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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 DISPOSAL OF TARGET EQUITY

The Board announces that on 24 December 2020 (after trading hours), the Equity Transfer Agreement has been entered into, under which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Target Equity for the Consideration. The Target Equity represents 20% of all equity interest of PATIN as held by the Vendor.

As at the date of this announcement, the equity interest of PATIN is owned as to 7.5% by the Purchaser, 25% by Nippon Steel, 20% by Mitsui, 20% by Marubeni-Itochu, 20% by the Vendor (a wholly-owned subsidiary of the Company) and 7.5% by Guangzhou Light Industry respectively. As the Disposal is part of a series of transactions pursuant to which the Purchaser will acquire all equity interest in PATIN (other than the 7.5% equity interest held by Guangzhou Light Industry), the Purchaser and Guangzhou Light Industry have separately entered into equity transfer agreements with Nippon Steel, Mitsui and Marubeni-Itochu.

The Directors confirm that the terms of the Equity Transfer Agreement are negotiated with the Purchaser on arm's length basis upon normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Disposal constitutes a disposal of asset by the Company and the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal exceed 5% but are less than 25%. Hence, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfillment of the Conditions which may or may not be satisfied or waived, the Disposal may not become unconditional and the transfer of the Target Equity may or may not be proceeded with. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.

BACKGROUND INFORMATION

The Board announces that on 24 December 2020 (after trading hours), the Equity Transfer Agreement has been entered into, under which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Target Equity for the Consideration. The Target Equity represents 20% of all equity interest of PATIN as held by the Vendor.

As at the date of this announcement, the equity interest of PATIN is owned as to 7.5% by the Purchaser, 25% by Nippon Steel, 20% by Mitsui, 20% by Marubeni-Itochu, 20% by the Vendor (a wholly-owned subsidiary of the Company) and 7.5% by Guangzhou Light Industry respectively. As the Disposal is part of a series of transactions pursuant to which the Purchaser will acquire all equity interest in PATIN (other than the 7.5% equity interest held by Guangzhou Light Industry), the Purchaser and Guangzhou Light Industry have separately entered into equity transfer agreements with Nippon Steel, Mitsui and Marubeni-Itochu.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set forth below:

- Date : 24 December 2020
- Parties : (a) The Vendor (a wholly-owned subsidiary of the Company);
(b) the Purchaser; and
(c) Guangzhou Light Industry.

Guangzhou Light Industry, as one of the remaining shareholders of PATIN after completion of the Transfers, has agreed to waive its existing pre-emptive right in relation to the purchase of the Target Equity by the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, both the Purchaser and Guangzhou Light Industry and their respective ultimate beneficial owner(s) are Independent Third Parties.

- Target Equity : 20% of the equity interest of PATIN, representing all equity interest of PATIN as held by the Vendor.

Consideration : The consideration of the Disposal is RMB18.79 million (equivalent to approximately HK\$22.17 million), which shall be paid by the Purchaser in cash as follows:

- (a) the Purchaser shall transfer the full amount of the Consideration into the Escrow Account within five (5) Business Days from the later of either the date of the Equity Transfer Agreement or the date on which each of Nippon Steel, Mitsui and Marubeni-Itochu has opened with the Purchaser their respective joint escrow bank accounts for purpose of the Nippon Steel Transfer, Mitsui Transfer and Marubeni-Itochu Transfer;
- (b) within two (2) Business Days from the date of completion of the change of business registration in respect of the Transfers, the Purchaser shall procure an auditor in the PRC to provide the PATIN Outstanding Liabilities to the Purchaser, Nippon Steel, Mitsui, Marubeni-Itochu, the Vendor and Guangzhou Light Industry for their written confirmation to be provided within the next three (3) Business Days. Within five (5) Business Days after the date on which the PATIN Outstanding Liabilities have been approved by all of the Purchaser, Nippon Steel, Mitsui, Marubeni-Itochu, the Vendor and Guangzhou Light Industry, or in any event within ten (10) Business Days from the date on which the Vendor confirms the PATIN Outstanding Liabilities in writing, the Purchaser shall transfer RMB16.91 million (equivalent to approximately HK\$19.96 million), being 90% of the amount of the Consideration, to the designated bank account of the Vendor; and
- (c) within five (5) Business Days from the date which is the end of the third-month period (the “**Guarantee Period**”) after the date of completion of the change of business registration in respect of the Transfers, the Purchaser shall transfer RMB1.88 million (equivalent to approximately HK\$2.21 million), being 10% of and the remaining balance of the Consideration (the “**Final Payment**”), to the designated bank account of the Vendor. However, during the Guarantee Period, if there is any claim by third parties against PATIN for its liabilities incurred prior to Completion or there is any loss suffered by PATIN or the Purchaser owing to the default of the Vendor, the Purchaser shall be entitled to (i) demand the Vendor to cover the loss suffered by PATIN and/or the Purchaser within eleven (11) Business Days or (ii) deduct such amount of loss from the Final Payment to satisfy the loss suffered by PATIN and/or the Purchaser.

