit	**95,085**	90,355	5.2
Gross profit margin	**32.4%**	24.7%	31.2
Profit/(loss) for the period	**(68,675)**	428,083	N/A
Profit/(loss) attributable to:			
Shareholders of the Company	**(63,450)**	440,062	N/A
Non-controlling interests	**(5,225)**	(11,979)	-56.4
Earnings/(loss) per share (HK cents)			
Basic and diluted	**(3.33)**	23.12	N/A

	As at 30 June 2020	As at 31 December 2019	
	(Unaudited)	(Audited)	Change
	HK$'000	HK$'000	%
Financial Position			
Total cash and bank balances (including cash and cash equivalents, and pledged deposits)	**410,486**	467,800	-12.3
Bank borrowings	**226,315**	216,442	4.6
Gearing ratio	**14.7%**	13.1%	12.2
Net asset value per share (HK$)	**0.87**	0.94	-7.5
Shareholders' funds per share (HK$)	**0.81**	0.87	-6.9

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of CNT Group Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020 together with comparative amounts for the corresponding period in 2019. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Board's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	**Six months ended 30 June** **2020** **(Unaudited)** **HK$'000**	2019 (Unaudited) HK$'000
REVENUE	3	**293,904**	365,202
Cost of sales		**(198,819)**	(274,847)
Gross profit		**95,085**	90,355
Other income and gains, net	3	**16,274**	494,709
Selling and distribution expenses		**(42,722)**	(64,227)
Administrative expenses		**(62,676)**	(79,607)
Other expenses, net		**(14,486)**	(8,639)
Fair value gains/(losses) on investment properties, net	10	**(54,724)**	2,056
Finance costs	4	**(3,657)**	(4,750)
Share of profits and losses of associates, net		**(574)**	(863)
PROFIT/(LOSS) BEFORE TAX	5	**(67,480)**	429,034
Income tax expenses	6	**(1,195)**	(951)
PROFIT/(LOSS) FOR THE PERIOD		**(68,675)**	428,083
ATTRIBUTABLE TO:			
Owners of the parent		**(63,450)**	440,062
Non-controlling interests		**(5,225)**	(11,979)
		(68,675)	428,083
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted		**HK(3.33) cents**	HK23.12 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT/(LOSS) FOR THE PERIOD	**(68,675)**	428,083
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(15,387)**	(778)
Share of other comprehensive loss of an associate	**(160)**	(20)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(15,547)**	(798)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment designated at fair value through other comprehensive income	**–**	(625)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**–**	(625)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(15,547)**	(1,423)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(84,222)**	426,660
ATTRIBUTABLE TO:		
Owners of the parent	**(75,942)**	438,746
Non-controlling interests	**(8,280)**	(12,086)
	(84,222)	426,660

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 (Unaudited) HK$'000**	31 December 2019 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**262,926**	274,206
Investment properties	10	**797,924**	851,339
Properties under development		**28,000**	28,000
Right-of-use assets		**100,415**	105,714
Interests in associates		**20,202**	22,749
Equity investments designated at fair value through other comprehensive income		**49,331**	49,331
Deposits for purchases of properties, plant and equipment, and investment properties		**818**	9,962
Net pension scheme assets		**4,694**	4,694
Deferred tax assets		**17,818**	18,228
Total non-current assets		**1,282,128**	1,364,223
CURRENT ASSETS			
Inventories		**61,082**	70,290
Trade and bills receivables	11	**321,200**	318,449
Prepayments, deposits and other receivables		**80,408**	77,495
Tax recoverable		**106**	106
Pledged deposits		**1,667**	2,426
Cash and cash equivalents		**408,819**	465,374
Total current assets		**873,282**	934,140
CURRENT LIABILITIES			
Trade and bills payables	12	**151,876**	166,287
Other payables and accruals		**71,905**	83,362
Due to an associate		**2,800**	2,800
Interest-bearing bank borrowings		**226,315**	216,442
Lease liabilities		**1,134**	2,673
Tax payable		**12,008**	12,539
Total current liabilities		**466,038**	484,103
NET CURRENT ASSETS		**407,244**	450,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,689,372**	1,814,260

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
NON-CURRENT LIABILITIES		
Lease liabilities	**77**	703
Deferred tax liabilities	**21,972**	21,272
Deferred income	**1,319**	1,485
Deposits received	**4,000**	4,000
Total non-current liabilities	**27,368**	27,460
Net assets	**1,662,004**	1,786,800
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**190,369**	190,369
Reserves	**1,346,683**	1,460,699
	1,537,052	1,651,068
Non-controlling interests	**124,952**	135,732
Total equity	**1,662,004**	1,786,800

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Other than as explained below regarding the nature and impact of amendments to HKAS 1 and HKAS 8 *Definition of Material*, the revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated interim financial statements. The nature and impact of the revised HKFRSs are described below:

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited condensed consolidated interim financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the paint products segment engages in the manufacture and sale of paint and coating products;

(b) the property investment segment comprises:

   (i) the investment in residential, commercial, hotel, serviced apartment and industrial properties for their rental income potential; and

   (ii) the development and sale of properties;

(c) the iron and steel trading segment comprises the trading of iron and steel products and related investments; and

(d) the others segment comprises, principally, investment holding.

