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DISCLOSEABLE TRANSACTION DISCLOSEABLE TRANSACTION

JOINT ANNOUNCEMENT IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN CHINA MOLYBDENUM & VANADIUM DEVELOPMENT LIMITED

After trading hours of the Stock Exchange on 7 May 2018, the Purchaser (an indirect wholly-owned subsidiary of CPM, which in turn is indirectly held as to 75% by CNT) and the Vendor entered into the Sale and Purchase Agreement in relation to the Acquisition at a cash consideration of RMB83.0 million (equivalent to approximately HK\$102.6 million). The principal assets of the Target Group are the Target Assets.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed(s) 5% but is/are less than 25%, the Acquisition constitutes a discloseable transaction for each of CNT and CPM and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The respective Boards of CNT and CPM are pleased to announce that, after trading hours of the Stock Exchange on 7 May 2018, the Purchaser (an indirect wholly-owned subsidiary of CPM, which in turn is indirectly held as to 75% by CNT) and the Vendor entered into the Sale and Purchase Agreement in relation to the Acquisition at a cash consideration of RMB83.0 million (equivalent to approximately HK\$102.6 million). The principal assets of the Target Group are the Target Assets.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

Date

7 May 2018

Parties

- (i) the Vendor; and
- (ii) the Purchaser

To the best of the knowledge, information and belief of the respective directors of CNT and CPM, having made all reasonable enquiries, the Vendor is a third party independent of CNT and CPM and their respective connected persons (within the meaning of the Listing Rules).

Assets to be acquired

The Vendor has agreed to sell, and the Purchaser has agreed to acquire from the Vendor, the Sale Shares free from pre-emptive rights, option, lien, recourse, mortgage, encumbrance or the rights of any third party.

Consideration

The aggregate consideration for the Sales Shares is RMB83.0 million (equivalent to approximately HK\$102.6 million), which was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to the valuation of the Target Assets taking into consideration the replacement cost and the prevailing value of comparable assets.

The Consideration will be settled in cash in the following manners:

- (i) RMB20.0 million (equivalent to approximately HK\$24.7 million) has been paid upon signing of the Memorandum of Understanding as initial deposit;
- (ii) RMB43.0 million (equivalent to approximately HK\$53.2 million) shall be paid upon the First Completion; and
- (iii) the balance of RMB20.0 million (equivalent to approximately HK\$24.7 million) shall be paid upon the Second Completion.

Conditions Precedent

Completion is conditional upon, among others, the following:

- (i) the Purchaser having received evidence and reasonably satisfied that Zhongshan Yongcheng has completed a restructuring such that its principal assets comprise only the Target Assets;

- (ii) the Purchaser having completed its due diligence investigation on the Target Group and having reasonably satisfied with the results thereof and the Purchaser having received and reasonably satisfied with the legal opinion on the Target Group in respect of Hong Kong law and the PRC law issued by law firms acceptable by the Purchaser;
- (iii) all representations, warranties and undertakings given by the Vendor and contained in the Sale and Purchase Agreement remaining true, accurate and not misleading;
- (iv) the Vendor having obtained and made all necessary consents and filings in respect of the transactions contemplated under the Sale and Purchase Agreement and such consents and filings having been validly subsisting;
- (v) the Purchaser having received the Completion Accounts which indicates the only assets of the Target Group are the Target Assets and not any other assets such as inventories, creditors' rights, intangible assets or fixed assets and the Target Group does not have any debts (apart from the Loan); and the Completion Accounts having been reviewed by accountants acceptable to the Purchaser to ensure that they give a true and fair view of the state of affairs of the Target Group as at the date of the Completion Accounts;
- (vi) the Purchaser having received evidence and reasonably satisfied that (i) the Vendor has assigned his rights and benefits under the Loan to the Purchaser; and (ii) the Vendor has transferred to the Purchaser his rights and benefits under the 2013 Agreement; and
- (vii) the Vendor having repaid a loan in the amount of RMB10.0 million (equivalent to approximately HK\$12.4 million) which was secured by a charge over part of the Property and the charge being discharged.

