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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**

DISCLOSEABLE TRANSACTION

The Company refers to the Announcements. On 19 June 2017, CPM issued the CPM Prospectus. The purpose of this announcement is to set forth further information on the Spin-Off from the perspective of the Company and the implications of the Spin-Off and the Listing to the Company under the Listing Rules. Prospective investors of the CPM Shares should read the CPM Prospectus. This announcement does not form part of the CPM Prospectus, for which the CPM Directors collectively and individually accept full responsibility.

PUBLICATION OF THE CPM PROSPECTUS

CPM published the CPM Prospectus on 19 June 2017. The CPM Prospectus is available for viewing and download from the websites of CPM at <http://www.cpmgroup.com.hk> and the Stock Exchange at <http://www.hkexnews.hk> from 19 June 2017.

THE SPIN-OFF

The Spin-Off will be implemented by way of the Global Offering which consists of the Hong Kong Public Offering and the International Offering (including the CNT Preferential Offer). Further information on the CNT Preferential Offer is set forth in the paragraphs under “CNT Preferential Offer” below.

If the Global Offering is completed, the total number of the CPM Shares to be offered under the Global Offering will be 250,000,000 CPM Shares (assuming that the Over-allotment Option is not exercised), representing 25.0% of the number of the CPM Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue, and 287,500,000 CPM Shares (assuming that the Over-allotment Option is exercised in full), representing 27.7% of the number of the CPM Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue. The total number of the CPM Shares which is expected to be in issue immediately following completion of the Global Offering and the Capitalisation Issue is 1,000,000,000 CPM Shares (assuming that the Over-allotment Option is not exercised), of which CNT Enterprises will hold 750,000,000 CPM Shares through the Capitalisation Issue.

The Offer Price is expected to be not less than HK\$0.80 and not more than HK\$0.86 (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee).

It is currently expected that CPM will grant the International Underwriters, exercisable by the Stabilising Manager on behalf of the International Underwriters, the Over-allotment Option to require CPM to issue and allot additional CPM Shares representing up to 15.0% of the initial number of the Offer Shares at the Offer Price under the International Offering to cover the over-allocations in the International Offering, if any.

The Offer Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with all the CPM Shares then in issue. Based on the current structure of the Spin-Off and the Listing, assuming that the Over-allotment Option is not exercised, immediately following completion of the Spin-Off and the Listing, the Company will continue to hold 75.0% of all the CPM Shares in issue, i.e. 750,000,000 CPM Shares. If the Over-allotment Option is exercised in full, the Company's shareholding in CPM will be reduced to 72.3%. In any of these events, CPM will become a non-wholly owned subsidiary of the Company upon completion of the Spin-Off and the Listing and the operating results of the CPM Group will continue to be consolidated into the consolidated financial statements of the Company.

CNT PREFERENTIAL OFFER

As disclosed in the announcement of the Company dated 16 June 2017, in order to enable the Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting the approval for the Listing becoming unconditional, the CNT Qualifying Shareholders will be invited to apply for an aggregate of 25,000,000 CNT Reserved Shares in the CNT Preferential Offer representing 11.1% and 10.0% of the initial number of the International Offer Shares and the Offer Shares respectively, assuming that the Over-allotment Option is not exercised, as the CNT Qualifying Shareholder's Preferential Entitlement. The CNT Reserved Shares will be offered out of the International Offer Shares and will not be subject to re-allocation.

The basis of the CNT Qualifying Shareholder's Preferential Entitlement is one CNT Reserved Share for every integral multiple of 57 Shares held by CNT Qualifying Shareholders at 4:30 p.m. on the CNT Preferential Offer Record Date.

CNT Qualifying Shareholder's Preferential Entitlement of CNT Qualifying Shareholders to CNT Reserved Shares are not transferable.

CNT Qualifying Shareholders who are not CNT Non-Qualifying Shareholders, that is (a) whose address(es) as shown in the register of members of the Company on the CNT Preferential Offer Record Date is/are in any of the Excluded Territories; or (b) who is/are otherwise known by the Company to be resident in any of the Excluded Territories on the CNT Preferential Offer Record Date; or (c) who is/are CPM Director(s) and/or their close associates, may participate in the CNT Preferential Offer.

A BLUE Application Form, together with a printed copy of the CPM Prospectus, have been despatched to each of the CNT Qualifying Shareholders at the addresses of such CNT Qualifying Shareholders recorded on the register of members of the Company at 4:30 p.m. on the CNT Preferential Offer Record Date.

Shareholders are reminded that this announcement is not intended to be and does not constitute an offer or any invitation to apply for their CNT Qualifying Shareholder's Preferential Entitlement. Such offer or invitation is made through the CPM Prospectus and Shareholders should refer to the CPM Prospectus for further information.

