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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 ACQUISITION OF THE TARGET COMPANY

Reference is made to the announcements of the Company dated 20 August 2019 and 18 October 2019 in relation to the Letter of Intent and the extension of the Exclusivity Period thereunder respectively. The Board is pleased to announce that on 13 November 2019 (after trading hours), the Sale and Purchase Agreement has been entered into between the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Vendor Guarantor. Pursuant to the Sale and Purchase Agreement, the Purchaser (or its nominee) will acquire the Sale Shares and the Sale Loan from the Vendor for the Consideration of HK\$183,000,000 (subject to the Adjustments).

As certain of the applicable percentage ratios in respect of the Acquisition under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set forth below:

- Date : 13 November 2019
- Parties : (a) The Vendor;
(b) the Purchaser (a wholly-owned subsidiary of the Company); and
(c) the Vendor Guarantor.

To the best of the Director’s knowledge, information and belief having made all reasonable enquiries, the Target Company, the Vendor and its ultimate beneficial owner(s), and the Vendor Guarantor are Independent Third Parties.

- Subject matter : The Sale Shares and the Sale Loan.

The Target Company is the sole registered and beneficial owner of the Property.

- Consideration : The Consideration for the Acquisition is HK\$183,000,000 (subject to the Adjustments), which shall be satisfied in cash by the Purchaser in the following manner:

- (a) as to HK\$9,150,000 (the “**Initial Deposit**”), being the initial deposit and the part payment towards the Consideration, had been paid by the Purchaser to the Vendor’s solicitors as stakeholders on 20 August 2019;
- (b) as to HK\$9,150,000 (the “**Further Deposit**”), being the further deposit and the part payment towards the Consideration, had been paid by the Purchaser to the Vendor’s solicitors as stakeholders upon the signing of the Sale and Purchase Agreement; and

- (c) as to HK\$164,700,000 (the “**Completion Payment**”), being the remaining balance of the Consideration after deduction of the Initial Deposit and the Further Deposit, shall be paid by the Purchaser to the Vendor at Completion as follows:
- i. a sum equal to the amount owing in respect of the Bank Loan and the amount payable to fully release and discharge the Existing Securities by way of cashier’s order(s) or cheque(s) drawn in favour of the Bank or such other person as the Bank may direct; and
 - ii. the balance of the Completion Payment shall be paid by the Purchaser to the Vendor or the Vendor’s solicitors as the Vendor may direct in written confirmation of which the Vendor shall notify the Purchaser in writing at least three (3) business days before the Completion Date.

For the purposes of repayment of the Bank Loan referred to in (c) above, any such amount from the Completion Payment shall be deemed to be a loan advanced by the Vendor to the Target Company immediately prior to Completion. The Shareholder’s Debt shall be set off against the said shareholder loan such that the Shareholder’s Debt will be settled in full before Completion and the remaining balance of the said shareholder loan shall constitute the Sale Loan to be assigned by the Vendor to the Purchaser (or its nominee) at Completion.

The Consideration will be funded by the internal resources of the Group and bank borrowings.

Basis of Consideration : The Consideration has been determined after arm's length negotiations between the Vendor and the Purchaser with reference to, among others, the current market situation, the rental yield of the Property and the valuation of the Property at not less than HK\$183,000,000 carried out by an independent professional valuer of the Company.

The valuer valued the Property by the direct comparison method with reference to the comparable market transactions as available.

The Directors (including the independent non-executive Directors) consider that the amount of the Consideration is fair and reasonable and is determined on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

Conditions of the Acquisition : Completion of the Acquisition is subject to the following Conditions:

- (a) the Target Company being able to prove and give good title to the Property in accordance with section 13 and section 13A of the Conveyancing and Property Ordinance (Cap. 219 of the Laws of Hong Kong);
- (b) the Target Company being the sole registered and beneficial owner of the Property free from all encumbrances and subject to the Leases, the Leaseback Tenancy Agreement and the sub-tenancy(ies) as contemplated under the Sale and Purchase Agreement;
- (c) the Vendor being the sole and beneficial owner of the Sale Shares and the Sale Loan free from all encumbrances and having the capacity and power to sell the Sale Shares and assign the Sale Loan free from all encumbrances;
- (d) there having been no breach by the Vendor of the fundamental warranties it provided under the Sale and Purchase Agreement;

