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CNT GROUP LIMITED

(北海集團有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

DISCLOSEABLE TRANSACTION

The Board wishes to announce that on 23rd October 2006, the Offeree which is an indirect wholly-owned subsidiary of the Company received an offer (the "Offer") from the Offeror to acquire the Sale Shares from the Offeree for the consideration of approximately US\$1.96 million (equivalent to approximately HK\$15.3 million). The Offeree accepted the Offer on 25th October 2006.

As at the date of this announcement, the Sale Shares represent approximately 2.9% of the entire issued share capital of the Target Company and other than the Sale Shares, the Company does not hold any Shares in the Target Company.

The Offer is not subject to any conditions other than the waiver or non-exercise of pre-emption rights by other shareholders of the Target Company. Through the Disposal, the Group has an estimated gain (before deduction of expenses) of approximately HK\$15.3 million.

The transaction contemplated under the Offer constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing details of the transaction will be sent to the shareholders of the Company in due course.

The Board announces that the Offeree accepted the Offer from the Offeror in relation to the Disposal on 25th October 2006 for the consideration of approximately US\$1.96 million (equivalent to approximately HK\$15.3 million).

Offer

Date : 20th October 2006

Date of acceptance : 25th October 2006

Parties

- Offeree : Rainbow Path Enterprises Limited, a limited company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
- Offeror : VDCI S.A., a private limited company incorporated in Luxembourg and a wholly-owned subsidiary of Richemont, which is the majority shareholder in the Target Company

The principal activity of the Offeror and Richemont is investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Offeror, Richemont and their ultimate beneficial owner are not connected persons (as defined under the Listing Rules) of the Company and are independent third parties (save and except the holding of the existing interest in the Target Company by Richemont) not connected with and not acting in concert with the Company, the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined under the Listing Rules).

Disposal

Pursuant to the Offer, the Offeree agreed to sell and the Offeror agreed to purchase the Sale Shares which represent approximately 2.9% of the entire issued share capital of the Target Company. The Target Company is not an associated company of the Company and the remaining shares of the Target Company being approximately 97.1% of the entire issued share capital of the Target Company are held by Richemont and other shareholders of the Target Company which are all independent third parties not connected with any Directors, chief executive and substantial shareholders of the Company and its subsidiaries and associates (as defined under the Listing Rules).

The Target Company is a limited liability corporation incorporated in the British Virgin Islands. The principal activities of the Target Company and its subsidiaries are the ownership and operation of retail outlets under the brand "Shanghai Tang".

The Target Company was incorporated in 1993 and the audited consolidated net assets of the Target Company as at 31st March 2005 and 31st March 2006 attributable to the Offeree's interest in the Target Company were approximately HK\$2.5 million and HK\$3.9 million respectively. The audited consolidated net profit before and after taxation of the Target Company for the financial year ended 31st March 2005 attributable to the Offeree's interest in the Target Company were approximately HK\$1.6 million and HK\$1.5 million respectively and the audited consolidated net profit before and after taxation of the Target Company for the financial year ended 31st March 2006 attributable to the Offeree's interest in the Target Company were approximately HK\$1.4 million and HK\$1.4 million respectively. The accumulated losses attributable to the Offeree's interest in the Target Company as at 31st March 2006 was approximately HK\$5.4 million.

Consideration

The consideration for the Disposal is approximately US\$1.96 million (equivalent to approximately HK\$15.3 million) which will be settled by cash upon completion of the Disposal. The consideration was arrived at after arm's length negotiations between the Offeror and the Offeree and after taking into account the Group's original cost of investment in the Target Company in the sum of approximately HK\$12.4 million and the audited consolidated net asset value of the Target Company attributable to the Offeree's interest in the Target Company of approximately HK\$3.9 million as at 31st March 2006.

The Group's original cost of investment in the Target Company in the sum of approximately HK\$12.4 million has been fully written-off in the financial year ended 31st December 1998 and no dividend or revenue has been received by the Offeree during the previous financial years. Through the Disposal, the Group has an estimated gain (before deduction of expenses) of approximately HK\$15.3 million.

Conditions

The Offer is not subject to any conditions other than the waiver or non-exercise of pre-emption rights by other shareholders of the Target Company.

Reasons for the Disposal

The principal activities of the Group are the manufacturing and sale of paints products and properties investment in Hong Kong and the PRC. Having considered the nature of the business of the Target Company and that the Company does not have control thereof by virtue of holding only approximately 2.9% of the entire issued share capital of the Target Company and the sale or disposal of the same is subject to pre-emption rights by other shareholders of the Target Company, the Board considers that the Disposal represents a good opportunity for the Company to realize its investment at a reasonable price. The Directors (including the independent non-executive Directors) consider that the terms of the Offer are fair and reasonable and are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Use of Proceeds

The Company intends to use the proceeds from the Disposal for its general working capital.

General

The audited consolidated net tangible asset value of the Company as at 31st December 2005 was approximately HK\$640.1 million and the audited consolidated net loss of the Company after minority interests for the financial year ended on 31st December 2005 was approximately HK\$7.9 million.

The transaction contemplated under the Offer constitutes a discloseable transaction of the Company pursuant to the Listing Rules. A circular containing details of the transaction will be sent to the shareholders of the Company in due course.

Definitions

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Company”	CNT Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are traded on the Stock Exchange
“Directors”	the directors of the Company
“Disposal”	the sale and disposal of the Sale Shares by the Offeree to the Offeror pursuant to the Offer
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Offer”	the cash offer for the sale of the Sale Shares made by the Offeror to the Offeree subject to the waiver or non-exercise of pre-emption rights by other shareholders of the Target Company
“Offeree”	Rainbow Path Enterprises Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Offeror”	VDCI S.A., a private limited company incorporated in Luxembourg and a wholly-owned subsidiary of Richemont
“PRC”	the People’s Republic of China
“Richemont”	Richemont S.A., a private limited company incorporated in Luxembourg which is the majority shareholder in the Target Company
“Sale Shares”	13,572 Shares representing approximately 2.9% interest in the Target Company
“Shares”	Ordinary shares of the Target Company of nominal value of US\$0.10 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed thereto in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

“Target Company” Tangs Department Limited, a company incorporated in the British Virgin Islands with limited liability

“US\$” United States dollars, the lawful currency of the United States of America

Notes: For reference purpose only, the conversion of US\$ to HK\$ is based on the exchange rate of US\$1.00 to HK\$7.80 in this announcement.

On behalf of the Board
Lam Ting Ball, Paul
Chairman

Hong Kong, 25th October 2006

The Board as at the date of this announcement comprises Messrs. Tsui Tsin Tong, Lam Ting Ball, Paul, Tsui Ho Chuen, Philip, Tsui Yam Tong, Terry and Wong Chi Keung, Alvin as executive directors; Mr. Hung Ting Ho, Richard as non-executive director and Sir David Akers-Jones, Messrs. Li Hui Yan and Danny T Wong as independent non-executive directors.

Please also refer to the published version of this announcement in China Daily.