
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CNT Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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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

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DEFINITIONS

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

“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
“Latest Practicable Date”	9 November 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Sale Shares”	13,572 Shares representing approximately 2.9% interest in the Target Company

DEFINITIONS

“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

Note: For the purpose of this circular and for reference purpose only, the conversion of US\$ to HK\$ is based on the exchange rate of US\$1.00 to HK\$7.80.



CNT GROUP LIMITED
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Executive Directors:

Mr. Tsui Tsin Tong (*Honorary Chairman*)
Mr. Lam Ting Ball, Paul (*Chairman*)
Mr. Tsui Ho Chuen, Philip (*Executive Deputy Chairman*)
Mr. Tsui Yam Tong, Terry (*Managing Director*)
Mr. Wong Chi Keung, Alvin (*Finance Director*)

Non-executive Director:

Mr. Hung Ting Ho, Richard

Independent Non-executive Directors:

Sir David Akers-Jones (*Deputy Chairman*)
Mr. Li Hui Yan
Mr. Danny T Wong

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:

31st Floor and Units E & F
on 28th Floor
CNT Tower
338 Hennessy Road
Wanchai
Hong Kong

16 November 2006

To Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

It was announced on 25 October 2006 that on 23 October 2006, the Offeree which is an indirect wholly-owned subsidiary of the Company received 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) and the Offeree accepted the Offer on 25 October 2006.

The transaction contemplated under the Offer constitutes a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide you with the details of the transaction under the Offer and other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE OFFER

Date : 20 October 2006

Date of acceptance : 25 October 2006

Parties

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, which is the majority shareholder of 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 interest in the Target Company by Richemont as at the Latest Practicable Date) 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).

Assets to be disposed

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 any of their respective associates (as defined under the Listing Rules).

The Target Company is a limited liability corporation incorporated in the British Virgin Islands in 1993. The principal activities of the Target Company and its subsidiaries are the ownership and operation of retail outlets under the brand "Shanghai Tang".

The audited consolidated net assets of the Target Company as at 31 March 2005 and 31 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 31 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 31 March 2006 attributable to the Offeree's interest in the Target Company were both approximately HK\$1.4 million.

LETTER FROM THE BOARD

Consideration

Pursuant to the Offer, 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, 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 31 March 2006 and the accumulated losses of the Target Company attributable to the Offeree's interest in the Target Company of approximately HK\$5.4 million as at 31 March 2006.

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.

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.

Completion

Pursuant to the Offer, completion of the sale of the Sale Shares shall take place on or before 24 November 2006 if pre-emption rights have been waived by other shareholders of the Target Company or on or before 25 January 2007 if pre-emption rights have not been waived 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 Group to realize its investment at a reasonable price.

FINANCIAL EFFECT OF THE DISPOSAL

The audited consolidated net tangible asset value of the Company as at 31 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 31 December 2005 was approximately HK\$7.9 million.

LETTER FROM THE BOARD

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

The Directors consider that the Disposal will not have significant effect on the assets and liabilities of the Group after taking into account the audited consolidated total assets of the Group as at 31 December 2005 of approximately HK\$1.2 billion.

USE OF PROCEEDS

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

FURTHER INFORMATION

The transaction contemplated under the Offer constitutes a discloseable transaction of the Company under the Listing Rules.

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
On behalf of the Board
Lam Ting Ball, Paul
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' OR CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in shares of the Company

Name	Note	Capacity	Number of shares				Total	Percentage of issued share capital
			Personal interests	Family interests	Corporate interests	Other interests		
Tsui Tsin Tong	1	Beneficial owner & founder of discretionary trust	12,400,000	—	—	337,473,906	349,873,906	22.72%
Tsui Ho Chuen, Philip	1	Beneficiary of trust	—	—	—	337,473,906	337,473,906	21.92%
Tsui Yam Tong, Terry	1	Beneficial owner, beneficiary of trust & interest of controlled corporation	1,124,000	—	337,473,906*	337,473,906*	338,597,906	21.99%

* duplication

(ii) Interest in underlying shares of the Company

Name	Note	Capacity	Nature of equity derivative (unlisted/physically settled)	Number of underlying shares
Tsui Tsin Tong	2	Founder of discretionary trust	option	98,000,000
Tsui Ho Chuen, Philip	2	Beneficiary of trust	option	98,000,000
Tsui Yam Tong, Terry	2	Beneficiary of trust & interest of controlled corporation	option	98,000,000

Notes:

