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**DISCLOSEABLE TRANSACTION**

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

Reference is made to the joint announcement of CNT Group Limited and CPM Group Limited dated 7 May 2018 in relation to the acquisition of the entire equity interest in China Molybdenum & Vanadium Development Limited (the “**Announcement**”). Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as used in the Announcement.

The Boards of CNT and CPM wish to provide more information regarding the Acquisition in this joint supplemental announcement.

**Consideration**

Prior to entering into the Sale and Purchase Agreement, the Purchaser has engaged an independent valuer to conduct a valuation (the “**Valuation**”) of the Property, the greening and seedling cultivation and the licenses for chemical production held by Zhongshan Yongcheng (collectively, the “**Valued Assets**”), and the value of the Valued Assets was RMB85.1 million (equivalent to approximately HK\$105.2 million) as at 31 January 2018. The Valuation of the Property was RMB83.2 million (equivalent to approximately HK\$102.8 million). According to the financial statements of the Target Group provided by the Vendor, the book value of the Property was HK\$32.1 million as at 31 December 2017. The Consideration was then determined based on the Valuation and arrived at after arm’s length negotiations between the Purchaser and the Vendor at RMB83.0 million (equivalent to approximately HK\$102.6 million). As stated in the Announcement, the Valuation was performed based on replacement cost and the prevailing value of comparable assets.

The Boards of CNT and CPM are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of CNT and CPM and their respective shareholders as a whole because of the following reasons:

- (i) the amount of the Consideration was based on the Valuation;
- (ii) the amount of the Consideration is to be settled by way of installments upon the satisfaction of conditions precedent, and such payment term ensures that the Purchaser could acquire the Target Group free from all debts;
- (iii) the conditions precedent allow the CPM Group to perform due diligence on the Target Group, including but not limited to the valid possession of licences and the assets and liabilities of the Target Company; and
- (iv) the Target Group has relevant operating licenses for manufacturing both solvent-based and water-based paint and coating products and industrial paint and coating products. The Boards of CNT and CPM are of the view that the Target Assets will provide additional production facilities to expand the production capacity of solvent-based and water-based paint coating products and industrial paint and coating products of CPM Group. Such increased production capacity is expected to have synergy with the current production facilities of the CPM Group in Shenzhen which will be dedicated to the production of a wide range of paint and coating products with the renewed work safety licence in April 2018.

The Boards of CNT and CPM are of the view that the Target Group's net liability of HK\$11.8 million and its insignificant profit of HK\$0.3 million for the year ended 31 December 2017 are part of the historical performance of the Target Group and are not entirely important in determining the amount of the Consideration. The Boards of CNT and CPM are focused on (i) the Target Group will be debt free (other than the Loan) on the Second Completion Date; and (ii) Zhongshan Yongcheng has the relevant operating licences for manufacturing both solvent-based and water-based paint and coating products.

### **Completion**

The transaction is structured to be completed in two stages so as to match with the payment terms agreed with the Vendor. As the Vendor requires additional time to repay the outstanding loan of RMB10.0 million (equivalent to approximately HK\$12.4 million) and negotiate with the bank to release the charge over part of the Property, the Boards of CNT and CPM are of the view that withholding the balance of the Consideration of RMB20.0 million (equivalent to approximately HK\$24.7 million) which is more than the amount of the outstanding loan secured by a charge on the Property could protect the Purchaser by ensuring that the Target Company will be debt free. The transfer of the title of the Sale Shares will take place upon the First Completion.

## **Undertaking**

Pursuant to the undertaking given by Zhongshan Yongcheng to the Purchaser dated 7 May 2018, Zhongshan Yongcheng undertakes to perform and accept the obligations of the Vendor under the Sale and Purchase Agreement including, but not limited to, the delivery of the Target Assets and all related corporate and financial documents, provision of information for due diligence purpose and facilitating the due diligence that would be conducted by the Purchaser. Although Zhongshan Yongcheng is a subsidiary of the Target Company, an undertaking was obtained from it for the purpose of securing the Vendor to perform his obligations under the Sale and Purchase Agreement prior to the Completion and should the Vendor default in, for instance, the refund of deposits to the Purchaser if the Completion does not take place, the Purchaser shall have recourse against Zhongshan Yongcheng. As advised by the PRC legal advisers of the Purchaser, in the case of any default by the Vendor, the Purchaser may, by initiating an arbitration proceedings, enforce its legal rights against all assets of Zhongshan Yongcheng, including the Target Assets.

## **Trademarks**

The Target Assets comprise of the Property and the Trademarks. The Trademarks include three trademarks registered as Category 2 in the PRC, with expiry dates in April 2018, December 2020 and May 2021. For the expired trademark, CPM may consider to renew the registration if the business requires.

The book value of the Trademarks was not reflected in the financial statements of the Target Group as the Target Group designed the Trademarks by themselves and the related staff expense was charged to profit or loss. Under the relevant accounting standard, no valuation of the Trademarks is required.

*In this joint supplemental 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, 14 May 2018

*As at the date of this joint supplemental 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 supplemental 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.*