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If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult a licensed security dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in China Minsheng Drawin Technology Group Limited, you should at once hand this Circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



China Minsheng Drawin Technology Group Limited
中民築友科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

FRAMEWORK AGREEMENT IN RELATION TO
(1) MAJOR AND CONNECTED TRANSACTION –
EPC SERVICE ARRANGEMENT;
AND
(2) CONTINUING CONNECTED TRANSACTIONS –
SUPPLY ARRANGEMENT
AND
NOTICE OF SGM

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

Terms used in this cover shall have the same meanings as defined in this Circular.

A letter from the Board is set out on pages 4 to 13 of this Circular. A letter of advice containing the recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 14 to 15 of this Circular. A letter of advice from Altus Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 33 of this Circular.

A notice of the SGM to be held at 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Wednesday, 26 April 2017 at 11:00 a.m. is set out on pages 41 to 42 of this Circular. Whether or not you are able to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

7 April 2017

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Definitions | 1 |
| Letter from the Board | 4 |
| Letter from the Independent Board Committee | 14 |
| Letter from the Independent Financial Adviser | 16 |
| Appendix — General Information | 34 |
| Notice of Special General Meeting | 41 |

DEFINITIONS

In this Circular, the following terms and expressions shall have the following meanings unless the context requires otherwise:

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| “Board” | the board of Directors |
| “CMDC” | China Minsheng Drawin Construction Co., Ltd.* (中民築友建設有限公司), a company established in the PRC and a wholly-owned subsidiary of CMJYI |
| “CMDC Group” | CMDC and its subsidiaries |
| “CMJYI” | China Minsheng Jiaye Investment Co., Ltd.* (中民嘉業投資有限公司), a company established in the PRC and the controlling shareholder of the Company |
| “Company” | China Minsheng Drawin Technology Group Limited (中民築友科技集團有限公司), a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange (Stock Code: 00726) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “EPC” | engineering, procurement and construction |
| “EPC Service Arrangement” | the provision of EPC general contracting services by the CMDC Group to the Group for the development of the Group’s several technology parks in the PRC |
| “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 |

DEFINITIONS

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| “Independent Board Committee” | the independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Chan Chi Hung, Mr. Jiang Hongqing, Mr. Lee Chi Ming and Mr. Ma Lishan, established to advise the Independent Shareholders in respect of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder |
| “Independent Financial Adviser” | Altus Capital Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder |
| “Independent Shareholders” | all Shareholders other than the Shareholders with a material interest in the Framework Agreement and the transactions contemplated thereunder |
| “Latest Practicable Date” | 6 April 2017, being the latest practicable date prior to the printing of this Circular for ascertaining certain information for inclusion in this Circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Over-lapping Directors” | Mr. Yin Jun, Mr. Mi Hongjun, Mr. Chen Donghui, Ms. Gan Ping and Mr. Zhao Xiaodong |
| “PRC” | the People’s Republic of China which, for the purposes of this Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |

DEFINITIONS

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| “Proposed Annual Cap” | the proposed annual cap in respect of the Supply Arrangement over the term of the Framework Agreement |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | the special general meeting of the Company to be convened on 26 April 2017 for the purpose of approving the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder |
| “Share(s)” | share(s) of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the 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) |
| “Supply Arrangement” | the supply of prefabricated construction components and products by the Group to the CMDC Group for construction projects engaged by third party developers or contractors |
| “%” | per cent |

Unless otherwise specified in this Circular, the exchange rate for reference purpose in this Circular is HK\$100 to RMB88.74.