- Basis of Consideration : The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms taking into consideration:
- (a) the current loss-making operating condition of PATIN;
 - (b) the liquidation value of a business valuation report prepared by an independent valuer; and
 - (c) the carrying amount of the Target Equity.
- Conditions precedent : Completion is subject to the following Conditions:
- (a) all statutory and internal procedures for the execution and performance of the Equity Transfer Agreement required by the parties thereto having been satisfied;
 - (b) the Purchaser and Guangzhou Light Industry having separately executed valid equity transfer agreements with (i) Nippon Steel in relation to the Nippon Steel Transfer; (ii) Mitsui in relation to the Mitsui Transfer; and (iii) Marubeni-Itochu in relation to the Marubeni-Itochu Transfer;
 - (c) the board of directors of PATIN having approved the Transfers and the PATIN Shareholder's Loan;
 - (d) the Purchaser and PATIN having executed a valid loan agreement in relation to the PATIN Shareholder's Loan;
 - (e) the board of directors of PATIN having approved the new articles of association of PATIN in the agreed form;
 - (f) the Purchaser having obtained a bank guarantee (the "**Bank Guarantee**") to guarantee its obligations under the PATIN Shareholder's Loan within three (3) Business Days from the later of either (i) the date of loan agreement in relation to the PATIN Shareholder's Loan or (ii) the date on which all the equity transfer agreements for the Transfers (including the Equity Transfer Agreement) have been entered into; and

- (g) the condition precedents under the equity transfer agreements between the Purchaser and Guangzhou Light Industry with (i) Nippon Steel in relation to the Nippon Steel Transfer; (ii) Mitsui in relation to the Mitsui Transfer; and (iii) Marubeni-Itochu in relation to the Marubeni-Itochu Transfer, having been fulfilled (or waived, if applicable).

As at the date of this announcement, except Conditions (f) and (g), all of the Conditions have been satisfied.

Completion : The Purchaser shall use its best endeavours to procure completion of the change of business registration in respect of the Transfers within eight (8) Business Days after the signing of all equity transfer agreements for the Transfers (including the Equity Transfer Agreement).

Completion shall take place upon satisfaction of all the Conditions and on the date of issue of the new business licence of PATIN by the relevant government authorities in the PRC in respect of the Transfers.

Upon Completion, the Group will cease to hold any interest in PATIN.

However, if the PATIN Outstanding Liabilities are not approved by Nippon Steel, Mitsui or Marubeni-Itochu in accordance with the Equity Transfer Agreement, which eventually causes the Nippon Steel Transfer, the Mitsui Transfer or the Marubeni-Itochu Transfer to be cancelled, the Purchaser is entitled to cancel the Disposal by written notice to the Vendor within one (1) year from the date of the Equity Transfer Agreement. Upon the receipt of such notice, the Vendor shall return the Consideration received to the Purchaser and the Equity Transfer Agreement will be terminated. The Vendor will then continue to hold 20% of the equity interest in PATIN.

PATIN Shareholder's Loan and repayment of PATIN Bank Loans : The Purchaser shall provide the PATIN Shareholder's Loan in the amount of not less than RMB140.00 million to PATIN within five (5) Business Days after the completion of the change of business registration in respect of the Transfers to enable PATIN to repay the PATIN Bank Loans.

PATIN shall repay the PATIN Bank Loans with the PATIN Shareholder's Loan and its own internal resources in one lump-sum within two (2) Business Days of receiving the PATIN Shareholder's Loan or the guarantee amount under the Bank Guarantee that remain outstanding on such date.

Default by the parties and termination : If any party to the Equity Transfer Agreement fails to fulfil its obligations thereunder (other than the Purchaser's obligations to pay the Vendor the Consideration), the non-defaulting party shall have the right to claim for any losses suffered and to request the defaulting party to make immediate remediation by serving a written notice on the non-defaulting party.

If the breach is not remediated within eleven (11) Business Days of the written notice, the non-defaulting party shall have the right to terminate the Equity Transfer Agreement before the completion of the change of business registration in respect of the Transfers after obtaining the consent of Nippon Steel, Mitsui, Marubeni-Itochu and Guangzhou Light Industry, and the Disposal shall be cancelled.