IMPLICATIONS UNDER THE LISTING RULES

The Spin-Off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest of the applicable percentage ratio in respect of the Spin-Off exceeds 5% but is less than 25%, the Spin-Off will constitute a discloseable transaction (as such term is defined under the Listing Rules) for the Company. The Spin-Off is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Global Offering will not be extended to, among others, persons who are not Independent Third Parties, except that all CNT Qualifying Shareholders (including connected persons of the Company who are CNT Qualifying Shareholders) will be entitled to participate in the CNT Preferential Offer.

The timetable for the Global Offering, including the CNT Preferential Offer, is set forth in the CPM Prospectus. The Company will make further announcement(s) in relation to the Spin-Off and the Listing in accordance with the requirements of the Listing Rules as and when appropriate.

There is no assurance that the Spin-Off and the Listing will take place or the relevant approvals be granted, or as to when it may take place or be granted. The Company will issue further announcement on the Spin-Off as and when appropriate.

The Spin-Off and the Listing are subject to, amongst other things, the approval of the Stock Exchange and the final decision of the CPM Board. Accordingly, Shareholders and prospective investors should be aware that the Directors cannot assure that the Spin-Off and the Listing will take place or the relevant approvals be granted, or as to when they will take place or be granted. Shareholders and prospective investors should exercise caution when dealing in or investing in the securities of the Company.

The Global Offering (including the CNT Preferential Offer) is subject to, among other things, the granting of listing of, and permission to deal in, the CPM Shares on the Main Board. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Spin-Off and the Listing will take place and, if so, when they may take place. Shareholders and prospective investors of the Company should exercise caution when dealing in or investing in the securities of the Company.

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The Offer Shares to be issued pursuant to the Global Offering will rank *pari passu* in all respects with all the CPM Shares then in issue. Based on the current structure of the Spin-Off and the Listing, assuming that the Over-allotment Option is not exercised, immediately following completion of the Spin-Off and the Listing, the Company will continue to hold 75.0% of all the CPM Shares in issue, i.e. 750,000,000 CPM Shares. If the Over-allotment Option is exercised in full, the Company's shareholding in CPM will be reduced to 72.3%. In any of these events, CPM will become a non-wholly owned subsidiary of the Company upon completion of the Spin-Off and the Listing and the operating results of the CPM Group will continue to be consolidated into the consolidated financial statements of the Company.

Listing

On 23 November 2016, CPM submitted a listing application form (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the CPM Shares on the Main Board. On 23 May 2017, CPM renewed its listing application.

Subject to the Stock Exchange granting approval of the Listing as well as compliance with the stock admission requirements of HKSCC, the CPM Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as may be determined by HKSCC.

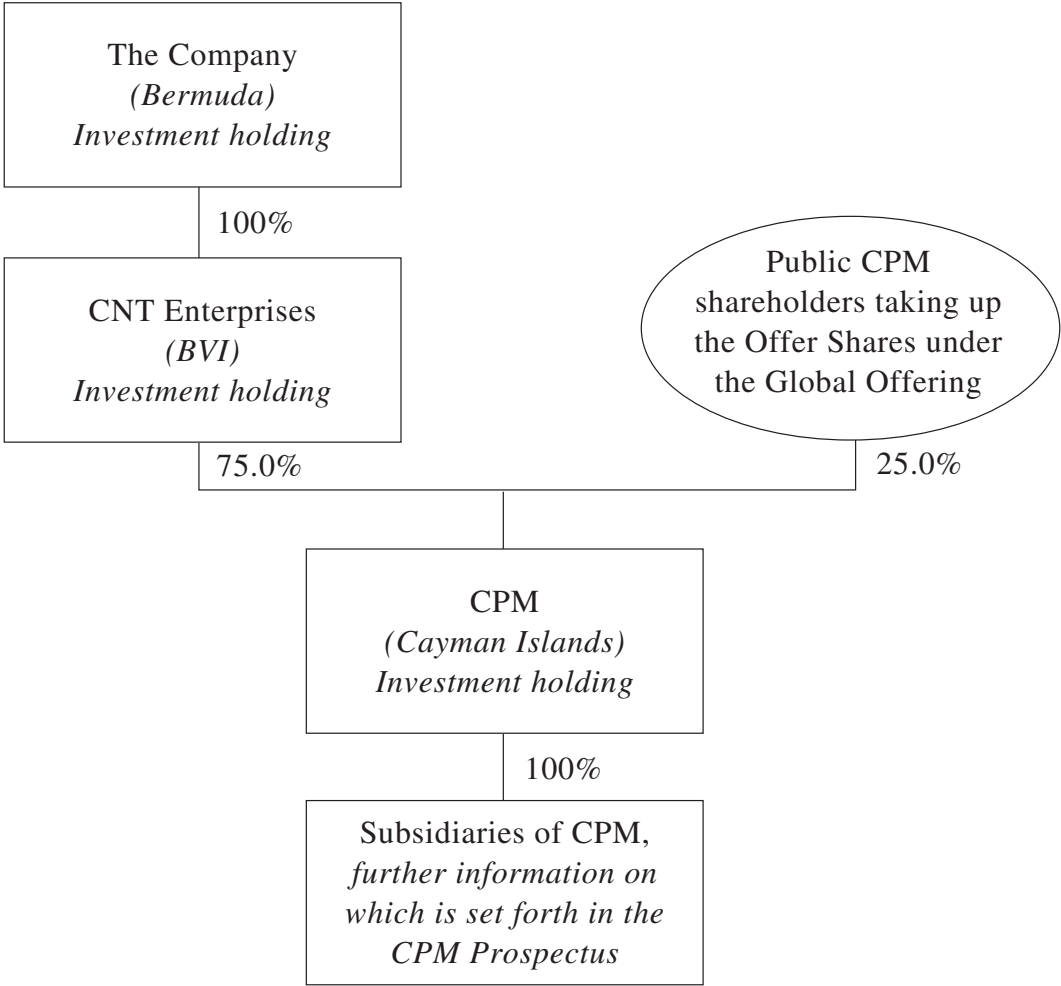
The Shares will continue to be listed on the Main Board after completion of the Spin-Off and the Listing.

