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CNT GROUP LIMITED

北海集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 701)

POSSIBLE DISCLOSEABLE TRANSACTION LETTER OF INTENT

The Board is pleased to announce that on 20 August 2019 (after trading hours), the Letter of Intent has been entered into between the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor. Pursuant to the Letter of Intent, the Purchaser (or its nominee) intends to acquire the Sale Shares from the Vendor for the Consideration of HK\$183,000,000 (subject to the adjustments to be agreed in the Formal Sale and Purchase Agreement).

Subject to the due diligence review on the Vendor, the Target Company, the Property and the Sale Shares and further negotiations between the Vendor and the Purchaser on the terms of the Formal Sale and Purchase Agreement, the Vendor and the Purchaser (or its nominee) would enter into the Formal Sale and Purchase Agreement on or before the End Date. Should the Formal Sale and Purchase Agreement be entered into, the Company will issue further announcement in accordance with the requirements under the Listing Rules.

On the basis that the Formal Sale and Purchase Agreement is entered into with the amount of Consideration remains unchanged, certain applicable percentage ratios in respect of the Possible Acquisition under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, the Possible Acquisition would then constitute 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.

As the Possible Acquisition is subject to, inter alia, the signing of the Formal Sale and Purchase Agreement and the satisfactory due diligence review on the Vendor, the Target Company, the Property and the Sale Shares, the Possible Acquisition may or may not proceed. Shareholders and prospective investors of the Company are advised to take caution in dealing in the shares of the Company.

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THE LETTER OF INTENT

The Letter of Intent sets forth the understanding and certain preliminary terms in relation to the transactions contemplated under the Formal Sale and Purchase Agreement. The principal terms of the Letter of Intent, are set forth below:

Date : 20 August 2019

Parties : (a) The Vendor; and
(b) the Purchaser (a wholly-owned subsidiary of the Company)

To the best of the Director's knowledge, information and belief having made all reasonable enquiries and based on the information provided by the Vendor as of the date of this announcement, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter : The Sale Shares.

According to the information provided by the Vendor as of the date of this announcement, the Target Company is the sole registered and beneficial owner of the Property.

Consideration and Initial Deposit : The Consideration set forth in the Letter of Intent is HK\$183,000,000 (subject to the adjustments to be agreed in the Formal Sale and Purchase Agreement). The Consideration will be funded by the internal resources of the Group and bank borrowings.

The amount of the Consideration is expected to be settled by way of cash. An initial deposit of HK\$9,150,000 (the "**Initial Deposit**") has been paid by the Purchaser to the Vendor's solicitors as stakeholders upon signing of the Letter of Intent.

Basis of Consideration : The Consideration has been determined after arm's length negotiations between the Vendor and the Purchaser with reference to the Board's estimation of the fair value of the Property with reference to the valuation letter prepared by Prudential Surveyors (Hong Kong) Limited.

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 if the Possible Acquisition is completed.

Due diligence review and Exclusivity Period : All Due Diligence Documents will be provided by the Vendor within 7 days from 20 August 2019 for the Purchaser to carry out due diligence review on the Vendor, the Target Company, the Property and the Sale Shares.

In addition, during the Exclusivity Period, the Vendor and its affiliates (and any of their respective agents or representatives) will not, directly or indirectly, enter or agree to enter into any (or continue with any existing) discussions, negotiations or agreements with any person (other than the Purchaser and its affiliates) for the sale, transfer, assign, lease or let or otherwise dispose of or creating any encumbrances of any of the Sale Shares and/or the Property (or any part of it) or in relation to any dealing or transaction that might be in conflict with the transactions contemplated under the Letter of Intent.

Termination and refund of the Initial Deposit : The Letter of Intent will terminate on the earlier of:

- (a) the date upon which the Formal Sale and Purchase Agreement is signed; and
- (b) the date upon which the Exclusivity Period expires.

On or before the End Date, the Purchaser may also terminate the Letter of Intent at its absolute discretion by giving written notice (the "**Termination Notice**") to the Vendor.

If the Formal Sale and Purchase Agreement has not been entered into before the End Date or a Termination Notice has been issued by the Purchaser, the Vendor shall refund the Initial Deposit to the Purchaser or its solicitors within three working days (excluding any Saturday, Sunday or public holiday) after the End Date (or as the case may be, the date of such Termination Notice) without any interest (if such refund is made within the said three working days), cost or compensation.

Leaseback arrangement following Completion : On or before Completion, the Vendor will procure one of its affiliates (the “**Tenant**”) to leaseback the Property at the annual rental of HK\$5,400,000 (inclusive of rates and government rent) for three years with effect immediately after Completion, subject to the terms and conditions as stipulated in the leaseback agreement to be entered into between the Target Company as landlord and the Tenant as tenant. The initial rental of HK\$5,400,000 is determined with reference to the prevailing rental yield of comparable residential premises following arm’s length negotiations between the Vendor and the Purchaser.