After completion of the change of business registration in respect of the Transfers, if the Purchaser fails to pay the Vendor the Consideration in accordance with the terms of the Equity Transfer Agreement, the Vendor shall be entitled to terminate the Equity Transfer Agreement by written notice and the Target Equity shall be returned to the Vendor by the Purchaser.

In any event, if the non-defaulting party does not exercise its right to terminate the Equity Transfer Agreement, the non-defaulting party shall be entitled to claim for an amount equaling 0.05% of the Consideration as penalty per day for each day of such breach subsists. The Vendor's maximum liability for breaches under the Equity Transfer Agreement has been capped at an amount equaling the Consideration.

Long-stop date : Other than caused by the default of the Purchaser, if the Purchaser and Guangzhou Light Industry fail to sign the respective equity transfer agreement with (i) Nippon Steel in relation to the Nippon Steel Transfer; (ii) Mitsui in relation to the Mitsui Transfer; and (iii) Marubeni-Itochu in relation to the Marubeni-Itochu Transfer by 31 March 2021, or that the change of business registration in respect of the Transfers cannot be completed by 31 May 2021, the Equity Transfer Agreement will be cancelled and void. The Vendor will then continue to hold 20% of the equity interest in PATIN.

INFORMATION ON THE PURCHASER AND GUANGZHOU LIGHT INDUSTRY

The Purchaser is a state-owned enterprise established in the PRC and is principally engaged in integrating biomedicine, industrial investment, technology park development and construction, real estate development, technology financial services, industrial industry investment, hotel management, culture and sports and consulting services, as set forth in its business licence.

Guangzhou Light Industry is a company established in the PRC and is principally engaged in the sale of energy-saving lighting, chemicals, international trade, health food, sports equipment, manufacturing of clocks and watches, hardware products, plastic and handicraft products and packaging and printing, as set forth in its business licence.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, Guangzhou Light Industry and their respective ultimate beneficial owner(s) are Independent Third Parties.

INFORMATION ON PATIN

PATIN is a sino-foreign equity joint venture established in the PRC and is principally engaged in the production and sales of electrolytic tinplate and related products. The equity interest in PATIN has been held by the Group since 1995.

The selected financial information of PATIN for the two years ended 31 December 2018 and 2019 are as follows:

	Year ended 31 December 2018	Year ended 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Loss before tax	58,120	46,377
Loss after tax	43,885	35,314

The net asset value of PATIN as at 31 December 2019 amounted to approximately RMB300.30 million (equivalent to approximately HK\$354.40 million).

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

Immediately prior to Completion, the equity interest of PATIN is held as to 20% by the Group and is an associated company of the Group. Following Completion, the Group will cease to have any equity interest in PATIN. Based on the amount of the Consideration, the Directors expect that the Group will recognise a gain on disposal of approximately RMB3.30 million (equivalent to approximately HK\$3.89 million). The Group intends to use the proceeds from the Disposal as general capital of the Group and for potential business opportunities in the future.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

The equity investment in PATIN has been made by the Group since 1995 in the original amount of US\$3.60 million as to 10% equity interest in PATIN (through its indirect shareholding of 50% interest in the share capital of the Vendor). In July 2019, the Group acquired the remaining 50% interest in the share capital of the Vendor from the then shareholder of the Vendor for nominal cash consideration of HK\$1.00 in order to consolidate the control over the Vendor. The Group has since then held 20% equity interest in PATIN. As at 30 September 2020, the carrying amount of the Target Equity was HK\$18.28 million. Over the previous decade, the performance of PATIN fluctuated from time to time, and it had incurred a significant amount of operating loss because of less competitive business activities and the recent sluggish economy in the PRC. The Directors are of the view that it would not be beneficial to the Group to continue to hold the equity investment in PATIN. This is particularly the case that the Group intends to streamline its business activities/investment projects for the purpose of increasing profitability.

In light of the above, taking into consideration the amount of the Consideration, the Directors consider that the Disposal provides a good opportunity to the Group to realise its equity investment in PATIN.

The Directors confirm that the terms of the Equity Transfer Agreement are negotiated with the Purchaser on arm's length basis upon normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Disposal constitutes a disposal of asset by the Company and the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal exceed 5% but are less than 25%. Hence, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfillment of the Conditions which may or may not be satisfied or waived, the Disposal may not become unconditional and the transfer of the Target Equity may or may not be proceeded with. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, capitalised terms used herein shall have the following meanings:

