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**CNT GROUP LIMITED**

**北海集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 701)**

**PROPOSED SPIN-OFF AND LISTING OF  
CPM GROUP LIMITED  
ON THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED**

This announcement is made pursuant to paragraph 3(g) of Practice Note 15 of the Listing Rules. The Board refers to the announcement of the Company dated 18 April 2016 on the Spin-Off and the Listing and is pleased to announce that a listing application form (Form A1) for the listing of, and permission to deal in, the CPM Shares on the Stock Exchange have been submitted to the Stock Exchange on 23 November 2016. The Spin-Off and the Listing are proposed to be implemented by way of issuing to members of the public in Hong Kong and investors in such other jurisdictions, as considered appropriate, such number of new CPM Shares representing not less than 25% of the enlarged number of the CPM Shares in issue following completion of the Spin-Off and the Listing.

Following completion of the Spin-Off and the Listing, members of the CPM Group will continue to be non-wholly owned subsidiaries of the Company and as such, their operating results will continue to be consolidated into the consolidated financial statements of the Remaining Group.

The Spin-Off will constitute a deemed disposal by the Company of such CPM Shares. As none of the applicable percentage ratios (as defined under the Listing Rules) based on the latest financial information of the Group and the CPM Group is expected to exceed 25%, the Spin-Off will constitute a discloseable transaction (as such term is defined under Chapter 14 of the Listing Rules) for the Company. Such disposal will be subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules, but it will not require the approval of the Shareholders at the Special General Meeting.

Nevertheless, the Deed of Non-Competition and the Deed of Indemnity will require the approval of the public Shareholders (other than substantial Shareholders (as such term is defined under Chapter 1 of the Listing Rules)) at the Special General Meeting. In addition, the adoption of the Share Option Scheme by CPM will also require the approval of the Shareholders at the Special General Meeting. The Company will issue further announcements on the Special General Meeting as and when appropriate.

A redacted version of the application proof of the listing document of CPM is available for review and can be downloaded from the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). Further information on the Spin-Off and the Listing, including their structure and the expected timetable, have yet to be finalised.

**Shareholders and prospective investors of the Company should note that there is no assurance that the approval for the Listing by the Stock Exchange will be granted. The final structure of the Spin-Off and the Listing are subject to, among other things, the approval of the Stock Exchange, the final decision of the Board and such other factors as the Board may consider appropriate. Accordingly, Shareholders and prospective investors of the Company should note that there is no assurance that the Spin-Off and the Listing will take place and, if so, when the Spin-Off and the Listing will take place.**

**Shareholders and prospective investors of the Company should exercise caution when dealing in or investing in the securities of the Company. The Company will make further announcement(s) on the Spin-Off and the Listing in compliance with the requirements of the Listing Rules as and when appropriate.**

## INTRODUCTION

This announcement is made pursuant to paragraph 3(g) of Practice Note 15 of the Listing Rules. The Board refers to the announcement of the Company dated 18 April 2016 on the Spin-Off and the Listing and is pleased to announce that a listing application form (Form A1) for the listing of, and permission to deal in, the CPM Shares on the Stock Exchange have been submitted to the Stock Exchange on 23 November 2016.

Following completion of the Spin-Off and the Listing, members of the CPM Group will continue to be non-wholly owned subsidiaries of the Company and as such, their operating results will continue to be consolidated into the consolidated financial statements of the Remaining Group.

### **REASONS FOR AND BENEFITS OF THE SPIN-OFF AND THE LISTING**

The Directors believe that the Spin-Off and the Listing will be beneficial to the Group because of the following:

- (a) the operating results of the Paint Business are sufficient to warrant a separate listing on the Stock Exchange, and the proposed structure of the Spin-Off separates the Paint Business and the Remaining Businesses. Such segregation enables investors and financiers to appraise the strategies, functioning exposure, risks and returns of the Paint Business and the Remaining Businesses independently. The Spin-Off and the Listing will create an investment opportunity which would enable investors to have a better understanding of both the Paint Business and the Remaining Businesses as separate legal entities rather than a conglomerate of diversified business activities. The Paint Business and the Remaining Businesses can then be valued on a standalone basis, which can release the true intrinsic value of the respective businesses;
- (b) the Spin-Off and the Listing will allow both the Company and CPM to target their respective shareholder bases more effectively, which would in turn improve capital raising on a competitive basis and have better capital allocation to enhance growth within each company;
- (c) the Spin-Off and the Listing will increase the operational and financial transparency of the Paint Business and the Remaining Businesses and can provide investors and the market with greater clarity on the businesses and financial status of the respective businesses;
- (d) the Spin-Off and the Listing will lead to a more direct alignment of the responsibilities and accountability of the management of both the Paint Business and the Remaining Businesses with their respective operating and financial performance. Following completion of the Spin-Off and the Listing, CPM will become a separately listed entity with its own management team and structure focusing on the Paint Business, and hence improve its ability to recruit, motivate and retain key management personnel as well as to enhance its management incentives. As the respective businesses have different requirements and strategies, a clear and transparent separation of the management structure will enhance the decision-making process and their responsiveness to any market changes;

- (e) the Spin-Off will enable each of the Company and CPM to have its own fund raising platform to directly and independently access both the debt and equity capital markets; and
- (f) the Spin-Off and the Listing will deliver greater shareholders' value to both the Company and CPM on their respective merits and increase operational and financial transparency through which investors would be able to appraise and assess the performance and potential of each of the Paint Business and the Remaining Businesses as (i) CPM will enjoy enhanced flexibility to grow its business free of actual or perceived constraints as a wholly-owned subsidiary; (ii) CPM will enjoy increased ability to make acquisitions by using the CPM Shares as acquisition currency; and (iii) the Company will be able to enjoy increased Shareholders' value through sharing of the economic benefits from the development of the Paint Business by remaining as the holding company of CPM.

### **DELINEATION OF BUSINESS BETWEEN THE CPM GROUP AND THE REMAINING GROUP**

As of the date of this announcement, the business of the Group comprises four business segments, i.e. the Paint Business, the investment property business, the trading business of iron and steel products and other business activities (including the provision of advertising services and other trading and investment holding businesses). The Paint Business is one of the distinctive business segments of the Group and has the longest operating history. The other business segments of the Group, which form part of the core business of the Group, have been growing steadily. These business activities are independent from the Paint Business and have different business development directions as compared with the Paint Business.

The principal purpose of the Spin-Off and the Listing is to create separate listing platforms on the Stock Exchange for the Paint Business and the Remaining Businesses so that these business activities may raise equity and debt financing independently according to their respective business needs. The market positions and the valuation of the Paint Business and the Remaining Businesses are distinctively different. Investors who have interest in the Paint Business as one of the well-recognised paint manufacturing businesses in the industrial sector may not at the same time have interest in the Remaining Businesses. By implementing the Spin-Off and the Listing, the value of each of the Paint Business and the Remaining Businesses would not rely on each other and can be fully reflected in the respective trading prices of the shares of the Company and the CPM Shares.

### **ASSURED ENTITLEMENT**

In giving due regard to the interests of the Shareholders, it is intended that, if the Spin-Off proceeds, an assured entitlement to the CPM Shares will be provided to the qualifying Shareholders by way of a preferential application for the new issue of CPM Shares.

The terms of such assured entitlement have not been finalised and will be announced in due course.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Spin-Off and the Listing are proposed to be implemented by way of new issue of the CPM Shares. The Directors currently anticipate that CPM will issue to members of the public in Hong Kong and investors in such other jurisdictions, as considered appropriate, such number of new CPM Shares representing not less than 25% of the enlarged number of the CPM Shares in issue following completion of the Spin-Off and the Listing. On this basis, the Spin-Off will constitute a deemed disposal by the Company of such CPM Shares. As none of the applicable percentage ratios (as defined under the Listing Rules) based on the latest financial information of the Group and the CPM Group is expected to exceed 25%, the Spin-Off will constitute a discloseable transaction (as such term is defined under Chapter 14 of the Listing Rules) for the Company. Such disposal will be subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules, but it will not require the approval of the Shareholders at the Special General Meeting.