Shareholding effects of the Spin-Off

Shareholding structure of the CPM Group upon completion of the Spin-Off

Based on the current structure of the Spin-Off, the number of the Offer Shares is expected to represent 25% of the total number of the CPM Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised). The Company's shareholding in CPM will be reduced to 75.0% (assuming that the Over-allotment Option is not exercised) or 72.3% (assuming the Over-allotment Option is exercised in full) immediately following completion of the Global Offering and the Capitalisation Issue.

The corporate structure of the CPM Group after completion of the Spin-Off and the Listing (assuming the Over-allotment Option is not exercised) is set forth below:



INFORMATION ON THE CPM GROUP AND DELINEATION OF BUSINESS

Overview of the CPM Group

CPM Group is a manufacturer of a wide range of industrial and architectural paint and coating products under the established brands of, among others, “*Flower (菊花牌)*”, “*Giraffe (长颈鹿牌)*” and “*Toy Brand (玩具牌)*”. The business was established in Hong Kong in 1932, and CPM Group is one of the well-recognised paint and coating manufacturers in Hong Kong and the PRC. Wood painting products, including lacquers, polyurethane coatings and baking enamels, are its principal paint and coating products.

The paint and coating products of the CPM Group may be used for different applications and can be solvent-based or water-based. The following sets forth a brief description of the three principal categories of the paint and coating products:

- *Industrial paint and coating products* – These paint and coating products are generally used in a wide range of applications, such as furniture painting, manufacturing and surface finishing for different kinds of materials, and are being used by manufacturers, renovation contractors for property and infrastructure projects and household users.
- *Architectural paint and coating products* – These paint and coating products are generally used in property development and infrastructure projects.
- *General paint and coating and ancillary products* – These products include thinner, enamels and anti-mold agents and solvent agents.

Further information on the business of the CPM Group is set forth in the CPM Prospectus.

Business delineation between the business of the Remaining Group and the CPM Group

Following completion of the Spin-Off and the Listing, the Remaining Group will be engaged in the Remaining Businesses whilst the CPM Group will be engaged in the Paint Business. The businesses of each of the CPM Group and the Remaining Group differ significantly. The following sets forth the major differences between the business of the Remaining Group and the CPM Group:

Remaining Group	CPM Group
<ul style="list-style-type: none"> – Investment Property Business – Trading Business – Other Business 	<ul style="list-style-type: none"> – Paint Business

As shown in the table above, there is a clear delineation between the respective business activities of the Remaining Group and the CPM Group. Their respective business operations are independent from each other.

HONG KONG UNDERWRITING AGREEMENT, LOCK-UP RESTRICTIONS AND THE STOCK BORROWING AGREEMENT

Hong Kong Underwriting Agreement

The Company has entered into the Hong Kong Underwriting Agreement. The Company will also enter into the International Underwriting Agreement. The Offer Shares will be underwritten by the Underwriters subject to the terms as set forth in the Underwriting Agreements.