- (1) The 337,473,906 shares were held by Rapid Growth Ltd. (“RGL”) as trustee of a discretionary trust of which Mr. Tsui Tsin Tong is the founder and Messrs. Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry are the discretionary beneficiaries. Mr. Tsui Yam Tong, Terry is also the sole director and shareholder of RGL.
- (2) The 98,000,000 shares were owned by Broadsino Investment Company Limited (“Broadsino”). RGL granted an option to Broadsino to sell to RGL all or any part of such shares exercisable at any time during the term of the option. RGL was taken to be interested in these underlying shares under the SFO. By virtue of the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry in RGL as disclosed in note (1) above, each of them was deemed under the SFO to be interested in such underlying shares.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than Directors or chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/ physically settled equity derivatives)	Percentage of issued share capital
10% or more of issued share capital of the Company					
RGL	1	Trustee	337,473,906	—	21.92%
	1	Trustee	—	98,000,000	6.36%
Wang Wing Mu, Amy	2	Interest of spouse	349,873,906	—	22.72%
	2	Interest of spouse	—	98,000,000	6.36%
Ng Shou Ping, Lucilla	3	Interest of spouse	338,597,906	—	21.99%
	3	Interest of spouse	—	98,000,000	6.36%
Ho Mei Po, Mabel	4	Interest of spouse	337,473,906	—	21.92%
	4	Interest of spouse	—	98,000,000	6.36%
West Avenue Group Company Limited	5	Beneficial owner	198,000,000	—	12.86%
Tsai Wu Chang	5	Interest of controlled corporation	198,000,000	—	12.86%
Chinaculture.com Limited	6	Beneficial owner	195,500,000	—	12.69%
Chuang's China Investments Limited	6	Interest of controlled corporation	195,500,000	—	12.69%

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/physically settled equity derivatives)	Percentage of issued share capital
Profit Stability Investments Limited	6	Interest of controlled corporations	195,500,000	—	12.69%
Chuang's Consortium International Limited	6	Interest of controlled corporations	195,500,000	—	12.69%
Chuang (Chong) Shaw Swee, Alan	6	Interest of controlled corporations	195,500,000	—	12.69%
Chong Ho Pik Yu	6	Interest of spouse	195,500,000	—	12.69%
Below 10% of issued share capital of the Company					
Broadsino	7	Beneficial owner	98,000,000	—	6.36%
Golden Case Limited	8	Security interest in shares	80,000,000	—	5.19%
Cheung Kong Investment Company Limited	8	Interest of controlled corporation	80,000,000	—	5.19%
Cheung Kong (Holdings) Limited	8	Interest of controlled corporations	80,000,000	—	5.19%
Li Ka-Shing Unity Trustee Company Limited	8	Trustee	80,000,000	—	5.19%

Name	Note	Capacity	Number of shares	Number of underlying shares (unlisted/physically settled equity derivatives)	Percentage of issued share capital
Li Ka-Shing Unity Trustee Corporation Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.19%
Li Ka-Shing Unity Trustcorp Limited	8	Trustee & beneficiary of trust	80,000,000	—	5.19%
Li Ka-Shing	8	Interest of controlled corporations & founder of discretionary trusts	80,000,000	—	5.19%

Notes:

- (1) The 337,473,906 shares were held by RGL as trustee of a discretionary trust. The interest in 98,000,000 underlying shares was in respect of an option granted by RGL to Broadsino to sell to RGL all or part of such shares owned by Broadsino exercisable at any time during the term of the option. These interests are duplicated in the interests of Messrs. Tsui Tsin Tong, Tsui Ho Chuen, Philip and Tsui Yam Tong, Terry as disclosed under the heading “Directors’ or chief executive’s interests and short positions in shares, underlying shares and debentures” above.
- (2) Ms. Wang Wing Mu, Amy is the wife of Mr. Tsui Tsin Tong and was taken to be interested in 349,873,906 shares and 98,000,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (3) Ms. Ng Shou Ping, Lucilla is the wife of Mr. Tsui Yam Tong, Terry and was taken to be interested in 338,597,906 shares and 98,000,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (4) Ms. Ho Mei Po, Mabel is the wife of Mr. Tsui Ho Chuen, Philip and was taken to be interested in 337,473,906 shares and 98,000,000 underlying shares under equity derivatives in which her spouse was interested under the SFO.
- (5) The 198,000,000 shares were beneficially owned by West Avenue Group Company Limited (“West Avenue”). Mr. Tsai Wu Chang was deemed to be interested in these shares under the SFO by virtue of his interest in the entire equity of West Avenue.