The chief operating decision-maker regularly reviews the operating results of the Group's operating segments separately for the purpose of resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted on mutually agreed terms.

Six months ended 30 June 2020	Paint products (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Iron and steel trading (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segment revenue:					
Sales to external customers	**267,220**	**15,444**	**11,240**	**–**	**293,904**
Intersegment sales	**–**	**2,513**	**–**	**–**	**2,513**
Other revenue and gains	**13,360**	**45**	**242**	**243**	**13,890**
	280,580	**18,002**	**11,482**	**243**	**310,307**
Reconciliation:					
Elimination of intersegment sales					**(2,513)**
Total					**307,794**
Segment results	**(17,089)**	**(39,299)**	**(1,673)**	**(655)**	**(58,716)**
Reconciliation:					
Elimination of intersegment results					**(57)**
Interest income					**2,384**
Finance costs					**(3,657)**
Corporate and other unallocated expenses					**(7,434)**
Loss before tax					**(67,480)**

Six months ended 30 June 2019	Paint products (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Iron and steel trading (Unaudited) HK$'000	Others (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segment revenue:					
Sales to external customers	305,877	9,218	50,107	–	365,202
Intersegment sales	–	2,827	–	–	2,827
Other revenue and gains	3,108	492,651	235	48	496,042
	308,985	504,696	50,342	48	864,071
Reconciliation:					
Elimination of intersegment sales					(2,827)
Total					861,244
Segment results	(43,671)	489,746	(1,313)	(202)	444,560
Reconciliation:					
Elimination of intersegment results					(280)
Interest income					723
Finance costs					(4,750)
Corporate and other unallocated expenses					(11,219)
Profit before tax					429,034

As at 30 June 2020	**Paint products (Unaudited) HK$'000**	**Property investment (Unaudited) HK$'000**	**Iron and steel trading (Unaudited) HK$'000**	**Others (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segment assets	**944,656**	**918,026**	**44,080**	**49,590**	**1,956,352**
Reconciliation:					
Elimination of intersegment receivables					**(886)**
Corporate and other unallocated assets					**199,944**
Total assets					**2,155,410**
Segment liabilities	**453,872**	**26,362**	**10,519**	**217**	**490,970**
Reconciliation:					
Elimination of intersegment payables					**(886)**
Corporate and other unallocated liabilities					**3,322**
Total liabilities					**493,406**

As at 31 December 2019	Paint products (Audited) HK$'000	Property investment (Audited) HK$'000	Iron and steel trading (Audited) HK$'000	Others (Audited) HK$'000	Total (Audited) HK$'000
Segment assets	989,773	986,510	66,014	49,487	2,091,784
Reconciliation:					
Elimination of intersegment receivables					(889)
Corporate and other unallocated assets					207,468
Total assets					2,298,363
Segment liabilities	456,080	27,307	23,441	508	507,336
Reconciliation:					
Elimination of intersegment payables					(889)
Corporate and other unallocated liabilities					5,116
Total liabilities					511,563

Six months ended 30 June 2020	**Paint products (Unaudited) HK$'000**	**Property investment (Unaudited) HK$'000**	**Iron and steel trading (Unaudited) HK$'000**	**Others (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segment capital expenditure:					
Capital expenditure	**8,582**	**4,042**	**–**	**–**	**12,624**
Corporate and other unallocated capital expenditure					**8**
					12,632*
Six months ended 30 June 2019					
Segment capital expenditure:					
Capital expenditure	9,760	533,479	–	–	543,239
Corporate and other unallocated capital expenditure					11
					543,250*

* Capital expenditure consists of additions to property, plant and equipment, investment properties and deposits for purchases of properties, plant and equipment and investment properties.

During the six months ended 30 June 2020 and 2019, no revenue from any single customer accounted for 10% or more of the Group's revenue.

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from contracts with customers		
Sale of paint products	**267,220**	305,877
Sale of iron and steel products	**11,240**	50,107
Revenue from other sources		
Gross rental income from investment properties operating leases	**15,444**	9,218
	293,904	365,202

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020	**Paint products (Unaudited) HK$'000**	**Iron and steel products (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**
Segments			
Sale of industrial products	**267,220**	**11,240**	**278,460**
Geographical markets			
Hong Kong	**36,752**	**–**	**36,752**
Mainland China	**230,468**	**11,240**	**241,708**
Total revenue from contracts with customers	**267,220**	**11,240**	**278,460**
Timing of revenue recognition			
Goods transferred at a point in time	**267,220**	**11,240**	**278,460**

For the six months ended 30 June 2019	Paint products (Unaudited) HK$'000	Iron and steel products (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segments			
Sale of industrial products	305,877	50,107	355,984
Geographical markets			
Hong Kong	40,594	–	40,594
Mainland China	265,283	50,107	315,390
Total revenue from contracts with customers	305,877	50,107	355,984
Timing of revenue recognition			
Goods transferred at a point in time	305,877	50,107	355,984

An analysis of other income and gains, net is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Other income and gains, net		
Bank interest income	**2,384**	723
Government grants*	**1,171**	927
Recognition of deferred income	**141**	148
Rental income	**1,737**	1,428
Government subsidies^	**671**	–
Gain on deposits paid for purchases of properties, plant and equipment#	**9,350**	–
Gain on disposal of subsidiaries	**–**	490,412
Gain on disposal of items of property, plant and equipment, net	**59**	14
Others	**761**	1,057
	16,274	494,709

* Government grants have been received from certain government authorities of the People's Republic of China (the "PRC") in recognition of the Group's efforts in environmental awareness and protection and technological development. There are no unfulfilled conditions or contingencies relating to these grants.