The First Completion shall take place upon satisfaction (or waiver by the Purchaser) of the conditions precedent set out in items (i) to (vi) above. If such conditions are not fulfilled (or waived by the Purchaser) on or before 30 June 2018, the obligations of the parties under the Sale and Purchase Agreement shall terminate whereupon all deposits paid shall be returned by the Vendor (without interest) to the Purchaser forthwith and no party shall have any claim against each other thereafter (save in respect of any antecedent breaches). The Vendor has undertaken under the Sale and Purchase Agreement that the conditions precedent set out in item (vii) above will be fulfilled on or before 31 August 2018.

Completion

The First Completion and the Second Completion shall take place within five business days upon satisfaction (or waiver by the Purchaser) of the First Completion Conditions and the Second Completion Conditions respectively.

Undertaking

Zhongshan Yongcheng will provide an undertaking to the Purchaser to bear and perform the obligations of the Vendor under the Sale and Purchase Agreement.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment company. Zhongshan Yongcheng, a direct wholly-owned subsidiary of the Target Company, is the registered and beneficial owner of the Target Assets which comprise the Property and the Trademarks. The principal business of the Target Group is the manufacture and sale of paint and coating products. The Property is a plot of land located at Jiemin Village, Sanjiao Town, Zhongshan City, Guangdong Province, the PRC (中國廣東省中山市三角鎮結民村) with a total site area of approximately 33,333 square meters and the buildings and production facilities erected on the land.

Set out below is the unaudited financial information of the Target Group for the years ended 31 December 2016 and 2017:

	For the year ended 31 December	
	2016	2017
	HK\$'000	HK\$'000
Net profit/(loss) before taxation	<u>(439)</u>	<u>375</u>
Net profit/(loss) after taxation	<u>(439)</u>	<u>336</u>
		As at
		31 December
		2017
		HK\$'000
Net liabilities		<u><u>(11,830)</u></u>

FINANCIAL EFFECT OF THE ACQUISITION

Immediately after the Completion, the Target Company will be entirely owned by CPM and be accounted for as a subsidiary of CPM and CNT respectively. The financial results of the Target Group will be consolidated into the consolidated financial statements of the CPM Group and the CNT Group.

INFORMATION OF THE CNT GROUP AND THE CPM GROUP

The CNT Group is principally engaged in the following four segments: (i) manufacture and sale of paint products; (ii) trading of iron and steel products and related investments; (iii) property investment (including the investment in properties for rental income potential or for sale, and the proposed columbarium development in Hong Kong); and (iv) the provision of advertising services and investment holding.

The CPM Group is principally engaged in the manufacture and sale of paint and coating products and investment holding. CPM's principal products include industrial paint and coating products, architectural paint and coating products, and general paint and coating and ancillary products.

REASONS FOR THE ACQUISITION

As disclosed in the prospectus of CPM dated 19 June 2017 regarding the Global Offering, CPM has budgeted HK\$42.0 million of the net proceeds from the Global Offering for pursuing strategic acquisitions of paint and coating businesses and assets so as to further enhance the CPM Group's market share in Southern China and penetrate into the paint and coating markets in Southern and Central China. The Property comprises production facilities for the production of paint and coating products (both solvent-based and water-based). In addition, Zhongshan Yongcheng currently holds various licences and permits including the work safety licence and the dangerous chemicals registration certificate which are paramount for the operations. The directors of CPM consider that the Acquisition will increase the production capacity of the CPM Group and enhance its market position in the Greater Bay Area, Southern China.

CPM intends to fund part of the Consideration equivalent to the amount of HK\$42.0 million from the net proceeds of the Global Offering and the balance by bank borrowing and internal resources.

The respective Boards of CNT and CPM consider that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of CNT and CPM and their respective shareholders as a whole.