- (e) there being no material breach by the Vendor of the warranties it provided under the Sale and Purchase Agreement which will result in a material adverse change in the financial position of the Target Company between the date of the Sale and Purchase Agreement and Completion;
- (f) no part of the Property is, for any reason, resumed, condemned, closed or declared dangerous by the relevant government authority, damaged, destroyed, rendered inaccessible or subject to demolition order(s) of closure order(s) under the Building Ordinance (Cap. 123 of the Laws of Hong Kong) or the Demolished Buildings (Re-development of Sites) Ordinance (Cap. 337 of the Laws of Hong Kong) or any other legislation of a like nature;
- (g) the Joint Guarantee having been terminated without claims from the respective parties, and the Leaseback Tenancy Agreement having been entered into;
- (h) all Related Party Loans has been consolidated to become the Shareholder's Debt repayable by the Vendor to the Target Company;
- (i) the absence of any Force Majeure event preventing Completion to take place;
- (j) the Shareholder's Debt has been fully repaid to the Target Company; and
- (k) the Purchaser having received a British Virgin Islands legal opinion in respect of the Vendor together with certified copies of certain documents referred to therein, all of which shall be in the form and substance reasonably satisfactory to the Purchaser.

The Purchaser may waive any of the Conditions on such terms as it may decide.

If Condition (i) mentioned above has not been satisfied by the Vendor or waived by the Purchaser in accordance with the Sale and Purchase Agreement at or before 1:00 p.m. on or before the Completion Date, unless the Vendor and the Purchaser agree otherwise in writing, the Vendor and the Purchaser shall postpone the Completion Date to the Long-stop Date. If Condition (i) mentioned above has not been satisfied by the Vendor at or before 1:00 p.m. on or before the Long-stop Date, the Sale and Purchase Agreement shall be terminated, and neither parties to the Sale and Purchase Agreement shall have any claim or cause of action against the other, save for (x) any antecedent breach; and (y) the return of the Initial Deposit and the Further Deposit by the Vendor to the Purchaser without interest within five (5) business days after determination of the Sale and Purchase Agreement.

If any of the Conditions (other than Condition (i) mentioned above) has not been satisfied or waived by the Purchaser in accordance with the Sale and Purchase Agreement at or before 1:00 p.m. on or before the Completion Date, unless the Vendor and the Purchaser agree otherwise in writing, the Purchaser may at its option postpone the Completion Date to the Long-stop Date. If (a) the Purchaser chooses to postpone the Completion Date to the Long-stop Date and that any of the Conditions (other than Condition (i) mentioned above) has not been satisfied by the Vendor or waived by the Purchaser in accordance with the Sale and Purchase Agreement at or before 1:00 p.m. on or before the Long-stop Date, or (b) the Purchaser chooses not to postpone the Completion Date, the Sale and Purchase Agreement shall be terminated, and neither parties to the Sale and Purchase Agreement shall have any claim or cause of action against the other, save for (x) any antecedent breach; and (y) the return of the Initial Deposit and the Further Deposit by the Vendor to the Purchaser without interest within five (5) business days after determination of the Sale and Purchase Agreement.

Completion : Subject to the Conditions being satisfied (or waived in accordance with the terms of the Sale and Purchase Agreement), Completion is expected to take place on the Completion Date.

In the event that Completion does not take place as a result of the default of the Purchaser to complete the Sale and Purchase Agreement, the Vendor may postpone the Completion Date to a business day not more than ten (10) business days thereafter. However, if the Vendor chooses to terminate the Sale and Purchase Agreement, the Vendor shall be entitled to forfeit and retain the Initial Deposit and the Further Deposit.

In the event that Completion does not take place as a result of the default of the Vendor to complete the Sale and Purchase Agreement, the Purchaser may postpone the Completion Date to a business day not more than ten (10) business days thereafter. However, if the Purchaser chooses to terminate the Sale and Purchase Agreement, the Vendor shall return the Initial Deposit and the Further Deposit to the Purchaser without interest within five (5) business days after termination of the Sale and Purchase Agreement.

Guarantee : The Vendor Guarantor has agreed to unconditionally and irrevocably guarantee to the Purchaser, only with effect from Completion, the due and punctual performances, observance and discharge by the Vendor of all its obligations (whether payment obligations or otherwise) under or pursuant to the Sale and Purchase Agreement.

Leaseback of the Property : Upon Completion, the Property will be leased back by the Target Company, which will become a wholly-owned subsidiary of the Company upon Completion, as landlord to Profit Harbour Holdings Limited, an affiliate of the Vendor as tenant for a term of three (3) years at the annual rental of HK\$5,400,000 (inclusive of rates and government rent (if any) but exclusive of management fees).

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in the operation of serviced apartments. It is the sole registered and beneficial owner of the Property, which is the only real estate asset of the Target Company. The Property is a 25-storey composite building designated to have commercial and residential premises with gross floor area of approximately 14,730 sq. ft (depicted in sales literature) and is currently used as a serviced apartment under the brand of “CHI Residences”, providing 20 furnished and fitted apartments and 3 shops. The Property is currently managed by the Management Company. Based on the information provided by the Vendor, it acquired the Property on 11 April 2007 for a consideration of HK\$45,000,000. For the avoidance of doubt, the Acquisition is unrelated to the brand “CHI Residences” and the companies operating the hospitality business.