“Board”	the board of Directors;
“Business Day(s)”	any day on which companies in the PRC are generally open for business in the PRC, including Saturdays or Sundays which the PRC government temporarily declares to be a working day, exclusive of statutory holidays and Saturdays or Sundays other than declared as working days;
“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 Disposal in accordance with the terms and conditions of the Equity Transfer Agreement;
“Condition(s)”	the condition(s) precedent to the Disposal set forth in the Equity Transfer Agreement;
“Consideration”	the amount of consideration of RMB18.79 million (equivalent to approximately HK\$22.17 million) payable by the Purchaser to the Vendor for the Disposal;

“CPM Group”	CPM Group Limited (中漆集團有限公司), a company incorporated in the Cayman Islands as an 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;
“Disposal”	the disposal of the Target Equity by the Vendor to the Purchaser pursuant to the terms of the Equity Transfer Agreement;
“Equity Transfer Agreement”	the equity transfer agreement dated 24 December 2020 entered into among the Vendor, the Purchaser and Guangzhou Light Industry for the Disposal;
“Escrow Account”	the escrow bank account jointly held and operated by the Purchaser and the Vendor under the terms of the Equity Transfer Agreement;
“Group”	the Company and its subsidiaries;
“Guangzhou Light Industry”	Guangzhou Light Industry and Trade Group Ltd.* (廣州輕工工貿集團有限公司), a company established in the PRC holding 7.5% of the equity interest in PATIN as at the date of this announcement and an Independent Third Party;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Marubeni-Itochu”	Marubeni-Itochu Steel Inc.* (伊藤忠丸紅鐵鋼株式會社), a stock company (Kabushiki Gaisha) incorporated in Japan and an Independent Third Party;
“Marubeni-Itochu Transfer”	the transfer of 20% equity interest in PATIN from Marubeni-Itochu to the Purchaser;
“Mitsui”	Mitsui & Co., Ltd. (三井物產株式會社), a stock company (Kabushiki Gaisha) incorporated in Japan with its shares listed on the Tokyo Stock Exchange (stock code: 8031) and an Independent Third Party;

“Mitsui Transfer”	the transfer of 20% equity interest in PATIN from Mitsui to the Purchaser;
“Nippon Steel”	Nippon Steel Corporation (日本製鐵株式會社), a stock company (Kabushiki Gaisha) incorporated in Japan with its shares listed on the Tokyo Stock Exchange (stock code: 5401) and an Independent Third Party;
“Nippon Steel Transfer”	the transfer of 25% equity interest in PATIN from Nippon Steel to the Purchaser;
“PATIN”	Guangzhou Pacific Tinsplate Co., Ltd. (廣州太平洋馬口鐵有限公司), a sino-foreign equity joint venture established in the PRC and its equity interest is owned as to 7.5% by the Purchaser, 25% by Nippon Steel, 20% by Mitsui, 20% by Marubeni-Itochu, 20% by the Vendor and 7.5% by Guangzhou Light Industry as at the date of this announcement;
“PATIN Bank Loans”	the outstanding bank loans that have been made by PATIN and any related interest accrued thereon, being RMB235.04 million as at the date of this announcement;
“PATIN Outstanding Liabilities”	the list of outstanding liabilities due to third parties by PATIN as at the date of completion of the change of business registration in respect of the Transfers as provided by an auditor in the PRC;
“PATIN Shareholder’s Loan”	the shareholder’s loan of not less than RMB140.00 million that will be extended by the Purchaser to PATIN to enable PATIN to repay the PATIN Bank Loans;
“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;
“Purchaser”	Guangzhou Hi-tech Investment Group Co., Ltd.* (廣州高新區投資集團有限公司), a state-owned enterprise established in the PRC holding 7.5% of the equity interest in PATIN as at the date of this announcement and an Independent Third Party;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company;

“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Equity”	20% of the equity interest in PATIN held by the Vendor which is sold to the Purchaser under the Equity Transfer Agreement;
“Transfers”	collectively refers to (a) the Nippon Steel Transfer; (b) the Mitsui Transfer; (c) the Marubeni-Itochu Transfer; and (d) the Disposal;
“US\$”	United States dollars, the lawful currency of United States of America;
“Vendor”	CNT Tin Plate Limited (北海馬口鐵有限公司), a limited company incorporated in Hong Kong holding 20% of the equity interest in PATIN as at the date of this announcement and a wholly-owned subsidiary of the Company; and
“%”	percentage.

In this announcement, amounts in RMB are translated into HK\$ on the basis of RMB1=HK\$1.1803. 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.

* *The English translation of the Chinese names denoted in this announcement is for illustration purpose only. Should there be any inconsistencies, the Chinese names prevail.*

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

Hong Kong, 24 December 2020

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. Huang De Rui, Mr. Zhang Xiaojing, Ms. Lin Yingru, Mr. Cheng Wai Po, Samuel and Mr. Ko Kwok Fai, Dennis as independent non-executive Directors.