In addition to the terms summarised above which are legally binding, the Letter of Intent also contains certain non-legally binding provisions, including the payment schedule of the further deposit of HK\$9,150,000 and the remaining balance of the Consideration, condition precedents to the Completion and appointment of the estate agent, which are subject to further negotiations of the Purchaser and the Vendor before the signing of the Formal Sale and Purchase Agreement. The Directors expect that the Formal Sale and Purchase Agreement would also contain customary representation and warranties to be provided by the Vendor in respect of itself, the Target Company, the Property and the Sale Shares and pre-completion restrictions imposed on the business and operations of the Target Company.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

Based on the information provided by the Vendor as of the date of this announcement, the Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in property investment. 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 24-storey building with gross floor area of approximately 14,730 sq. ft and is currently used as a serviced apartment under the brand of “CHI Residences”. For the avoidance of doubt, the Possible Acquisition is unrelated to the brand “CHI Residences” and the companies operating the hospitality business.

The Vendor has yet to provide financial information on the Target Company as of the date of this announcement. Under the Letter of Intent, the Vendor will provide, among others, financial information on the Target Company as part of the Due Diligence Documents. The Company will make further announcement on the financial position of the Target Company upon the signing of the Formal Sale and Purchase Agreement.

INFORMATION OF THE VENDOR

Based on the information provided by the Vendor as of the date of this announcement, the Vendor is an investment holding company and the sole shareholder of the Target Company. To the best of the Director’s knowledge, information and belief having made all reasonable enquiries and based on the information provided by the Vendor as of the date of this announcement, the Vendor and its ultimate beneficial owner(s) 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 POSSIBLE ACQUISITION

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 Letter of Intent are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

GENERAL INFORMATION

Subject to the due diligence review on the Vendor, the Target Company, the Property and the Sale Shares and further negotiations between the Vendor and the Purchaser on the terms of the Formal Sale and Purchase Agreement, the Vendor and the Purchaser (or its nominee) would enter into the Formal Sale and Purchase Agreement on or before the End Date. Should the Formal Sale and Purchase Agreement be entered into, the Company will issue further announcement in accordance with the requirements under the Listing Rules.

On the basis that the Formal Sale and Purchase Agreement is entered into with the amount of Consideration remains unchanged, certain applicable percentage ratios in respect of the Possible Acquisition under Chapter 14 of the Listing Rules exceed 5% but are less than 25%, the Possible Acquisition would then constitute 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.

As the Possible Acquisition is subject to, inter alia, the signing of the Formal Sale and Purchase Agreement and the satisfactory due diligence review on the Vendor, the Target Company, the Property and the Sale Shares, the Possible Acquisition may or may not proceed. Shareholders and prospective investors of the Company are advised to take caution in dealing in the shares of the Company.

DEFINITIONS USED IN THIS ANNOUNCEMENT

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

“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 Possible Acquisition pursuant to the terms and conditions of the Formal Sale and Purchase Agreement;
“connected persons”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the amount of consideration for the Possible Acquisition, being HK\$183,000,000 (subject to the adjustments to be agreed in the Formal Sale and Purchase Agreement);

“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;
“Due Diligence Documents”	any documents that the Purchaser requires for to conduct due diligence review in respect of the Vendor, the Target Company, the Property and the Sale Shares;
“End Date”	the last day of the Exclusivity Period;
“Exclusivity Period”	the 60 days (or such extended period of time as mutually agreed by the Vendor and the Purchaser) from 20 August 2019;
“Formal Sale and Purchase Agreement”	the formal sale and purchase agreement that may be entered into between the Vendor and the Purchaser (or its nominee) in respect of the Possible Acquisition;
“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 PRC;
“Letter of Intent”	the letter of intent dated 20 August 2019 entered into between the Vendor and the Purchaser in respect of the Possible Acquisition;
“Independent Third Parties”	third parties independent of the Company and its connected persons;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Taiwan, The Macau Special Administrative Region of the PRC and Hong Kong;

“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;
“Possible Acquisition”	the possible acquisition of the Sale Shares from the Vendor by the Purchaser (or its nominee) pursuant to the terms and conditions of the Formal Sale and Purchase Agreement;
“Purchaser”	Tatpo Corporation Limited, a company incorporated under the laws of Liberia with limited liability and a wholly-owned subsidiary of the Company;
“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;
“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 share capital of the Target Company according to the information provided by the Vendor as of the date of this announcement; and

“%”

percentage.

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

Hong Kong, 20 August 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 and Ms. Lin Yingru as independent non-executive Directors.