The selected financial information of the Target Company for the two years ended 31 December 2017 and 2018 are as follows:

	Year ended 31 December 2017 HK\$'000 (audited)	Year ended 31 December 2018 HK\$'000 (audited)
Loss before tax	1,873	1,982
Loss after tax	1,773	1,934

The net deficiency in assets of the Target Company as at 31 December 2018 amounted to approximately HK\$6,000,000.

INFORMATION OF THE VENDOR AND THE VENDOR GUARANTOR

The Vendor is an investment holding company and the sole shareholder of the Target Company. The Vendor Guarantor is one of the beneficial owners of the Vendor. To the best of the Director’s knowledge, information and belief having made all reasonable enquiries, the Vendor, its ultimate beneficial owner(s) and the Vendor Guarantor are Independent Third Parties.

INFORMATION OF THE GROUP

The Group is principally engaged in the following four business activities: (i) property investment (including the investment in properties for rental income or for sale, and the proposed columbarium development in Hong Kong); (ii) trading of iron and steel products and related investment; (iii) through its non-wholly owned subsidiary, CPM Group, manufacture and sale of paint products; and (iv) investment holding activities.

The Purchaser is a company incorporated under the laws of Liberia with limited liability and a wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As property investment business is one of the core businesses of the Group, the Board reviews the existing investment portfolio from time to time and explores other business opportunities to enhance the value of the Company and return to the Shareholders. The Company has no intention to engage in hospitality business and only intends to acquire the Property with steady recurrent income streams to form part of its investment property portfolio. As the Property will be leased back to an affiliate of the Vendor upon Completion, the Board takes the view that the operation of the Property as serviced apartments will not be interrupted during the term of the Leaseback Tenancy Agreement. Following Completion, the Group will be the owner of the Property which will enhance the investment property portfolio of the Group.

The Directors consider that the terms of the Sale and Purchase Agreement, which are determined after arm's length negotiations between the Vendor and the Purchaser, are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

GENERAL INFORMATION

As certain of the applicable percentage ratios in respect of the Acquisition under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares and the Sale Loan from the Vendor by the Purchaser (or its nominee) pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Adjustments”	any upward or downward adjustments to Consideration on a dollar-to-dollar basis with reference to the Net Asset Value stated in the Pro Forma Completion Accounts;
“Bank”	Hang Seng Bank Limited, in its capacity as lender of the Bank Loan;

“Bank Loan”	the bank loan and any banking facilities granted by the Bank to the Target Company as secured by, among other things, the Existing Securities and, where the context so require, the outstanding amount of the principal sum and any interest accrued thereon as of the Completion Date;
“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 its shares listed on the main board of the Stock Exchange (stock code: 701);
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Completion Accounts”	the unaudited consolidated statement of financial position of the Target Company as at the close of business on the Completion Date to be provided to the Purchaser within twenty-five (25) business days after the Completion Date;
“Completion Date”	the date on which Completion shall take place, being (i) on or before 18 December 2019 (unless the Vendor has informed, on or before three (3) business days (excluding any Saturday, Sunday or public holiday in Hong Kong) prior to such date of Completion, the Purchaser (or its nominee) in writing that the date of Completion shall be postponed to 3 January 2020 for the purposes of attending to other pre-Completion matters, including arranging for the release of encumbrances affecting the Sale Shares or the Target Company; or (ii) such other date as may be mutually agreed in writing by the Vendor and the Purchaser (or its nominee);
“Condition(s)”	condition(s) precedent to the Acquisition set forth in the Sale and Purchase Agreement;
“connected persons”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the amount of consideration for the Acquisition, being HK\$183,000,000 (subject to the Adjustments);

“CPM Group”	CPM Group Limited (中漆集團有限公司), a company incorporated in the Cayman Islands as exempted company with limited liability with its shares listed on the main board of the Stock Exchange (stock code: 1932);
“Director(s)”	the director(s) of the Company;
“Exclusivity Period”	the 60 days from 20 August 2019 under the Letter of Intent, which was later extended to 18 November 2019 by the mutual agreement of the Vendor and the Purchaser on 18 October 2019;
“Existing Securities”	the securities interest given by, over or otherwise affecting the Target Company;
“Force Majeure”	any legal proceedings involving the Vendor or its shareholders, act of God, war, earthquake, tsunami, flood, fire or other similar cause, condition or event beyond the reasonable control of the Vendor which in the reasonable discretion of the Purchaser will prevent, hinder or delay the Vendor from performing any or all of its obligations under the Sale and Purchase Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third party(ies) independent of the Company and its/ their connected persons;
“Joint Guarantee”	collectively (i) the bank guarantee entered into among, inter alia, the Target Company and the Vendor in favour of the Bank on 29 June 2017 providing joint guarantee to a Related Party to the Vendor; (ii) the bank guarantee entered into among, inter alia, the Target Company and a Related Party to the Vendor in favour of the Bank on 29 January 2016 providing joint guarantee to a Related Party to the Vendor; and (iii) the bank guarantee entered into among, inter alia, the Target Company and the Vendor in favour of the Bank on 30 November 2015 providing joint guarantee to a Related Party to the Vendor;