^ Government subsidies were granted from the Employment Support Scheme under the Anti-epidemic Fund of the Hong Kong government. As a condition of receiving the subsidies from the Employment Support Scheme, the Group undertakes not to make redundancies by 31 August 2020.

\# During the six months ended 30 June 2020, a termination agreement was signed between the government of Xinfeng, Guangdong, the PRC and an indirectly owned subsidiary of the Company, to terminate the previous signed acquisition agreement (i.e. a parcel of land located in Xinfeng). The government of Xinfeng, Guangdong, the PRC paid a compensation of approximately Renminbi ("RMB") 15,000,000 (equivalent to approximately HK$16,813,000) for several initial payments made by the indirectly owned subsidiary of the Company. The aggregate carrying amount of such several initial payments was approximately RMB6,658,000 (equivalent to approximately HK$7,463,000).

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**3,610**	4,621
Interest on lease liabilities	**47**	129
	3,657	4,750

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**198,819**	274,847
Depreciation of property, plant and equipment	**11,739**	11,517
Depreciation of right-of-use assets	**3,043**	2,846
Amortisation of intangible assets	**–**	700
Provision for impairment of items of property, plant and equipment*	**5,011**	–
Write-down of inventories to net realisable value, net#	**62**	–
Provision for/(reversal of provision for) impairment of trade receivables*	**4,186**	(22)
Impairment of financial assets included in prepayments, deposits and other receivables*	**–**	2,100
Gain on disposal of subsidiaries*	**–**	(490,412)
Gain on deposits paid for purchases of properties, plant and equipment*	**(9,350)**	–
Gain on disposal of items of property, plant and equipment, net*	**(59)**	(14)
Write-off of items of property, plant and equipment*	**146**	237
Foreign exchange differences, net*	**422**	751

* These balances are included in "Other income and gains, net" for gains and "Other expenses, net" for losses in the unaudited condensed consolidated statement of profit or loss.

\# The balance is included in "Cost of sales" in the unaudited condensed consolidated statement of profit or loss.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2019: 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

All subsidiaries of the Group established in Mainland China are subject to the PRC corporate income tax at a standard rate of 25% (six months ended 30 June 2019: 25%) during the period, except for a subsidiary of the Group qualified as a PRC High and New Technology Enterprise in Mainland China to which a lower PRC corporate income tax rate of 15% (six months ended 30 June 2019: 15%) had been applied during the period.

The share of tax attributable to an associate amounting to HK$159,000 (six months ended 30 June 2019: HK$172,000) is included in "Share of profits and losses of associates, net" in the unaudited condensed consolidated statement of profit or loss.

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted earnings/(loss) per share amount is based on the loss for the six months ended 30 June 2020 attributable to ordinary equity holders of the parent of HK$63,450,000 (six months ended 30 June 2019: profit of HK$440,062,000), and the weighted average number of ordinary shares of 1,903,685,690 (six months ended 30 June 2019: 1,903,685,690) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

8. DIVIDEND

At the annual general meeting held on 4 June 2020, the Company's shareholders approved the distribution of the final dividend for the year ended 31 December 2019 of HK2.0 cents (year ended 31 December 2018: HK1.0 cent) per share which amounted to approximately HK$38,074,000 (year ended 31 December 2018: HK$19,037,000).

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment at costs of HK$9,813,000 (six months ended 30 June 2019: HK$9,358,000).

Items of property, plant and equipment with an aggregate net book value of HK$206,000 (six months ended 30 June 2019: HK$39,000) were disposed of by the Group during the six months ended 30 June 2020.

In addition, there was an impairment of items of property, plant and equipment of approximately HK$5,011,000 (six months ended 30 June 2019: Nil) for the six months ended 30 June 2020.

10. INVESTMENT PROPERTIES

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Carrying amount at beginning of period/year	**851,339**	799,978
Additions	**3,518**	1,370
Acquisitions of investment properties through acquisitions of subsidiaries	**–**	713,000
Disposals of subsidiaries	**–**	(418,230)
Fair value losses, net	**(54,724)**	(229,689)
Transfer from deposits for purchases of properties, plant and equipment, and investment properties	**937**	3,471
Transfer to owner-occupied properties	**–**	(14,129)
Exchange realignment	**(3,146)**	(4,432)
Carrying amount at end of period/year	**797,924**	851,339

Certain of the Group's investment properties were revalued on 30 June 2020 based on valuations performed by BMI Appraisals Limited, an independent professional qualified valuer. Fair values of the Group's investment properties are generally derived by using the income capitalisation method or market comparison approach.