** The English names of the PRC entities mentioned in this Circular marked with “*” are translations from their Chinese names and are for identification purposes only. In case of any inconsistency, the Chinese names shall prevail.*



China Minsheng Drawin Technology Group Limited
中民築友科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

Executive Directors:

Mr. Yin Jun (*Chairman*)
Mr. Chen Domingo
Mr. Mi Hongjun

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM 12 Bermuda

Non-Executive Directors:

Mr. Chen Donghui
Ms. Gan Ping
Mr. Zhao Xiaodong
Mr. Zhou Feng

*Principal place of business
in Hong Kong:*

Suites 1001-1004
10th Floor
One Pacific Place
88 Queensway
Hong Kong

Independent Non-Executive Directors:

Mr. Chan Chi Hung
Mr. Jiang Hongqing
Mr. Lee Chi Ming
Mr. Ma Lishan

7 April 2017

To the Shareholders

Dear Sir or Madam,

**FRAMEWORK AGREEMENT IN RELATION TO
(1) MAJOR AND CONNECTED TRANSACTION –
EPC SERVICE ARRANGEMENT;
AND
(2) CONTINUING CONNECTED TRANSACTIONS –
SUPPLY ARRANGEMENT
AND
NOTICE OF SGM**

INTRODUCTION

Reference is made to the announcement issued by the Company on 13 March 2017 in relation to the Framework Agreement entered into between the Company and CMDC in relation to (i) the provision of EPC general contracting services by the CMDC Group to the Group; and (ii) the supply of prefabricated construction components and products by the Group to the CMDC Group.

LETTER FROM THE BOARD

The purpose of this Circular is to provide you with, among other things:

- (i) further information on the terms of the Framework Agreement;
- (ii) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement);
- (iii) the letter of advice from the Independent Financial Adviser containing its advice in connection with the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement); and
- (iv) a notice convening the SGM to consider and, if thought fit, to approve the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement).

PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT

- Date: 13 March 2017
- Parties: (i) the Company; and
(ii) CMDC
- Term: For a term commencing from the approval date of the Framework Agreement by the Independent Shareholders and ending on 31 December 2017. The Framework Agreement may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed.
- Provision of Services: (i) Pursuant to the EPC Service Arrangement, upon selection of the CMDC Group through the bidding process arranged by the Group, CMDC agreed to provide, or should procure its subsidiaries to provide, EPC general contracting services to the Group for the development of the Group's several technology parks in the PRC.

LETTER FROM THE BOARD

(ii) Pursuant to the Supply Arrangement, upon selection of the Group through the bidding process arranged by the CMDC Group, the Company agreed to supply, or should procure its subsidiaries to supply, prefabricated construction components and products to the CMDC Group for construction engaged by third party developers or contractors.

Pricing:

(i) Pursuant to the EPC Service Arrangement, the contractual price of EPC general contracting services to be provided by the CMDC Group to the Group should be determined with reference to the estimated costs of a construction project plus a management fee of not more than 3% of the construction costs.

(ii) Pursuant to the Supply Arrangement, the integrated unit price of the prefabricated construction components and products to be supplied by the Group to the CMDC Group should be the prevailing market price of each unit and the quotation of the merchandise provided by the Group should be determined with reference to the estimated costs of each unit plus a profit of not more than a single digit percentage margin of the unit cost.

Payment arrangement:

The Framework Agreement provides that the details of all fees and payments due to the Group and the CMDC Group pursuant to the EPC Service Arrangement and the Supply Arrangement should be specified in each specific service or supply contract to be entered into by the relevant parties.

LETTER FROM THE BOARD

ESTIMATED TRANSACTION VALUES UNDER THE FRAMEWORK AGREEMENT

In respect of the EPC Service Arrangement, the Company estimates that the maximum value of the transactions under the EPC Service Arrangement over the term of the Framework Agreement may reach RMB400 million (equivalent to approximately HK\$450.76 million). The value of each transaction under the EPC Service Arrangement will, when it is entered into, be determined according to the pricing mechanism set out in the Framework Agreement as described above.

In respect of the Supply Arrangement, the Company is required under Rule 14A.53 of the Listing Rules to set an annual cap over the term of the Framework Agreement. Accordingly, such Proposed Annual Cap over the term of the Framework Agreement has been determined to be RMB476 million (equivalent to approximately HK\$536.40 million). The value of each transaction under the Supply Arrangement will, when it is entered into, be determined according to the pricing mechanism set out in the Framework Agreement as described above.