Lock-up

Pursuant to Rule 10.07(1) of the Listing Rules, each of the CPM Controlling Shareholders has undertaken to CPM and the Stock Exchange, except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it shall not:

- (i) in the period commencing on the date by reference to which disclosure of its shareholding in CPM is made in the CPM Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the CPM Shares that it is shown to beneficially own in the CPM Prospectus (the “**Relevant Shares**”); or
- (ii) in the period of a further six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of CPM.

The Company has entered into similar non-disposal arrangements with the Hong Kong Underwriters under the Hong Kong Underwriting Agreement.

Stock Borrowing Agreement

It is expected that the Company will enter into the Stock Borrowing Agreement with the Stabilising Manager. Further information on the stock borrowing arrangements is set forth in the CPM Prospectus.

CONTINUING CONNECTED TRANSACTIONS

As set forth in the section headed “Continuing Connected Transactions” in the CPM Prospectus, there will be certain transactions between the Group and the CPM Group following completion of the Spin-Off and the Listing. These transactions constitute exempt and non-exempt continuing connected transactions for CPM, but not for the Company as members of the CPM Group will be non-wholly owned subsidiaries of the Company following completion of the Spin-Off and the Listing.

FINANCIAL INFORMATION OF THE CPM GROUP

The following is certain selected financial information of the CPM Group extracted from the CPM Prospectus:

Combined statements of profit or loss

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	1,131,305	867,997	937,450
Cost of sales	<u>(737,417)</u>	<u>(543,573)</u>	<u>(590,088)</u>
Gross profit	393,888	324,424	347,362
Other income and gains, net	16,551	18,318	12,827
Selling and distribution expenses	(170,204)	(156,063)	(148,647)
Administrative expenses	(98,192)	(103,900)	(112,227)
Other expenses, net	(11,626)	(18,050)	(23,998)
Finance costs	<u>(3,076)</u>	<u>(3,098)</u>	<u>(2,050)</u>
Profit before tax	127,341	61,631	73,267
Income tax expenses	<u>(30,192)</u>	<u>(19,701)</u>	<u>(17,801)</u>
Profit for the year	<u>97,149</u>	<u>41,930</u>	<u>55,466</u>
ATTRIBUTABLE TO:			
Owners of the CPM Group	97,274	42,498	55,448
Non-controlling interests	<u>(125)</u>	<u>(568)</u>	<u>18</u>
	<u>97,149</u>	<u>41,930</u>	<u>55,466</u>

Combined statements of comprehensive income

	Year ended 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	97,149	41,930	55,466
Other comprehensive income			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>(18,465)</u>	<u>(38,266)</u>	<u>(53,672)</u>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of net pension scheme assets	<u>(281)</u>	<u>(489)</u>	<u>339</u>
Other comprehensive loss for the year	<u>(18,746)</u>	<u>(38,755)</u>	<u>(53,333)</u>
Total comprehensive income for the year	<u>78,403</u>	<u>3,175</u>	<u>2,133</u>
ATTRIBUTABLE TO:			
Owners of the CPM Group	78,644	3,928	2,358
Non-controlling interests	<u>(241)</u>	<u>(753)</u>	<u>(225)</u>
	<u>78,403</u>	<u>3,175</u>	<u>2,133</u>

Combined statements of financial position

	As of 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	193,729	195,730	188,041
Prepaid land lease payments	21,682	20,181	18,389
Available-for-sale investment	300	300	300
Deposits for purchases of property, plant and equipment	8,603	8,318	8,662
Net pension scheme assets	2,853	2,178	2,372
Deferred tax assets	9,083	7,854	7,470
Total non-current assets	236,250	234,561	225,234
CURRENT ASSETS			
Inventories	71,683	54,886	60,955
Trade and bills receivables	392,882	325,788	445,513
Prepayments, deposits and other receivables	40,904	40,374	44,702
Due from the Remaining Group	91,058	111,046	106,555
Structured deposits	203,037	157,224	98,666
Restricted cash	74,958	71,610	–
Cash and cash equivalents	185,704	214,945	219,540
Total current assets	1,060,226	975,873	975,931
CURRENT LIABILITIES			
Trade and bills payables	196,110	115,790	199,635
Other payables and accruals	155,490	134,939	139,797
Derivative financial instrument	16	10	–
Due to the Remaining Group	96,020	77,735	19,853
Interest-bearing bank and other borrowings	145,230	165,349	113,344
Tax payable	14,661	13,751	17,088
Total current liabilities	607,527	507,574	489,717
NET CURRENT ASSETS	452,699	468,299	486,214
TOTAL ASSETS LESS CURRENT LIABILITIES	688,949	702,860	711,448

	As of 31 December		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	12	1,388
Deferred tax liabilities	31,037	31,713	29,343
Deferred income	3,265	2,813	2,346
Total non-current liabilities	34,324	34,538	33,077
Net assets	654,625	668,322	678,371
EQUITY			
Equity attributable to Owners of CPM Group			
Issued capital	–	–	–
Reserves	650,029	664,479	674,753
	650,029	664,479	674,753
Non-controlling interests	4,596	3,843	3,618
Total equity	654,625	668,322	678,371

FINANCIAL IMPACT OF THE PROPOSED SPIN-OFF

The following estimates the financial impact of the Spin-Off on the Group on the basis of the current structure of the Spin-Off that CPM will offer 25% of the total number of the CPM Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised) and is for illustration purpose only.