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance may be required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to three months to normal customers. The Group seeks to maintain strict control over its receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Within three months	**185,243**	205,306
Over three months and within six months	**38,377**	74,475
Over six months	**97,580**	38,668
	321,200	318,449

12. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Within three months	**141,865**	154,800
Over three months and within six months	**9,786**	11,251
Over six months	**225**	236
	151,876	166,287

Included in the Group's trade and bills payables as at 30 June 2020 is an amount due to an associate of the Group of HK$9,253,000 (31 December 2019: HK$12,575,000) which is normally settled within two months repayable on similar credit terms with reference to those offered from the suppliers of the Group who are similar in size and stature.

The trade payables are unsecured, non-interest-bearing and normally settled within two months. As at 30 June 2020, bills payable with an aggregate carrying amount of HK$5,557,000 (31 December 2019: HK$8,087,000) were secured by time deposits of HK$1,667,000 (31 December 2019: HK$2,426,000).

13. SHARE OPTION SCHEME

The 2012 Scheme

The 2012 share option scheme (the "2012 Scheme") was adopted by the Company on 28 June 2012 pursuant to a resolution passed at the annual general meeting held on the same date. Unless terminated by a resolution in a general meeting or by the board, the 2012 Scheme remains valid and effective for the period of 10 years commencing on 28 June 2012, after which period no further options will be issued but, in all other aspects, the provisions of the 2012 Scheme shall remain in full force and effect. Further details are set out in the circular of the Company dated 30 April 2012.

The 2012 Scheme will expire on 27 June 2022. During the six months ended 30 June 2020 and 2019, no share options were granted under the 2012 Scheme.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2020 (the "2020 Six-month Period"), the Group is principally engaged in property investment business, paint and coating business through CPM Group Limited ("CPM", together with its subsidiaries collectively as the "CPM Group"), a company listed on the Stock Exchange (stock code: 1932), and iron and steel trading business. The Group also holds certain equity investments for investment purpose. Detailed information on the paint and coating business is also set forth in the results announcement of CPM for the 2020 Six-month Period, and the following information on the paint and coating business is set forth for ease of reference.

The Group recorded a loss attributable to the shareholders of the parent company (the "Shareholders") of HK$63.45 million for the 2020 Six-month Period as compared to a profit attributable to the Shareholders of HK$440.06 million for the six months ended 30 June 2019 (the "2019 Six-month Period"). The loss for the 2020 Six-month Period was primarily due to (i) the absence of a gain on disposal of subsidiaries of HK$490.41 million during the 2019 Six-month Period; and (ii) the fair value losses of HK$54.72 million on the investment properties held by the Group in Hong Kong and Mainland China as at 30 June 2020.

The Group recorded a revenue of HK$293.90 million for the 2020 Six-month Period representing a decrease of 19.5% from HK$365.20 million as compared to the 2019 Six-month Period. The decrease in the Group's revenue was primarily due to the decrease in the amount of revenue generated from the paint and coating business of the CPM Group and the sluggish iron and steel trading business. The amount of the Group's gross profit during the 2020 Six-month Period amounted to HK$95.09 million, representing an increase of 5.2% from HK$90.36 million as compared to the 2019 Six-month Period. The increase in the amount of the gross profit was primarily due to the increase in the rental income generated from the property investment business during the 2020 Six-month Period.

The revenue of the paint and coating business accounted for 90.9% of the Group's revenue for the 2020 Six-month Period as compared to 83.8% of the same for the 2019 Six-month Period.

Paint and Coating Business

General Industry Background

In Mainland China, the most recent economic indicators showed that the domestic economy in the PRC might start recovering from the global lockdown and the slowdown in business activities caused by the COVID-19 pandemic (the "COVID-19"). On 16 July 2020, the National Bureau of Statistics of China (the "NBSC") announced that the economic performance of China during the first half of 2020 recorded a decline of gross domestic product ("GDP") by 6.8% during the first quarter of 2020 and a growth of GDP by 3.2% during the second quarter of 2020, as compared to the same periods in 2019. Overall, the GDP of China during the first half of 2020 shrank by 1.6% as compared to the growth rate of 6.3% during the first half of 2019.

During the first half of 2020, the demand for paint and coating products in Mainland China increased because of the continuous growth in the real property industry, albeit that there was the decrease in demand for paint and coating products in the manufacturing industry in Mainland China, which is regarded as a secondary industry, including the retail business of decorating paint and coating products and the sales of the furniture paint and coating products. The cumulative construction area of construction in progress increased by 2.6% during the first half of 2020, as compared to the increase of 8.8% during the first half of 2019. On the other hand, the cumulative completion area, in terms of size, decreased by 10.5% during the first half of 2020, as compared to the decrease of 12.7% during the first half of 2019. These have slowed down the retail sales of construction and decorative paint and coating products during the first half of 2020 by 21.5%, as compared to the decrease of 22.2% during the first half of 2019, and the retail sales of paint and coating products for furniture goods, including furniture manufacturing purpose, decreased by 26.6% during the first half of 2020, as compared to the decrease of 14.9% during the first half of 2019. The paint and coating industry not only suffered from the economic downturn as a result of the COVID-19, but also the adverse effect of the decrease in the number of completed units in the property development industry during the first half of 2020. Some paint and coating manufacturers in Mainland China who had strengthened conventional sales channels, such as wholesalers or retail dealers, were adversely affected. Following the changes in the customer demands in the market, during the first half of 2020, the CPM Group recorded a similar level of revenue contribution generated from the construction and renovation contractors for property and infrastructure projects, a significant revenue decrease of 29.7% from industrial manufacturers, as well as a decrease of 9.8% in revenue generated from wholesale distributors and retail distributors, as compared to the first half of 2019.