In arriving at the estimated maximum value of the transactions under the EPC Service Arrangement and the Proposed Annual Cap for the Supply Arrangement, the Directors have taken into consideration the following factors (as appropriate):

- (i) in respect of the EPC Service Arrangement, (a) the general pricing policy of construction companies in the PRC; (b) the average construction price (inclusive of tax) quoted by independent construction contractors to the Group; and (c) the estimated increase in the number of the Group's technology parks for the year ending 31 December 2017 according to the development plan of the Group;
- (ii) in respect of the Supply Arrangement, (a) the average selling price (inclusive of tax) quoted by the Group to independent third party customers; (b) the estimated demand of the prefabricated construction components and products required in the construction projects to be undertaken by the CMDC Group and that are engaged by third party customers for the year ending 31 December 2017; (c) recent market price of the prefabricated construction components and products in certain cities in the PRC; and (d) the Group's expected output and production capacity for the prefabricated construction components and products for the year ending 31 December 2017;
- (iii) the inclusion of a reasonable buffer for the transaction amounts under the EPC Service Arrangement and the Supply Arrangement, respectively, so as to accommodate any unexpected cost inflation and increase in the aforesaid transaction amounts; and
- (iv) recent government policies in the PRC related to the development of the prefabricated construction industry, market conditions and the economic outlook of the PRC for the year ending 31 December 2017.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

Due to the demand for business and technological development and requirements, the Group expects that in the current financial year it will continuously develop technology parks, so as to strengthen its industrialised and prefabricated construction capabilities in line with the market trends and the favourable PRC national policy. CMDC, which engages in property construction and engineering business, has the requisite construction capability and qualification to serve as a competent contractor for constructing the technology parks of the Group. The EPC Service Arrangement contemplated under the Framework Agreement will thereby enable the Company to leverage on the comparative advantage of the CMDC Group being a general contractor. In addition, the further collaboration between the Company and CMDC under the Supply Arrangement will enable the Group to fully realise the strategic capability presented by its prefabricated construction business and provide an additional source of income to the Group, which will improve its revenue and profit. By entering into the Framework Agreement, it will serve as a coherent framework for further cooperation amongst the parties and improve project efficiencies and approval process for such transactions.

With the above backdrop of the commercial reasons and benefits for entering to the Framework Agreement, the Company has taken into account the following factors and considered that the estimated transaction values of the EPC Service Arrangement and the Supply Arrangement over the term of the Framework Agreement, if there were to be realised to the maximum extent, would unlikely to create an unreasonable concentration on the CMDC Group as a supplier and a customer respectively:

- (a) *The Group has a solid and diversified independent customer base.* Since mid-2016, the Group has entered into prefabricated construction components supply contracts with a variety of independent customers, which include large-scale property developers, contractors and construction suppliers in various provinces of the PRC. As at February 2017, the total contracted sales derived from such supply contracts with independent third party customers amounted to approximately RMB130 million (equivalent to approximately HK\$146.50 million), which demonstrates the Group's continuous endeavours in building up a stable revenue stream from independent customers.

The Group expects to further broaden such customer base in 2017 with the support of the Group's expanded production capacity. As at the Latest Practicable Date, the Group has completed the construction of technology parks in six cities in China. These technology parks have either started trial or commercial operation since the second half of year 2016. Upon these technology parks reaching their full commercial operational capacity, the total aggregated production capacity of prefabricated construction components of the Group is expected to range from approximately 410,000 to 550,000 cubic metre in 2017. In view of the expanded production capacity of the Group in 2017 and in order to progressively gear up the utilisation rate of such available capacity such that the Group may realise the revenue potentials, the Group will continue its endeavours to broaden its customer base by strengthening its

LETTER FROM THE BOARD

marketing capabilities and expanding its sales network. In planning the allocation of utilisation capacity of the Group in 2017, it is expected that the production capacity of prefabricated construction components of the Group to be applied towards production of supplies to the CMDC Group under the Supply Arrangement will amount to a maximum of approximately 170,000 cubic metres. As such, the sales to the CMDC Group would represent approximately 30% to 40% of the total estimated production capacity, whereas the remaining estimated production capacity ranging from approximately 60% to 70% is expected to be utilised for sales of prefabricated construction components to independent third party customers.

