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DIT GROUP LIMITED

築友智造科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

CONTINUING CONNECTED TRANSACTION IN RELATION TO ENTERING INTO THE PROPERTY LEASING AGREEMENT

THE PROPERTY LEASING AGREEMENT

The Board wishes to announce that on 11 May 2021 (after trading hours), Drawin Changsha (as the landlord), an indirect non-wholly owned subsidiary of the Company, and Drawin Manufacture (as the tenant) entered into the Property Leasing Agreement, pursuant to which, Drawin Changsha shall lease the properties within the Changsha technology park to the Drawin Manufacture Group Entities for a term of one year commencing from 11 May 2021 to 10 May 2022 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Drawin Manufacture indirectly held approximately 63.53% of the issued Shares, hence an indirect controlling shareholder and a connected person of the Company under the Listing Rules. Accordingly, the Property Leasing Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of all of the applicable percentage ratios in respect of the continuing connected transactions under the Property Leasing Agreement is more than 0.1% but less than 5%, the contemplated transaction under the Property Leasing Agreement is only subject to the annual review, reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE PROPERTY LEASING AGREEMENT

The principal terms of the Property Leasing Agreement are set out below:

Date: 11 May 2021

Landlord: Drawin Changsha

Tenant: Drawin Manufacture

The respective leased premises may be used by the Drawin Manufacture Group Entities

Premises: Properties within the Changsha technology park

Leasing and ancillary services: Pursuant to the Property Leasing Agreement, Drawin Changsha agreed to (i) lease to the relevant Drawin Manufacture Group Entities the office premises, staff dormitories, finished production warehouses, test plants, villa, showroom and prefabricated components manufacturing plants, and (ii) provide to the same certain ancillary services including the supply of heating and hot water and the provision of technology park maintenance services (the **“Leasing and Ancillary Services Arrangement”**).

Term: For a term of one year commencing from 11 May 2021 to 10 May 2022 (both days inclusive)

Leased area: 19,812.18 square metres in total

Fees payable: The total amount of fees payable by Drawin Manufacture on behalf of the Drawin Manufacture Group Entities to Drawin Changsha is calculated by reference to the leased area used by each Drawin Manufacture Group Entity and comprises of two components, namely (i) rentals and (ii) service fees in respect of certain ancillary services provided by Drawin Changsha, including the supply of heating and hot water and the provision of technology park maintenance services.

The breakdown of the monthly rental and service fees payable by reference to each usage of the leased premises is as follows:

| Usage of leased premises | Monthly rental per square metre of leased area (RMB) | Monthly service fee per square metre of leased area (RMB) | Total leased area (Square metre) | Total monthly rental and service fees (RMB) |
|--------------------------|---|--|-------------------------------------|--|
| Office premises | 90.00 | 25.86 | 5,965.32 | 691,141.98 |
| Staff dormitories | 24.00 | 4.04 | 4,401.08 | 123,406.28 |
| Finished production | | | | |
| warehouses | 30.00 | 6.37 | 2,588.72 | 94,151.74 |
| Test plants | 60.00 | 27.11 | 4,516.73 | 393,452.35 |
| Villa | 60.00 | 4.56 | 917.44 | 59,229.93 |
| Showroom | 72.00 | 5.26 | 114.18 | 8,821.55 |
| Prefabricated components | | | | |
| manufacturing plants | <u>60.00</u> | <u>27.11</u> | <u>1,308.71</u> | <u>114,001.73</u> |
| Total: | | | <u><u>19,812.18</u></u> | <u><u>1,484,205.56</u></u> |

The rentals and service fees under the Property Leasing Agreement have been determined by Drawin Changsha and Drawin Manufacture after arm's length negotiation with reference to the prevailing market rates for comparable properties in Changsha.

Payment arrangement:

Drawin Manufacture on behalf of the Drawin Manufacture Group Entities shall pay to Drawin Changsha the rentals and service fees payable under the Property Leasing Agreement on a quarterly basis. Drawin Changsha shall issue an invoice to Drawin Manufacture before the 15th day of the month following the end of a quarter, and Drawin Manufacture shall make payment before the 22nd day of the same month.