The paint and coating industry is included in the secondary industry in Mainland China which had an overall decrease in GDP by 10.0% in the first quarter of 2020, as compared to the increase in GDP of 6.8% in the first quarter of 2019. The manufacturing industry steadily recovered and recorded a growth of 1.8% in the second quarter of 2020, as compared to a growth rate of 5.8% in the second quarter of 2019. Overall, the manufacturing industry in Mainland China shrank by 4.1% during the first half of 2020, as compared to the increase by 6.2% during the first half of 2019. In addition, according to the Manufacturing Producer Price Index for coating, ink, pigment and similar products in Mainland China, the prices of these products during the first half of 2020 were intensely competitive and decreased in the range between 0.2% and 3.1%. As a result of the rapid stimulus, relief programs and quick responses to the COVID-19 by the Chinese government, the performance of the manufacturing industry improved in the second quarter of 2020.

Segmental Results

The revenue of the CPM Group decreased by 12.6% to HK$267.22 million during the 2020 Six-month Period as compared to HK$305.88 million for the 2019 Six-month Period. The CPM Group's gross profit for the 2020 Six-month Period slightly decreased by 0.3% to HK$79.25 million for the 2020 Six-month Period as compared to the 2019 Six-month Period. During the 2020 Six-month Period, the segment loss amounted to HK$17.09 million as compared to that of HK$43.67 million for the 2019 Six-month Period. The loss incurred by the CPM Group during the 2020 Six-month Period was primarily attributed by the combination of the following factors:

Decrease in revenue because of the COVID-19

The challenging economic environment has had an adverse impact on the results of the CPM Group. The decrease in the amount of revenue generated from the sales of industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products for the 2020 Six-month Period were 19.5%, 4.4% and 15.9% respectively. Such decrease in revenue during the 2020 Six-month Period was primarily due to the adverse impact of the COVID-19 in Mainland China and Hong Kong. According to the NBSC, the sales of the manufacturing industry in Mainland China during the first half of 2020 decreased by 4.1% and the retail sales of the construction and decorative paint and coating products during the first half of 2020 decreased by 21.5% as compared to the first half of 2019. The decrease in sales of paint and coating products of the CPM Group was in the range with the general business environment even though it was adversely affected by the COVID-19.

Decline in sales to industrial manufacturers and wholesale distributors and retail distributors

The CPM Group's customers include construction and renovation contractors for property and infrastructure projects, industrial manufacturers and wholesale distributors and retail distributors, which accounted for 38.5%, 23.5% and 38.0% respectively, during the 2020 Six-month Period, as compared to 34.0%, 29.2% and 36.8% respectively, during the 2019 Six-month Period. The CPM Group's revenue generated from these customers for the 2020 Six-month Period decreased by 1.1%, 29.7% and 9.8% respectively.

The significant decrease in the sales to the industrial manufacturers was caused by the temporarily suspension or reduced scale of operations of the industrial manufacturers in the first quarter of 2020, which was due to the prohibition of commencement of work after the Chinese New Year holidays in Mainland China. Moreover, the continuing tension in the China-US relationship has also affected the export sales of the industrial manufacturers in Mainland China. In addition, the decline in sales to the wholesale distributors and retail distributors was primarily due to the economic slowdown in Mainland China, which led to a temporarily reduction in paint and coating products expenses for potential end-users.

For construction and renovation contractors, the CPM Group maintained a flat revenue for the 2020 Six-month Period as compared to the same period in 2019. During the 2020 Six-month Period, the CPM Group continued to expand the sales to property developers and construction contractors and succeeded in increasing the proportion of revenue generated from these customers.

The demand of the paint and coating products would also be affected by the seasonal factors which affect the operation of manufacturing and construction industries.

Improvement in gross profit margin and slightly drop in gross profit

Gross profit margin of the CPM Group during the 2020 Six-month Period increased by 14.2% from 26.0% to 29.7%. The increase in the gross profit margin was primarily due to the change in the product mix and the decrease in the prices of raw materials.

Despite the improvement in the gross profit margin, the gross profit of the CPM Group for the 2020 Six-month Period slightly decreased by 0.3% to HK$79.25 million as compared to the 2019 Six-month Period due to the decrease in revenue of the CPM Group during the 2020 Six-month Period.

Reduction in selling and distribution and administrative expenses

The CPM Group reduced the amount of selling and distribution expenses and administrative expenses by 33.5% and 4.2% respectively during the 2020 Six-month Period as compared to the 2019 Six-month Period.

Other income and other expenses

The CPM Group received a gain on deposits paid for purchases of properties, plant and equipment of HK$9.35 million as other income and gains during the 2020 Six-month Period.

During the 2020 Six-Month Period, the CPM Group has provided a provision for impairment of items of property, plant and equipment of HK$5.01 million and an additional provision for impairment of trade receivables of HK$4.52 million.