In making efforts to realise the revenue potentials enabled by the expanded production capacity of the Group, apart from entering into the Supply Arrangement with CMDC, each technology park of the Group has its own marketing team to pitch to independent customers and attend various product exhibitions from time to time in building its sales network. The marketing team would also organise onsite product demonstration exhibitions to increase the profile and branding of the Group's prefabricated business amongst potential customers.

- (b) *The viability and future prospects of the Group's prefabricated business is supported by recent favourable government policies relating to the industry and industry trends in the PRC.* The Company believes that PRC policies are supportive of the development of the Group's prefabricated business in the PRC, and as such there present lots of opportunities for the Group to grow this business. For examples, (i) the Shanghai local government has issued a directive which proposes that all qualified newly-developed property projects should be constructed by prefabrication and announced its target to achieve a prefabricated rate of 40% per building by 2020; (ii) the Hangzhou local government has announced its target to construct 30% of new buildings by prefabrication by 2022; and (iii) the relevant regulations in Changsha require that property projects invested by local government should be constructed by prefabrication.
- (c) *The Company has adopted a prudent and flexible approach in the proposed Supply Arrangement with CMDC.* The proposed transactions including the Supply Arrangement are proposed to end on 31 December 2017 (i.e. less than one year), which is intended to serve as a trial and experimental collaboration between the parties. This would enable the Company to conduct a frequent review of the proposed transactions including the Supply Arrangement (which review would involve whether the Supply Arrangement should continue after the initial period and if so, whether any of the terms and conditions of the Supply Arrangement should be amended or updated) against the backdrop that the Group's businesses and operations are in a development stage. This will also allow the Group to maintain flexibility with other customers.

LETTER FROM THE BOARD

- (d) *The continuous expansion of revenue base of the Group would lower the percentage of contribution of sales revenue to be generated from the CMDC Group under the Supply Arrangement to the overall revenue of the Group.* Since the second half of 2015, the Group has been increasing its efforts in expanding and gearing up its business and operation (particularly in building its production capabilities and capacity in the prefabricated business) which it believes will in time translate into greater revenue streams. Going forward, apart from progressively gearing up its prefabricated business and operations as enabled by the increased production capacity derived from the commissioning of the technology parks of the Group, the Group is also keen to expand its presence in the rural villa development market in the PRC in view of the strong market interest for investment in new agricultural and rural developments in countryside areas. If these efforts are proved to be commercially viable, it may potentially further increase and diversify the revenue bases of the Group.
- (e) *Procurement of EPC services from CMDC Group will be conducted on fair and reasonable terms and there are potentially other comparable service providers for the Group to procure such services on market terms.* If the Framework Agreement is (a) approved by the Independent Shareholders at the SGM, it will provide the framework of fair and reasonable terms for the Group to procure the EPC services from CMDC Group should it desire to do so. Notwithstanding the existence of the Framework Agreement, each time when the Group selects a contractor for the construction of a technology park, it is expected to undergo a selection process under which the Group will invite bids from several contractors, including the CMDC Group, for the Group's consideration and assessment. The Group will consider the capability of, and the terms offered by, each of the potential contractors. Even if the CMDC Group were to be engaged for undertaking the construction of a particular technology park, there is no guarantee that it will be selected as the contractor for the construction of other technology parks as there will be other readily available comparable and competent contractors in the market for the Group to consider for other engagements.

INFORMATION OF THE COMPANY

The Company was incorporated as an exempted company with limited liability in Bermuda and is 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.

INFORMATION OF CMDC

CMDC was incorporated in the PRC and it is a wholly-owned subsidiary of CMJYI. The principal business of CMDC includes real property construction and decoration, installation of mechanical and electrical equipment, construction of base foundation and infrastructure.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CMJYI, which held approximately 68.56% of the issued share capital of the Company, is the controlling shareholder, and hence a connected person, of the Company. CMDC is a wholly-owned subsidiary of CMJYI, and therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, each of the EPC Service Arrangement and the Supply Arrangement under the Framework Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the EPC Service Arrangement is capital in nature and one of the applicable percentage ratios in respect of the estimated maximum value of the EPC Service Arrangement over the term of the Framework Agreement exceeds 25% but is less than 100%, the EPC Service Arrangement constitutes a major and connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Further, as the Supply Arrangement is of revenue nature and certain applicable percentage ratios in respect of the Proposed Annual Cap of the Supply Arrangement exceed 5%, the contemplated transactions under the Supply Arrangement constitute continuing connected transactions which are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and on how to vote at the SGM, taking into account the recommendations of the Independent Financial Adviser. The Company has appointed Altus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and to advise the Independent Shareholders on how to vote at the SGM.