GENERAL

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed(s) 5% but is/are less than 25%, the Acquisition constitutes a discloseable transaction for each of CNT and CPM and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“2013 Agreement”	the agreement dated 23 May 2013 entered into by the Vendor (as purchaser) with the then owner of the Target Company for the purchase of the entire equity interest in the Target Company by the Vendor and pursuant to which the then owner of the Target Company agreed to bear and the Vendor shall have the right of recourse against him for all the debts, legal liabilities and risks of the Target Group prior to 1 July 2013
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“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser at the Consideration pursuant to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of directors
“CNT”	CNT Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“CNT Group”	CNT and its subsidiaries
“Completion”	completion of the Acquisition
“Completion Accounts”	the unaudited consolidated financial statements of the Target Group as at the last day of the preceding month of the date of the First Completion
“Consideration”	the consideration for the Acquisition, being RMB83.0 million (equivalent to approximately HK\$102.6 million), to be satisfied in cash
“CPM”	CPM Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“CPM Group”	CPM and its subsidiaries
“First Completion”	the satisfaction (or waiver by the Purchaser) of the First Completion Conditions
“First Completion Conditions”	the conditions precedent items (i) to (vi) set out under the paragraph headed “Conditions Precedent” in this joint announcement
“Global Offering”	the conditional offering of the shares of CPM for subscription by members of the public in Hong Kong, the conditional offering of the shares of CPM outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S under the United States Securities Act of 1933 and the offer to the qualifying shareholders of CNT for subscription of the shares of CPM

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	an amount in the sum of RMB44,204,689 (equivalent to approximately HK\$54,623,734), being all amounts which the Target Company owes the Vendor
“Memorandum of Understanding”	the confidential memorandum of understanding dated 8 January 2018 entered into between the Vendor and the Purchaser in relation to the Acquisition
“PRC”	the People’s Republic of China, and for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	a plot of land located at Jiemin Village, Sanjiao Town, Zhongshan City, Guangdong Province, the PRC (中國廣東省中山市三角鎮結民村) with a total site area of approximately 33,333 square meters and the buildings and production facilities erected on the land
“Purchaser”	Top Dreamer Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CPM, which in turn is held as to 75% by CNT
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the share sale and purchase agreement dated 7 May 2018 entered into between the Vendor and the Purchaser in relation to the Acquisition
“Sale Shares”	1,000 shares of the Target Company, representing the entire issued and paid-up share capital of the Target Company
“Second Completion”	the satisfaction (or waiver by the Purchaser) of the Second Completion Conditions

“Second Completion Conditions”	the conditions precedent item (vii) set out under the paragraph headed “Conditions Precedent” in this joint announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	the Property and the Trademarks
“Target Company”	China Molybdenum & Vanadium Development Limited (中國鉬業有限公司), a company incorporated in Hong Kong with limited liability and wholly-owned by the Vendor
“Target Group”	the Target Company and Zhongshan Yongcheng
“Trademarks”	the trademarks owned by Zhongshan Yongcheng
“Vendor”	Wong Fan Cheong (黃奮昌), an individual holding the entire equity interest in the Target Company as at the date of this joint announcement
“Zhongshan Yongcheng”	中山市永成化工有限公司 (Zhongshan Yongcheng Chemical Co., Ltd.*), a wholly-owned foreign enterprise established in the PRC on 11 October 2004 and a direct wholly-owned subsidiary of the Target Company, being the registered and beneficial owner of the Target Assets
“%”	per cent

In this joint announcement, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.2357. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.

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

On behalf of the Board
CPM Group Limited
Tsui Ho Chuen, Philip
Executive Director and Managing Director

Hong Kong, 7 May 2018

As at the date of this joint announcement, the Board of CNT comprises Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan as executive directors; Mr. Tsui Ho Chuen, Philip, Mr. Chan Wa Shek, Mr. Zhang Yulin and Mr. Hung Ting Ho, Richard as non-executive directors; and Mr. Wu Hong Cho, Mr. Danny T Wong and Mr. Zhang Xiaojing as independent non-executive directors.

As at the date of this joint announcement, the Board of CPM comprises Mr. Tsui Ho Chuen, Philip, Mr. Li Guangzhong and Mr. Wong Anders as executive directors; Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan as non-executive directors; and Ms. Chiu Kam Hing, Kathy, Mr. Chua Joo Bin and Mr. Xia Jun as independent non-executive directors.

* *For identification purpose only*