Property Investment Business

As at 30 June 2020, the investment property portfolio held by the Group included 15 properties with total gross floor area (the "GFA") of 265,615 square feet ("sq.ft."), as compared to 264,180 sq.ft. as at 31 December 2019 which comprised of residential, commercial, hotel, serviced apartment and industrial properties in Hong Kong and Mainland China, with the aim to generate stable recurring income and cash flow for long-term investment purposes. The increase in GFA during the 2020 Six-month Period was due to the acquisition of the investment property in Mainland China in April 2020. As at 30 June 2020, the aggregate market value of investment properties held by the Group amounted to HK$797.92 million as compared to HK$851.34 million as at 31 December 2019, representing a decrease of 6.3%. The decrease in the market value of the investment properties was primarily due to the record of fair value losses on the investment properties.

The revenue generated from the property investment business for the 2020 Six-months Period amounted to HK$15.44 million as compared to HK$9.22 million for the 2019 Six-month Period. The increase in revenue was primarily due to the increase in rental income arising from the acquisition of investment properties in 2019.

The average occupancy rate for the 2020 Six-month Period reached 95.6%. Segment loss for the 2020 Six-month Period amounted to HK$39.30 million as compared to a segment profit of HK$489.75 million for the 2019 Six-month Period. The change in segment results from a profit for the 2019 Six-month Period to a loss for the 2020 Six-month Period was primarily due to (i) the absence of a gain on disposal of subsidiaries (2019 Six-months Period: HK$490.41 million); and (ii) the fair value losses of HK$54.72 million on the investment properties held by the Group in Hong Kong and Mainland China as at 30 June 2020. The fair value losses of the Group's investment properties for the 2020 Six-month Period was HK$54.72 million while the fair value gains for the 2019 Six-month Period was HK$2.06 million. Such amounts followed the general market conditions of the residential, commercial, hotel, serviced apartment and industrial property market in Hong Kong and Mainland China for the period under review.

The Group will constantly review the portfolio of its investment properties and will continue to acquire additional properties in Hong Kong and/or Mainland China that may generate a constant flow of income with capital gain potential.

Proposed columbarium project in Yuen Long, Hong Kong

The review application under Section 17 of Town Planning Ordinance ("TPO") for seeking the approval of the Town Planning Board ("TPB") for a proposed columbarium on the Group's existing land located in Au Tau, Yuen Long, Hong Kong (the "Appeal Site") was rejected in December 2014. The Group lodged an appeal to the Appeal Board Panel (Town Planning) ("ABP") under Section 17B of TPO in February 2015 and was granted the planning permission in November 2017.

The permission is valid for four years from the date of the decision, i.e. November 2017. The permission will not be valid after the expiry date, unless the permission is renewed or the development permitted is commenced. The permission is conditional, as directed by ABP, and the major conditions are as follows:

1. The maximum number of niches within the Appeal Site should not exceed 20,000.

2. The submission of an implementation programme with phasing proposals (with niche sales not exceeding 3,000 niches per year) to tie in with the completion of the traffic improvement measures and the submission of a traffic review report at the end of each phase to the satisfaction of the Commissioner for Transport, the Commissioner of Police or of the TPB.

3. The Group shall not proceed to the niche sales in the next phase unless the traffic management measures have been implemented to the satisfaction of the Commissioner for Transport, the Commissioner of Police or of the TPB.

4. Submission of relevant updated assessments, reports, plans or measures within six months from the date of the decision to the satisfaction of all relevant government departments and parties affected, including but not limited to Transport Department, the Police, Planning Department, Pok Oi Hospital, Hospital Authority and TPB.

5. The in-situ presentation of Pun Uk in its entirely, including feng shui pond in front of Pun Uk to the satisfaction of the director of the Leisure and Cultural Services or of the TPB.

6. The Appeal Site involves various private lots in D.D. 115 which are of agricultural or building status held under Block Government Lease or Tai Po New Grant, and adjoining government land. The Group needs to apply to the Lands Department for a land exchange. It is noted that the Group has included a land exchange to effect the proposed development. Such application will be considered by the Lands Department acting in the capacity as a landlord at its sole discretion and there is no guarantee that the land exchange, including the granting of additional government land, for the proposed development will be approved. In the event that land exchange is approved, it would be subject to such terms and conditions, including, among other things, the payment of premium and administrative fee, as may be imposed by the Lands Department at its sole discretion.

The Group has appointed respective professionals and submitted relevant assessments, reports, plans or measures to relevant government bodies and parties for comments.

The Group has applied to the TPB five times for the grants of extension of time to comply with the relevant approval conditions or submitting relevant assessments, reports, plans or measures in relation to our replies to the comments from relevant government departments and affected parties. The TPB has agreed to grant extension from the original six months to thirty-six months until November 2020 and advised that unless under very special circumstances, no further extension would be granted.

As at the date of this announcement, one of the relevant parties, Pok Oi Hospital has rejected our proposed columbarium proposal and the remaining relevant parties, including the TPB, Planning Department, Transport Department, Hong Kong Police and Hospital Authority have not yet expressed their acceptance or rejection on the proposed columbarium proposal. The Group has made responses to comments from all relevant parties to seek their acceptance of the proposal.