RECOMMENDATION

The Board (including the independent non-executive Directors but excluding the Over-lapping Directors) is of the view that:

- (i) the terms and conditions of the Framework Agreement were determined after arm's length negotiation and are on normal commercial terms which are fair and reasonable;
- (ii) the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement are fair and reasonable; and
- (iii) the Framework Agreement and the transactions contemplated thereunder was entered into and will be conducted in the ordinary and usual course of business of the Company and its subsidiaries, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Over-lapping Directors have abstained from voting on the relevant resolutions for good corporate governance, as they also serve as directors and/or senior management of shareholders and/or subsidiaries of CMJYI (other than CMDC). The Directors (excluding the Over-lapping Directors) would recommend the Shareholders to vote in favour of the relevant resolution at the SGM.

SGM

The notice convening the SGM to be held at 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Wednesday, 26 April 2017 at 11:00 a.m. is set out on pages 41 to 42 of this Circular.

At the SGM, an ordinary resolution will be proposed to the Independent Shareholders to approve the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder. Pursuant to the Listing Rules, any vote at the SGM should be taken by poll.

Shareholders with a material interest in the Framework Agreement and the transactions contemplated thereunder will abstain from voting upon the relevant resolution(s) at the SGM. In this respect, Jiayao Global Investments Limited, being an indirect wholly-owned subsidiary of CMJYI and interested in approximately 68.56% of the total issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting in relation to the relevant resolution at the SGM. As at the Latest Practicable Date, Jiayao Global Investments Limited controls and is entitled to exercise control over the voting right in respect of 7,000,000,000 Shares. Save for the above, according to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other shareholder of the Company or its associates is required to abstain from voting at the SGM for the approval of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof. An announcement on the results of the SGM will be made by the Company following the SGM in accordance with the Listing Rules.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to:

- (i) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this Circular;
- (ii) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 33 of this Circular; and
- (iii) the general information set out in the Appendix to this Circular.

Yours faithfully,
For and on behalf of the Board of
China Minsheng Drawin Technology Group Limited
Yin Jun
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of advice from the Independent Board Committee, prepared for the purpose of incorporation into this Circular, setting out its recommendation to the Independent Shareholders regarding the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder.



China Minsheng Drawin Technology Group Limited

中民築友科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

7 April 2017

To the Independent Shareholders

Dear Sir or Madam,

**FRAMEWORK AGREEMENT IN RELATION TO
(1) MAJOR AND CONNECTED TRANSACTION –
EPC SERVICE ARRANGEMENT;
AND
(2) CONTINUING CONNECTED TRANSACTIONS –
SUPPLY ARRANGEMENT
AND
NOTICE OF SGM**

We refer to the circular of the Company to the Shareholders dated 7 April 2017 (the “Circular”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings given to them in the section headed “DEFINITIONS” of the Circular.

We are members of the Independent Board Committee which has been formed by the Board to advise the Independent Shareholders as to whether, in our opinion, (i) the terms and conditions of the Framework Agreement were determined after arm’s length negotiation and are on normal commercial terms which are fair and reasonable, (ii) the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement are fair and reasonable and (iii) the Framework Agreement and the transactions contemplated thereunder was entered into and will be conducted in the ordinary and usual course of business of the Company and its subsidiaries, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the letter of advice from Altus Capital Limited, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement), which contains, among other things, Independent Financial Adviser's advice, opinions and recommendations regarding the terms of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement), as set out on pages 16 to 33 of the Circular, and the Letter from the Board as set out on pages 4 to 13 of the Circular.