Other utilities charges, including water and electricity shall be charged on actual incurred basis and payable on a monthly basis.

Where Drawin Changsha performs any repair and maintenance work in respect of the leased premises, additional fees may be charged.

THE PREVIOUS PROPERTY LEASING AGREEMENT

On 11 May 2020, Drawin Changsha (as the landlord) entered into the Previous Property Leasing Agreement with Drawin Manufacture (as the tenant) in respect of the leasing and ancillary services arrangement. The principal terms of the Previous Property Leasing Agreement were set out in the announcement of the Company dated 11 May 2020.

In respect of the leasing and ancillary services arrangement, the Company was required to set an annual cap in respect of the maximum aggregate transaction amounts over the term of the Previous Property Leasing Agreement. The actual realized transaction amount in 2020 and the annual cap in relation to the leasing and ancillary services arrangement under the Previous Property Leasing Agreement are set out below:

| Usage of the Previous Property Leasing Agreement | Actual realized amount <i>(RMB, approximately)</i> | Annual cap <i>(RMB)</i> |
|---|--|-----------------------------------|
| Leasing and ancillary services arrangement | 10.86 million | 16.21 million |

The actual transaction amounts in relation to the leasing and ancillary services arrangement were lower than the annual cap primarily due to as a result of Drawin Changsha offering rental concessions of RMB5.35 million to Drawin Manufacture in respect of properties leased under the Previous Property Leasing Agreement, in support of relevant national policy of rental concessions during the COVID-19 pandemic.

PROPOSED ANNUAL CAP

The Company is required under Rule 14A.53 of the Listing Rules to set an annual cap over the value of the annual payment by Drawin Manufacture to Drawin Changsha in respect of the Leasing and Ancillary Services Arrangement pursuant to the Property Leasing Agreement. In arriving at the Proposed Annual Cap, the Directors have taken into account the rentals and service fees payable and the estimated utilities charges payable during the term of the Property Leasing Agreement. It is estimated that the maximum transaction value during the term of the Property Leasing Agreement will be RMB18 million (equivalent to approximately HK\$21.76 million).

The rentals, service fees and other related utility charges under the Property Leasing Agreement have been determined by Drawin Manufacture and Drawin Changsha after arm's length negotiation with reference to the prevailing market rates for comparable properties in Changsha.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY LEASING AGREEMENT

The Group believes that it can best utilize its vacant premises in the Changsha technology park by way of leasing its properties. It selects tenants based on its internal evaluation and selection procedures based on various factors, such as quality of the tenants and relationship with such tenants.

The Board (including all independent non-executive Directors, but excluding Ms. Wu Wallis (alias Li Hua), a non-executive Director and the daughter of Mr. Wu Po Sum, who indirectly holds the entire equity interest in Drawin Manufacture) is of the view that:

- (i) the terms and conditions of the Property Leasing Agreement are on normal commercial terms which are fair and reasonable;
- (ii) the Proposed Annual Cap is fair and reasonable; and
- (iii) the Property Leasing Agreement and the transactions contemplated thereunder were entered into and will be conducted in the ordinary and usual course of business of the Company and its subsidiaries, and are in the interest of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge and belief after having made all reasonable enquiries, other than Ms. Wu Wallis (alias Li Hua) (a non-executive Director) who is the daughter of Mr. Wu Po Sum (who indirectly holds the entire equity interests in Drawin Manufacture), none of the Directors has a material interest in the Property Leasing Agreement and the transactions contemplated thereunder. For good corporate governance purpose, Ms. Wu Wallis (alias Li Hua) had abstained from voting on the relevant Board resolutions approving the Property Leasing Agreement and the transactions contemplated thereunder.

INFORMATION OF THE PARTIES

The Company

The Company was incorporated as an exempted company with limited liability in Bermuda, the Shares of which are listed on the Stock Exchange. It is an investment holding company with subsidiaries principally engaged in prefabricated construction business and property investment in the PRC.