The actual financial impact of the Spin-Off on the Group is subject to review by the Company's auditors.

Net asset value

The audited consolidated net assets of the Group were HK\$1,481.3 million as of 31 December 2016. Based on the number of Offer Shares, the maximum Offer Price of HK\$0.86 and the current proposed structure of the Global Offering, the estimated market capitalisation of CPM (assuming that the Over-allotment Option is not exercised) is expected to be not more than HK\$860.0 million at the time of the Listing.

The Board expects that the consolidated net assets of the Group will be increased as a result of the issue of the CPM Shares and the net proceeds raised from the Global Offering (the “**Increase in Net Assets**”), and the consolidated cash and bank balances is also expected to be increased by the net proceeds from the Global Offering.

In accordance with the Hong Kong Financial Reporting Standards, the Increase in Net Assets, which constitutes changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, is accounted for within equity. Therefore, there will be no gain or loss arising from the deemed disposal by the Company of its interest in CPM under the Global Offering to be recognised in profit or loss of the Group given that CPM will remain as an indirect non-wholly owned subsidiary of the Company immediately upon completion of the Spin-Off and the Global Offering.

Earnings

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

Based on the audited combined statements of profit or loss and other comprehensive income of the CPM Group for the Track Record Period, as extracted from the CPM Prospectus, the audited combined net profits before taxation of the CPM Group were HK\$127.3 million, HK\$61.6 million, HK\$73.3 million, respectively, and the audited combined net profits after taxation of the CPM Group were HK\$97.2 million, HK\$41.9 million and HK\$55.5 million, respectively.

Following completion of the Spin-Off and the Listing, the proportion of the Group's earnings contributed from the CPM Group is expected to be reduced as the Company's interest in CPM will be reduced from 100% to 75% (assuming that the Over-allotment Option is not exercised) and 72.3% (assuming that the Over-allotment Option is exercised in full).

CPM will be regarded as a non-wholly owned subsidiary of the Company. Consequently, financial results of the CPM Group will continue to be consolidated into the accounts of the Company and the profit attributable to non-controlling interests will increase.

PURPOSE AND BENEFITS OF THE SPIN-OFF

Purpose of the Spin-Off

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. Prior to the Spin-Off and the Listing, the Directors received from time to time feedbacks from the Shareholders and prospective investors that the positioning of the Group is unclear and that it would be difficult to appraise the value of the Group as a whole with such diverse business activities. 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. Likewise, investors who prefer to invest in the Remaining Businesses may not have interest in businesses in the manufacturing sector. The situation limited the efforts of the Group in broadening its investor base. 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 CPM Shares and the Shares.

Benefits of the Spin-Off

The Spin-Off and the Listing are beneficial to the Company for the following reasons:

- (a) the Spin-Off will create an investment opportunity which would enable investors to have a better understanding of the business of the Remaining Group than a conglomerate of diversified business activities. The Remaining Businesses can then be valued on a standalone basis, which can release its true intrinsic value;
- (b) the Spin-Off and the Listing will allow the Company to target its shareholder base more effectively, which would in turn improve capital raising on a competitive basis and have better capital allocation to enhance growth within the Remaining Group;
- (c) the Spin-Off and the Listing will lead to a more direct alignment of the responsibilities and accountability of the management of the Remaining Businesses with its operating and financial performance.
- (d) the Spin-Off and the Listing 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
- (e) the Spin-Off and the Listing will deliver greater shareholder value to the Company on its merits and increase operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the Remaining Businesses.

The Spin-Off and the Listing, if completed, will benefit the Remaining Group as a whole. In addition to the benefits set forth above, the CPM Group will have its own fund-raising platform and will not require the corporate guarantees/financial supports currently provided by the Company to the business operations of the CPM Group. With the special interim dividend of HK\$180 million to be received from the CPM Group, the Remaining Group will also have additional financial resources for further expansion of the Investment Property Business, by recruiting dedicated management teams and acquiring commercial and residential properties in prime areas in Hong Kong and the PRC for recurring rental income and long-term investment purposes, as well as the Trading Business.