Nevertheless, the Deed of Non-Competition and the Deed of Indemnity will require the approval of the public Shareholders (other than substantial Shareholders (as such term is defined under Chapter 1 of the Listing Rules)) at the Special General Meeting. In addition, the adoption of the Share Option Scheme by CPM will also require the approval of the Shareholders at the Special General Meeting. The Company will issue further announcements on the Special General Meeting as and when appropriate.

## **FURTHER INFORMATION ON THE SPIN-OFF AND THE LISTING**

A redacted version of the application proof of the listing document of CPM is available for review and can be downloaded from the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). Further information on the Spin-Off and the Listing, including their structure and the expected timetable, have yet to be finalised.

**Shareholders and prospective investors of the Company should note that there is no assurance that the approval for the Listing by the Stock Exchange will be granted. The final structure of the Spin-Off and the Listing are subject to, among other things, the approval of the Stock Exchange, the final decision of the Board and such other factors as the Board may consider appropriate. Accordingly, Shareholders and prospective investors of the Company should note that there is no assurance that the Spin-Off and the Listing will take place and, if so, when the Spin-Off and the Listing will take place.**

**Shareholders and prospective investors of the Company should exercise caution when dealing in or investing in the securities of the Company. The Company will make further announcement(s) on the Spin-Off and the Listing in compliance with the requirements of the Listing Rules as and when appropriate.**

## DEFINITIONS

*Unless the context requires otherwise, the capitalised terms used in this announcement shall have the following meanings:*

“Board”	the board of Directors;
“Company”	CNT Group Limited (北海集團有限公司), a company incorporated in Bermuda with limited liability with all of its shares listed on the Stock Exchange;
“CPM”	CPM Group Limited (中漆集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability and a wholly-owned subsidiary of the Company as of the date of this announcement, which will become the holding company of the Paint Business following the Spin-Off and the Listing;
“CPM Group”	CPM and its subsidiaries;
“CPM Shares”	the shares in issue and to be issued by CPM;
“Deed of Indemnity”	the conditional deed of indemnity proposed to be entered into by the Company in favour of the CPM Group for the purpose of the Spin-Off and the Listing, subject to the approval of the public Shareholders at the Special General Meeting;
“Deed of Non-Competition”	the conditional deed of non-competition proposed to be entered into by the Company in favour of the CPM Group for the purpose of the Spin-Off and the Listing, subject to the approval of the public Shareholders at the Special General Meeting;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of The People’s Republic of China;
“Listing”	the proposed listing of the CPM Shares on the Stock Exchange;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;

“Paint Business”	the business of production and sales of paint and coating products currently conducted by the Group;
“Remaining Businesses”	the principal business activities engaged by the Remaining Group following completion of the Spin-Off and the Listing, i.e. (i) the investment property business; (ii) the trading business of iron and steel products; and (iii) other business activities (including the provision of advertising services and other trading and investment holding businesses);
“Remaining Group”	the Company and its subsidiaries following completion of the Spin-Off and the Listing, excluding members of the CPM Group;
“Share Option Scheme”	the share option scheme proposed to be adopted by CPM and subject to the approval of the Shareholders at the Special General Meeting pursuant to Chapter 17 of the Listing Rules;
“Shareholders”	the shareholders of the Company;
“Special General Meeting”	the special general meeting to be convened for the purpose of approving the Deed of Non-Competition, the Deed of Indemnity and the adoption of the Share Option Scheme by CPM;
“Spin-Off”	the proposed spin-off of CPM for separate listing on the Stock Exchange by way of offering of new CPM Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By order of the Board  
**Lam Ting Ball, Paul**  
*Chairman*

Hong Kong, 23 November 2016

*As of the date of this announcement, the Board comprises Mr. Lam Ting Ball, Paul, Mr. Tsui Ho Chuen, Philip and Mr. Chong Chi Kwan as executive Directors; Mr. Chan Wa Shek, Mr. Zhang Yulin and Mr. Hung Ting Ho, Richard as non-executive Directors; and Sir David Akers-Jones, Mr. Danny T Wong, Dr. Steven Chow and Mr. Zhang Xiaojing as independent non-executive Directors.*