“Leaseback Tenancy Agreement”	the tenancy agreement to be entered into among the Target Company as the landlord, Profit Harbour Holdings Limited, an affiliate of the Vendor as tenant and the Vendor Guarantor as the guarantor of the tenant immediately before Completion in respect of the Property;
“Leases”	the existing leases, tenancy agreements or licence agreements or any other right to occupy or make use of any part of the Property, or any agreement or contract or any right of refusal or option or any letter of offer or letter of intent for any of the foregoing to which the Property is subject (i) as at the date of the Sale and Purchase Agreement; and (ii) between the date of the Sale and Purchase Agreement and the Completion Date (except the Leaseback Tenancy Agreement);
“Letter of Intent”	the letter of intent dated 20 August 2019 entered into between the Vendor and the Purchaser in respect of the Acquisition;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“Long-stop Date”	10 February 2020 (or such other date as the Purchaser and the Vendor may agree in writing on which Completion takes place);
“Management Company”	CHI Management Limited, an Independent Third Party and the existing property manager for the Property as at the date of this announcement;
“Net Asset Value”	the total assets of the Target Company (other than the value of the Shareholder’s Debt, any intangible assets, other fixed assets and deferred tax assets) minus the total liabilities of the Target Company (other than the liability in respect of the Bank Loan, shareholder’s loan and any deferred tax liabilities) as at Completion as shown in the Pro Forma Completion Accounts or the Completion Accounts (as the case may be);

“Pro Forma Completion Accounts”	the pro-forma consolidated statement of financial position of the Target as at close of business on the Completion Date to be provided to the Purchaser on or before five (5) business days prior to the Completion Date;
“Property”	all that piece of parcel of ground registered in the Land Registry as the remaining portion of section A of Kowloon Inland Lot No. 1175 together with the messuages, erections and buildings thereon now known as CHI 393, No. 391 Shanghai Street, Kowloon, Hong Kong;
“Purchaser”	Tatpo Corporation Limited, a company incorporated under the laws of Liberia with limited liability and a wholly-owned subsidiary of the Company;
“Related Party(ies)”	has the meaning ascribed to it in the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (as amended from time to time);
“Related Party Loans”	the inter-company loans between the Target Company and its Related Parties, which will be consolidated to become the Shareholder’s Debt repayable by the Vendor to the Target Company immediately before Completion;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 13 November 2019 entered into among the Vendor, the Purchaser and the Vendor Guarantor in respect of the Acquisition;
“Sale Loan”	all, if any, loan(s) owing by the Target Company to the Vendor at Completion;
“Sale Shares”	Seventy-five (75) ordinary shares representing the entire issued shares of the Target Company according to the information provided by the Vendor as of the date of this announcement;
“Shareholder(s)”	the shareholder(s) of the Company;
“Shareholder’s Debt”	all, if any, liabilities owing by the Vendor to the Target Company following consolidation of the Related Party Loans which will be fully settled immediately before Completion;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“sq. ft”	square feet;
“Target Company”	Cigma International Investment Limited, a private company limited by shares incorporated in Hong Kong and is the sole registered and beneficial owner of the Property and is a wholly-owned subsidiary of the Vendor according to the information provided by the Vendor as of the date of this announcement;
“Vendor”	Capitalkey Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and is the sole registered and beneficial owner of the entire issued shares of the Target Company according to the information provided by the Vendor as of the date of this announcement;
“Vendor Guarantor”	Mr. Phillip Daniel Morais, an Independent Third Party and the guarantor of the Vendor under the Sale and Purchase Agreement; and
“%”	percentage.

On behalf of the Board
CNT Group Limited
Lam Ting Ball, Paul
Chairman

Hong Kong, 13 November 2019

As at the date of this announcement, the Board comprises Mr. Lam Ting Ball, Paul and Mr. Chong Chi Kwan as executive Directors; Mr. Tsui Ho Chuen, Philip, Mr. Chan Wa Shek and Mr. Zhang Yulin as non-executive Directors; and Mr. Wu Hong Cho, Mr. Danny T Wong, Mr. Zhang Xiaojing, Ms. Lin Yingru, Mr. Cheng Wai Po, Samuel and Mr. Ko Kwok Fai, Dennis as independent non-executive Directors.