The Directors confirm the Remaining Group will have sufficient working capital upon completion of the Spin-Off and the Listing.

The Directors (including the independent non-executive Directors) resolved by super-majority that the Spin-Off and the Listing are beneficial to the business development of the Company as a whole.

CONDITIONS OF THE PROPOSED SPIN-OFF

As extracted from the CPM Prospectus, acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the CPM Shares in issue, the Offer Shares to be issued pursuant to the Global Offering (including any CPM Shares to be issued upon the exercise of the Over-allotment Option) on the Main Board;
- (ii) the Offer Price having been agreed between CPM and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters);
- (iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of the CPM Prospectus.

If, for any reason, the Offer Price is not agreed between CPM and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) on or before Tuesday, 27 June 2017, the Global Offering will not proceed and will lapse.

PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

As extracted from the CPM Prospectus, the CPM Directors estimate that CPM will receive net proceeds from the Global Offering of HK\$168.2 million, after deducting the underwriting fees and estimated expenses for the Listing paid and payable, assuming that the Offer Price is HK\$0.83, being the mid-point of the indicative range of the Offer Price stated in the CPM Prospectus. According to the CPM Prospectus, the net proceeds from the Global Offering are intended to be used for the following purposes:

- HK\$78.5 million, or 46.7%, will be used for the construction of additional production facilities of CPM;
- HK\$19.1 million, or 11.3%, will be used for the repayment of bank loans;
- HK\$42.0 million, or 25.0%, will be budgeted for pursuing acquisitions of businesses or production assets; and
- HK\$28.6 million, or 17.0%, will be used for sales and marketing campaigns and activities.

Further information on the proposed use of the net proceeds from the Global Offering by the CPM Group is set forth in the CPM Prospectus.

CNT PREFERENTIAL OFFER

As disclosed in the announcement of the Company dated 16 June 2017, in order to enable the Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting the approval for the Listing becoming unconditional, the CNT Qualifying Shareholders will be invited to apply for an aggregate of 25,000,000 CNT Reserved Shares in the CNT Preferential Offer representing 11.1% and 10.0% of the initial number of the International Offer Shares and the Offer Shares respectively, assuming that the Over-allotment Option is not exercised, as the CNT Qualifying Shareholder's Preferential Entitlement. The CNT Reserved Shares will be offered out of the International Offer Shares and will not be subject to re-allocation.

The basis of the CNT Qualifying Shareholder's Preferential Entitlement is one CNT Reserved Share for every integral multiple of 57 Shares held by CNT Qualifying Shareholders at 4:30 p.m. on the CNT Preferential Offer Record Date.

CNT Qualifying Shareholder's Preferential Entitlement of CNT Qualifying Shareholders to CNT Reserved Shares are not transferable.

CNT Qualifying Shareholders who are not CNT Non-Qualifying Shareholders, that is (a) whose address(es) as shown in the register of members of the Company on the CNT Preferential Offer Record Date is/are in any of the Excluded Territories; or (b) who is/are otherwise known by the Company to be resident in any of the Excluded Territories on the CNT Preferential Offer Record Date; or (c) who is/are CPM Director(s) and/or their close associates, may participate in the CNT Preferential Offer.

A BLUE Application Form, together with a printed copy of the CPM Prospectus, have been despatched to each of the CNT Qualifying Shareholders at the addresses of such CNT Qualifying Shareholders recorded on the register of members of the Company at 4:30 p.m. on the CNT Preferential Offer Record Date.

Shareholders are reminded that this announcement is not intended to be and does not constitute an offer or any invitation to apply for their CNT Qualifying Shareholder's Preferential Entitlement. Such offer or invitation is made through the CPM Prospectus and Shareholders should refer to the CPM Prospectus for further information.

IMPLICATIONS UNDER THE LISTING RULES

The Spin-Off constitutes a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest of the applicable percentage ratio in respect of the Spin-Off exceeds 5% but is less than 25%, the Spin-Off will constitute a discloseable transaction (as such term is defined under the Listing Rules) for the Company. The Spin-Off is therefore subject to the reporting and announcement requirements but is exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Global Offering will not be extended to, among others, persons who are not Independent Third Parties, except that all CNT Qualifying Shareholders (including connected persons of the Company who are CNT Qualifying Shareholders) will be entitled to participate in the CNT Preferential Offer.

The timetable for the Global Offering, including the CNT Preferential Offer, is set forth in the CPM Prospectus. The Company will make further announcement(s) in relation to the Spin-Off and the Listing in accordance with the requirements of the Listing Rules as and when appropriate.