Drawin Manufacture

Drawin Manufacture is a company established under the laws of the PRC with limited liability. As at the date of this announcement, Drawin Manufacture indirectly held approximately 63.53% of the issued Shares, thus an indirect controlling shareholder of the Company. Drawin Manufacture is also indirectly wholly-owned by Mr. Wu Po Sum, who is the father of Ms. Wu Wallis (alias Li Hua) (a non-executive Director). Drawin Manufacture is an investment holding company. Apart from holding equity interests in the Company, Drawin Manufacture, through its PRC subsidiaries, is principally engaged in general consultation and design of prefabricated construction business in the PRC.

Drawin Changsha

Drawin Changsha is a company established under the laws of the PRC with limited liability. It is held as to 51% and 49% by Drawin Investment, an indirect wholly-owned subsidiary of the Company, and Drawin Co., an indirect wholly-owned subsidiary of Drawin Manufacture, respectively. The principal business of Drawin Changsha includes construction industrialization.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Drawin Manufacture indirectly held approximately 63.53% of the issued Shares, hence an indirect controlling shareholder and a connected person of the Company under the Listing Rules. Accordingly, the Property Leasing Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the continuing connected transactions under the Property Leasing Agreement is more than 0.1% but less than 5%, the contemplated transaction under the Property Leasing Agreement constitutes a continuing connected transaction which is only subject to the annual review, reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as set forth below:

| | |
|-------------------------------------|--|
| “Board” | the board of Directors |
| “Company” | DIT Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company from time to time |
| “Drawin Changsha” | Changsha Drawin Intelligent Manufacture Technology Limited* (長沙築友智造科技有限公司), a company established under the laws of the PRC with limited liability and held as to 51% and 49% by Drawin Investment and Drawin Co., respectively |
| “Drawin Co.” | China Minsheng Drawin Co., Ltd.* (中民築友有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Drawin Manufacture |
| “Drawin Investment” | Drawin Intelligent Manufacture Technology Investment Limited* (築友智造科技投資有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “Drawin Manufacture” | Drawin Intelligent Manufacture Technology Industry Group Limited* (築友智造科技產業集團有限公司) (formerly known as China Minsheng Drawin Technology Industry Limited* (中民築友科技產業有限公司), a company established under the laws of the PRC with limited liability and an indirect controlling shareholder of the Company |
| “Drawin Manufacture Group Entities” | Drawin Manufacture and its subsidiaries from time to time, but excluding the Group for the purposes of this announcement |
| “Group” | the Company and its subsidiaries from time to time |

| | |
|---------------------------------------|--|
| “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 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Previous Property Leasing Agreement” | the property leasing agreement entered into between Drawin Changsha (as the landlord) and Drawin Manufacture (as the tenant) dated 11 May 2020 in respect of the leasing of properties within the Changsha technology park |
| “Property Leasing Agreement” | the property leasing agreement entered into between Drawin Changsha (as the landlord) and Drawin Manufacture (as the tenant) dated 11 May 2021 in respect of the leasing of properties within the Changsha technology park |
| “Proposed Annual Cap” | the proposed annual cap in respect of the aggregate value for the transactions contemplated under the Property Leasing Agreement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | the ordinary share(s) of par value HK\$0.40 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the issued Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiaries” | has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |

For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of HK\$1 = RMB0.82736. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

By order of the Board of
DIT Group Limited
Liu Weixing
Chairman and Executive Director

Hong Kong, 11 May 2021

As at the date of this announcement, the Board comprises Mr. Liu Weixing (Chairman), Mr. Guo Weiqiang and Ms. Wang Jing as executive Directors; Ms. Wu Wallis (alias Li Hua) and Mr. Wang Jun as non-executive Directors; Mr. Jiang Hongqing, Mr. Lee Chi Ming, and Mr. Ma Lishan as independent non-executive Directors.

* *For identification purpose only*