- (6) The references to the 195,500,000 shares relate to the same block of 195,500,000 shares beneficially interested by Chinaculture.com Limited (“Chinaculture”).

Chinaculture was a wholly-owned subsidiary of Chuang’s China Investments Limited (“Chuang’s China”), which in turn was a 60.10% owned subsidiary of Profit Stability Investments Limited (“Profit Stability”). Chuang’s Consortium International Limited (“Chuang’s Consortium”) held 100% equity interest in Profit Stability. Mr. Chuang (Chong) Shaw Swee, Alan (“Mr. Chuang”) was interested in 33.44% of the issued share capital of Chuang’s Consortium. Ms. Chong Ho Pik Yu (“Mrs. Chuang”) is the wife of Mr. Chuang.

Chuang’s China, Profit Stability, Chuang’s Consortium, Mr. Chuang and Mrs. Chuang were all deemed under the SFO to be interested in these 195,500,000 shares which were owned by Chinaculture.

- (7) These shares were beneficially owned by Broadsino. Pursuant to an option granted by RGL, Broadsino has a right to sell all or part of these shares to RGL exercisable at any time during the term of the option. This interest is detailed and duplicated with the interests of RGL as shown in note (1) above.
- (8) The references to the 80,000,000 shares relate to the same block of 80,000,000 shares interested by Golden Case Limited (“Golden Case”) by virtue of a security interest in these shares charged by RGL.

Golden Case was a wholly-owned subsidiary of Cheung Kong Investment Company Limited (“CKI”), which in turn was a wholly-owned subsidiary of Cheung Kong (Holdings) Limited (“CKH”).

Li Ka-Shing Unity Trustee Company Limited (“TUT1”) as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and Li Ka-Shing Unity Trustcorp Limited (“TDT2”) as trustee of another discretionary trust (“DT2”) both held units in The Li Ka-Shing Unity Trust.

Mr. Li Ka-Shing is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of them for the purpose of the SFO. The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the issued share capital.

CKI, CKH, TUT1, TDT1, TDT2 and Mr. Li Ka-Shing were all deemed to be interested in these 80,000,000 shares which were taken to be interested in by Golden Case under the SFO.

Save as disclosed herein, so far as was known to the Directors, there was no other person (other than Directors or chief executive of the Company) who, as at the Latest Practicable Date, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(Note: Save for Mr. Tsui Yam Tong, Terry who is the sole director and shareholder of RGL, none of the Directors is a director or employee of the companies which, as at the Latest Practicable Date, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.)

4. SERVICE CONTRACT

As at the Latest Practicable Date and save as set out below, none of the Directors had entered into any service contracts with the Company which were not expiring or determinable within one year without payment of compensation other than statutory compensation.

- (a) On 11 May 2002, a director's service agreement was entered into between the Company and Mr. Lam Ting Ball, Paul for a term of nine years expiring on 2 May 2011. Under the agreement, Mr. Lam is entitled to the payment of a monthly salary of HK\$89,000 and an accommodation allowance of not more than HK\$60,000 per month. The agreement provides that the Company may terminate the agreement by giving Mr. Lam not less than six months' notice in writing and in the event that the Company shall terminate Mr. Lam's employment, Mr. Lam is entitled to receive a compensation that equals to the total amount of Mr. Lam's remuneration including salary and year-end payment of one month's salary (exclusive of fringe benefits) for the remaining term of his employment.
- (b) On 11 May 2002, a director's service agreement was entered into between the Company and Mr. Tsui Yam Tong, Terry for a term of nine years expiring on 2 May 2011. Under the agreement, Mr. Tsui is entitled to the payment of a monthly salary of HK\$110,000 and an accommodation allowance of not more than HK\$100,000 per month. The agreement provides that the Company may terminate the agreement by giving Mr. Tsui not less than six months' notice in writing and in the event that the Company shall terminate Mr. Tsui's employment, Mr. Tsui is entitled to receive a compensation that equals to the total amount of Mr. Tsui's remuneration including salary and year-end payment of one month's salary (exclusive of fringe benefits) for the remaining term of his employment.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any significant competition with the business of the Group.

6. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance and no litigation or claims which is, in the opinion of the Directors, of material importance is known to them to be pending or threatened against any of the Company and its subsidiaries.

7. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is situated at 31st Floor and Units E & F on 28th Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.
- (c) The share registrar and transfer office of the Company in Hong Kong is Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The secretary of the Company is Miss Ma Lai King, who is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (e) The qualified accountant of the Company is Mr. Wong Chi Keung, Alvin, who is a fellow member of the Hong Kong Institute of Certified Public Accountants.