There is no assurance that the Spin-Off and the Listing will take place or the relevant approvals be granted, or as to when it may take place or be granted. The Company will issue further announcement on the Spin-Off as and when appropriate.

The Spin-Off and the Listing are subject to, amongst other things, the approval of the Stock Exchange and the final decision of the CPM Board. Accordingly, Shareholders and prospective investors should be aware that the Directors cannot assure that the Spin-Off and the Listing will take place or the relevant approvals be granted, or as to when they will take place or be granted. Shareholders and prospective investors should exercise caution when dealing in or investing in the securities of the Company

The Global Offering (including the CNT Preferential Offer) is subject to, among other things, the granting of listing of, and permission to deal in, the CPM Shares on the Main Board. Accordingly, Shareholders and potential investors of the Company should be aware that there is no assurance that the Spin-Off and the Listing will take place and, if so, when they may take place. Shareholders and prospective investors of the Company should exercise caution when dealing in or investing in the securities of the Company.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, the capitalised terms used herein shall have the following meanings:

“Announcements”	the announcements issued by the Company on 23 November 2016, 1 June 2017, 12 June 2017 and 16 June 2017 in respect of the Spin-Off and the Listing;
“BLUE Application Form”	the application form despatched to the CNT Qualifying Shareholders for the purpose of inviting the CNT Qualifying Shareholders to subscribe for the CNT Reserved Shares;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Capitalisation Issue”	the issue of 749,999,900 CPM Shares to be made on the capitalisation of certain sum standing to the credit of the share premium account of CPM;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;

“CNT Enterprises”	CNT Enterprises Limited, a company incorporated in the BVI with limited liability on 14 September 2016, a wholly-owned subsidiary of the Company and one of the CPM Controlling Shareholders;
“CNT Non-Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appeared in the register of members of the Company at 4:30 p.m. on the CNT Preferential Offer Record Date and: (a) whose address(es) as shown in such register is/are in any of the Excluded Territories; or (b) who is/are otherwise known by the Company to be resident in any of the Excluded Territories on the CNT Preferential Offer Record Date; or (c) who is/are the CPM Directors and/or their respective close associates (as such term is defined under the Listing Rules);
“CNT Preferential Offer”	the offer to the CNT Qualifying Shareholders for subscription for the CNT Reserved Shares at the Offer Price on and subject to the terms and conditions stated in the CPM Prospectus and in the BLUE Application Form;
“CNT Preferential Offer Record Date”	16 June 2017, being the record date for the CNT Qualifying Shareholder’s Preferential Entitlement;
“CNT Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appeared on the register of members of the Company at 4:30 p.m. on the CNT Preferential Offer Record Date, excluding the CNT Non-Qualifying Shareholders;
“CNT Qualifying Shareholder’s Preferential Entitlement”	the entitlement of the CNT Qualifying Shareholders to apply for the CNT Reserved Shares under the CNT Preferential Offer on an assured basis to be determined on the basis of their respective shareholdings in the Company at 4:30 p.m. on the CNT Preferential Offer Record Date;
“CNT Reserved Shares”	the 25,000,000 Offer Shares offered by CPM to the CNT Qualifying Shareholders under the CNT Preferential Offer, which will be allocated out of the International Offering;

“Company”	CNT Group Limited (北海集團有限公司), a company incorporated in Bermuda with limited liability on 25 March 1991 whose Shares are listed on the Main Board (Stock code: 701) and one of the CPM Controlling Shareholders;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“CPM”	CPM Group Limited (中漆集團有限公司), a company incorporated in the Cayman Islands on 19 September 2016 as an exempted company with limited liability on 19 September 2016, being the holding company of the Paint Business;
“CPM Board”	the board of directors of CPM;
“CPM Controlling Shareholders”	the Company and CNT Enterprises;
“CPM Directors”	the directors of CPM;
“CPM Group”	CPM and its subsidiaries or, where the context so requires, in respect of the period prior to CPM becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of CPM at that time;
“CPM Prospectus”	the prospectus dated 19 June 2017 issued by CPM for the Global Offering, for which the CPM Directors collectively and individually accept full responsibility;
“CPM Shares”	the ordinary shares with a nominal value of HK\$0.10 each in the share capital of CPM;
“Director(s)”	the director(s) of the Company;
“Excluded Territories”	in respect of the CNT Preferential Offer, such territory or territories which CPM Directors consider it necessary or expedient, on account of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction, to exclude the Shareholders having the recorded addresses within them from the CNT Preferential Offer;