Acquisition of a commercial property in Pudong New Area, Shanghai, the PRC

In April 2020, the Group entered into an agreement with an independent third party for the acquisition of a commercial property located in Pudong New Area, Shanghai, the PRC for a cash consideration of RMB3.60 million. Payment of the consideration was funded by the Group's internal financial resources. The commercial property was handed over to the Group in June 2020, and was then leased out for rental income at the prevailing market rates.

Iron and Steel Trading Business

The revenue generated from the iron and steel trading business amounted to HK$11.24 million for the 2020 Six-month Period as compared to HK$50.11 million for the 2019 Six-month Period, representing a significant decrease of 77.6%. The decrease was primarily due to the decrease in the demand for tin mill black plate during the 2020 Six-month Period.

The gross profit margin kept steady at about 3.5% for the 2020 Six-month Period. Segment loss for the 2020 Six-months Period amounted to HK$1.67 million as compared to HK$1.31 million for the 2019 Six-month Period. The record of the segment loss for the period was primarily due to the share of loss from an associate during the 2020 Six-month Period.

Equity Investments Designated at Fair value Through Other Comprehensive Income

The Group has 12.5% equity interest in Profitable Industries Limited, an investment holding company with a cemetery project (the "Cemetery") situated in Sihui, Guangdong Province, the PRC as its principal asset. The Cemetery is operated under the name of "Fortune Wealth Memorial Park" with principal activities of the development, construction, management and operation of a cemetery. The main types of products of the Cemetery are outdoor grave lots, ordinary columbarium niches and luxury columbarium niches.

According to the disclosure in the annual report of Chuang's China Investments Limited (stock code: 298) for the year ended 31 March 2020, the Fortune Wealth Memorial Park is operated as a cemetery with a site area of approximately 518 mu. The development of the project is conducted by phases. Phase I of about 100 mu has been completed with 5,485 grave plots, one mausoleum providing 550 niches, as well as an administrative and customer service building. Development of the remaining 418 mu will be divided into Phase II to Phase V. For Phase II and Phase III, land use rights of approximately 143 mu have been obtained, which will accommodate a total of 22,569 grave plots. For Phase IV and Phase V, land use rights of approximately 5.2 mu have been obtained and additional land quota of about 119.8 mu shall be required, for the construction of a total of 19,246 grave plots.

On the sale aspects, the Cemetery is for sale not only in Mainland China, but also includes overseas Chinese, as well as the residents of Hong Kong, Macau and Taiwan.

FINANCIAL REVIEW

Liquidity and Financial Information

The Group's business operation is generally financed by its internal financial resources and external bank borrowings. The cash and cash equivalents amounted to HK$408.82 million as at 30 June 2020 as compared to HK$465.37 million as at 31 December 2019. Bank borrowings amounted to HK$226.32 million as at 30 June 2020 as compared to HK$216.44 million as at 31 December 2019. The Group's bank borrowings mainly bear interest at floating rates. The Group's total bank borrowings as at 30 June 2020 amounted to HK$226.32 million (100.0%) is payable within one year.

The Group's cash and bank balances and bank borrowings are mainly denominated in Hong Kong dollars and Renminbi. The Group's results can be affected by movements in the exchange rate between Hong Kong dollars and Renminbi. The Group did not have any hedging instrument to hedge the foreign currency exposure as at 30 June 2020. However, the Group will continue to monitor its foreign exchange exposure and requirements closely and arrange hedging facilities when necessary.

The gearing ratio of the Group, which is expressed as a percentage of total bank borrowings to shareholders' fund, was 14.7% as at 30 June 2020 as compared to 13.1% as at 31 December 2019. The liquidity ratio of the Group, which is expressed as a percentage of current assets to current liabilities, was 1.87 times as at 30 June 2020 as compared to 1.93 times as at 31 December 2019.

For the 2020 Six-month Period, the inventory turnover days[1] were 56 days as compared to 55 days for the 2019 Six-month Period. The trade and bills receivables turnover days[2] for the 2020 Six-month Period were 199 days as compared to 180 days for the 2019 Six-month Period. The increase in the trade and bills receivables turnover days was primarily due to the deferral of settlement by customers during the outbreak of the COVID-19.

Equity, Net Asset Value and Shareholders' Funds

Shareholders' funds of the Group as at 30 June 2020 was HK$1,537.05 million as compared to HK$1,651.07 million as at 31 December 2019. Net asset value per share as at 30 June 2020 was HK$0.87 as compared to HK$0.94 as at 31 December 2019. Shareholders' funds per share as at 30 June 2020 was HK$0.81 as compared to HK$0.87 as at 31 December 2019. Fluctuations in the foreign currency exchange rates between Hong Kong dollar (the reporting currency) and Renminbi could have a significant impact and may lead to volatility in the operating results of the Group.

Contingent Liabilities

Guarantees issued by the Company to bankers to secure general banking facilities granted to various subsidiaries outstanding as at 30 June 2020 amounted to HK$5.56 million compared to HK$9.19 million as at 31 December 2019.