“Global Offering”	the Hong Kong Public Offering and the International Offering (including the CNT Preferential Offer);
“Group”	the Company and its subsidiaries before the Spin-Off, including the CPM Group;
“HK\$” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Offer Shares”	the 25,000,000 new CPM Shares offered by CPM for subscription under the Hong Kong Public Offering, representing 10% of the initial number of the Offer Shares, subject to adjustment set forth in the CPM Prospectus;
“Hong Kong Public Offering”	the conditional offering of the Hong Kong Offer Shares by CPM for subscription by members of the public in Hong Kong, subject to adjustment set forth in the CPM Prospectus;
“Hong Kong Underwriters”	the underwriters named in the Hong Kong Underwriting Agreement and set forth in the CPM Prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 16 June 2017 relating to the Hong Kong Public Offering entered into between, amongst others, CPM, the executive CPM Directors, the CPM Controlling Shareholders, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters, further information of which is set forth in the CPM Prospectus;
“Independent Third Parties”	any persons or entities who are not considered as connected persons of the Company under the Listing Rules;

“International Offer Shares”	the 225,000,000 new CPM Shares offered by CPM for subscription under the International Offering and the CNT Preferential Offer, representing 90% of the initial number of the Offer Shares subject to adjustment set forth in the CPM Prospectus and any additional CPM Shares which may be issued pursuant to the exercise of the Over-allotment Option;
“International Offering”	the conditional offering of the International Offer Shares for and on behalf 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 U.S. Securities Act, as set forth CPM Prospectus, including the CNT Preferential Offer;
“International Underwriters”	the underwriters named in the International Underwriting Agreement and set forth in the CPM Prospectus;
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or shortly after the Price Determination Date relating to the International Offering entered into between, amongst others, CPM, executive CPM Directors, CPM Controlling Shareholders, the Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the International Underwriters;
“Investment Property Business”	the business of acquisition and holding of real properties in the PRC and Hong Kong for investment purpose, being one of the Remaining Businesses;
“Joint Bookrunners” or “Joint Lead Managers”	Innovax Securities Limited, Sinolink Securities (Hong Kong) Company Limited and Gransing Securities Co., Limited;
“Joint Global Coordinators”	Innovax Securities Limited and Sinolink Securities (Hong Kong) Company Limited;
“Listing”	the listing of the CPM Shares on the Main Board;
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange;

“Listing Date”	the date on which dealings in the CPM Shares first commence on the Main Board, which is currently expected to be on 30 June 2017, according to the CPM Prospectus;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
“Offer Price”	the final offer price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$0.86 for each Offer Share and is expected to be not less than HK\$0.80 for each Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering;
“Offer Shares”	the Hong Kong Offer Shares, the International Offer Shares and any additional CPM Shares that may be issued pursuant to the exercise of the Over-allotment Option;
“Other Business”	the business of the provision of advertising services and other trading and investment holding businesses, being one of the Remaining Businesses;
“Over-allotment Option”	the option that may be granted by CPM to Sinolink Securities (Hong Kong) Company Limited, exercisable by Sinolink Securities (Hong Kong) Company Limited on behalf of the International Underwriters, pursuant to the International Underwriting Agreement;
“Paint Business”	the business of production and sales of paint and coating products carried out by the Group prior to the Spin-Off and the Listing, which is the current principal business of the CPM Group;

“PRC”	The People’s Republic of China and, except where the context requires and only for the purpose of this announcement, references to the PRC do not apply to Taiwan, Hong Kong and The Macau Special Administrative Region of the PRC;
“Price Determination Date”	the date on which the Offer Price that may be determined by CPM and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), which is expected to be on or about Monday, 26 June 2017 and in any event not later than Tuesday, 27 June 2017;
“Remaining Businesses”	the Investment Property Business; the Trading Business and the Other Business;
“Remaining Group”	the Company and its subsidiaries following completion of the Spin-Off and the Listing, excluding members of the CPM Group;
“SFC”	the Securities and Futures Commission of Hong Kong;
“Shareholders”	the holder(s) of the Shares;
“Shares”	the ordinary shares with a nominal value of HK\$0.10 each in the share capital of the Company;
“Spin-Off”	the separate listing of the CPM Shares on the Main Board, which is proposed to be implemented by way of the Global Offering;
“Sponsor”	Innovax Capital Limited;
“Stabilising Manager”	Sinolink Securities (Hong Kong) Company Limited;
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and CNT Enterprises on or around the Price Determination Date;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Track Record Period”	the three years ended 31 December 2016;

“Trading Business”	the trading business of iron and steel products, being one of the Remaining Businesses;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement; and
“%”	per cent.

By order of the Board
Lam Ting Ball, Paul
Chairman

Hong Kong, 19 June 2017

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 and Mr. Zhang Xiaojing as independent non-executive Directors.