1. The calculation of inventory turnover days is based on the closing balance of inventories divided by the cost of sales and multiplied by 182 days.

2. The calculation of trade and bills receivables turnover days is based on the closing balance of trade and bills receivables divided by the revenue and multiplied by 182 days.

Pledge of Assets

Certain property, plant and equipment, investment properties, right-of-use assets and cash deposits with an aggregate net book value of HK$331.22 million as at 30 June 2020 (31 December 2019: HK$377.82 million) and the shares of a subsidiary were pledged as collaterals for bank borrowings, lease liabilities and bills payable. As at 30 June 2020, the total outstanding secured bank borrowings amounted to HK$222.73 million as compared to HK$195.63 million as at 31 December 2019, lease liabilities amounted to HK$0.52 million as compared to HK$0.73 million as at 31 December 2019, and bills payable amounted to HK$5.56 million as compared to HK$8.09 million as at 31 December 2019.

STAFF

As at 30 June 2020, the Group employed a total of 802 employees, as compared to 836 employees as at 30 June 2019. Staff costs (excluding directors' emoluments) amounted to HK$65.84 million for the 2020 Six-month Period as compared to HK$76.05 million for the 2019 Six-month Period. The Group's staff remuneration and benefit system remains competitive.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above, there was no other significant investment acquired, nor was there any other material acquisitions or disposals of subsidiaries during the 2020 Six-month Period. The Board has not yet authorised any plan for other material investments or additions of capital assets.

BUSINESS OUTLOOK

Looking ahead, the second half of 2020 will be more challenging and less predictable. The geopolitical uncertainties and the economic and social impacts of the COVID-19 are expected to be continued. It is encouraged that the economy of Mainland China is on a path of recovery as the COVID-19 is under control in Mainland China. The business environment in Mainland China is still full of challenges and opportunities in the second half of 2020. Mainland China is a principal market of the CPM Group. The management of the CPM Group believes that the sales to construction and renovation for property and infrastructure projects would be one of the main sources of revenue growth in the foreseeable future. It is also believed that the fundamentals of the business initiatives, including boosting business performance by increasing the selling prices of the paint and coating products, improving the procurement and sourcing process, optimising the product mix and distribution channels and integrating the production facilities of the CPM Group in Mainland China, remain necessary.

In order to maintain competitive advantages, the CPM Group will make a proactive effort to optimise the industrial chain for achieving the products and market diversification of its paint and coating products. In the meantime, in order to leverage the foundation of the existing business, the CPM Group has planned to follow the "Guangdong-Hong Kong-Macao Greater Bay Area plan", which targets at Southern China market with a focus on leading cities in the Guangdong Province, the PRC, such as Shenzhen and Zhongshan, to further develop the CPM Group's business in Mainland China by increasing additional production capacity in the CPM Group's production plant in Zhongshan. The CPM Group will continue to rationalise its production processes and streamline its manpower resources in order to improve the production efficiency. In addition, in order to increase the market share, extend the geographical sales and expand the customers base in Mainland China, the CPM Group will continue to explore production cooperation with selected paint and coating manufacturers on an original equipment manufacturer basis. The CPM Group believes that such business focus is beneficial to the business development with resources to be focused on the target markets where the CPM Group has a significant business presence.

In Hong Kong, the outbreak of the COVID-19 has severely impacted the business activities, such as catering and tourism, and a lot of businesses have been closed down. The unemployment rate is expected to be increasing. The Hong Kong economy is less likely to experience even a slightly recover in the near future. Despite the macro-economic conditions are deteriorating, the management of the Group foresees that the interest rates would be lower in order to support the property market in Hong Kong.

The Group will constantly review its investment property portfolio and to acquire suitable investment properties for the purpose of generating a recurring income and cash flow for investment purposes.

The Chinese government aims to maintain a stable real estate industry. The national policies in Mainland China remain rigorous in emphasising that "housing is for accommodation, but not speculation". The property market in Mainland China expected to be continually affected by the government's policy on the balances between supply and demand, and accelerate the establishment of a long-term stable and healthy development mechanism. The Group remains conservatively optimistic on steady and healthy grown of the real estate market in Mainland China. Hence, the management of the Group will continue to look for additional property investment properties amid the challenging economic environment.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2020, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except that the non-executive Directors and the independent non-executive Directors are not appointed for a specific term. According to the Company's bye-laws, they are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Model Code"). After specific enquiry by the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's own code during the six months ended 30 June 2020.

UPDATE ON DERIVATIVE ACTION

As at the date of this announcement, the derivative action initiated by Chinaculture.com Limited against certain Directors and the Company is still ongoing. The Company is named as a nominal defendant in such derivative action.

On behalf of the Board
CNT Group Limited
Lam Ting Ball, Paul
Chairman

Hong Kong, 27 August 2020

As at the date of this announcement, the Board comprises Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan as executive Directors; Mr. Tsui Ho Chuen, Philip, Mr. Chan Wa Shek and Mr. Zhang Yulin as non-executive Directors; and Mr. Wu Hong Cho, Mr. Huang De Rui, Mr. Zhang Xiaojing, Ms. Lin Yingru, Mr. Cheng Wai Po, Samuel and Mr. Ko Kwok Fai, Dennis as independent non-executive Directors.