Having given due consideration to the reasons and factors relating to the Framework Agreement and its terms (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and to the advice and the recommendations of Independent Financial Adviser contained in its letter of advice set out on pages 16 to 33 of the Circular, we consider that (i) the terms and conditions of the Framework Agreement were determined after arm's length negotiation and are on normal commercial terms which are fair and reasonable, (ii) the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement are fair and reasonable and (iii) the Framework Agreement and the transactions contemplated thereunder was entered into and will be conducted in the ordinary and usual course of business of the Company and its subsidiaries, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee of

China Minsheng Drawin Technology Group Limited

Mr. Chan Chi Hung

Mr. Jiang Hongqing

Mr. Lee Chi Ming

Mr. Ma Lishan

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement), which has been prepared for the purpose of incorporation in this Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

7 April 2017

To the Independent Board Committee and the Independent Shareholders

China Minsheng Drawin Technology Group Limited
Suites 1001-1004
10th Floor
One Pacific Place
88 Queensway
Hong Kong

Dear Sir or Madam,

**FRAMEWORK AGREEMENT IN RELATION TO
(1) MAJOR AND CONNECTED TRANSACTION –
EPC SERVICE ARRANGEMENT;
AND
(2) CONTINUING CONNECTED TRANSACTION –
SUPPLY ARRANGEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of China Minsheng Drawin Technology Group Limited (the “**Company**”) in respect of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder. Details of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) are set out in the “Letter from the Board” contained in the circular of the Company dated 7 April 2017 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Framework Agreement

On 13 March 2017, the Framework Agreement entered into between the Company and CMDC in relation to (i) the provision of EPC general contracting services by the CMDC Group to the Group; and (ii) the supply of prefabricated construction components and products by the Group to the CMDC Group.

It is noted that under the EPC Service Arrangement, upon selection of the CMDC Group through the bidding process arranged by the Group, CMDC agreed to provide, or should procure its subsidiaries to provide, EPC general contracting services to the Group for the development of the Group's several technology parks in the PRC.

It is also noted that under the Supply Arrangement, upon selection of the Group through the bidding process arranged by the CMDC Group, the Company agreed to supply, or should procure its subsidiaries to supply, prefabricated construction components and products to the CMDC Group for construction projects engaged by third party developers or contractors.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, CMJYI, which held approximately 68.56% of the issued share capital of the Company, is the controlling shareholder, and hence a connected person, of the Company. CMDC is a wholly-owned subsidiary of CMJYI, and therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, each of the EPC Service Arrangement and the Supply Arrangement under the Framework Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the EPC Service Arrangement is capital in nature and one of the applicable percentage ratios in respect of the estimated maximum value of the EPC Service Arrangement over the term of the Framework Agreement exceeds 25% but is less than 100%, the EPC Service Arrangement constitutes a major and connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

As the Supply Arrangement is of revenue nature and certain applicable percentage ratios in respect of the Proposed Annual Cap of the Supply Arrangement exceed 5%, the contemplated transactions under the Supply Arrangement constitute continuing connected transactions which are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Over-lapping Directors have abstained from voting on the relevant resolutions for good corporate governance, as they also serve as directors and/or senior management of shareholders and/or subsidiaries of CMJYI (other than CMDC).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Chi Hung, Mr. Jiang Hongqing, Mr. Lee Chi Ming and Mr. Ma Lishan, has been established to consider, and give advice and recommendation to the Independent Shareholders on the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder as to (i) whether the terms and conditions of the Framework Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement are fair and reasonable; (iii) whether the Framework Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the SGM, taking into account the recommendation of the Independent Financial Adviser.

INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to them as to (i) whether the terms and conditions of the Framework Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement are fair and reasonable; (iii) whether the Framework Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the SGM.

We have not acted as Independent Financial Adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and the transactions contemplated thereunder is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Framework Agreement; (ii) the annual report of the Company for the nine months ended 31 December 2015; (iii) the interim report of the Company for the six months ended 30 June 2016; (iv) other information as set out in the Circular and the announcement dated 13 March 2016; (v) all the contracts entered into between the Group and its existing independent third parties with regards to the supply of the prefabricated construction components and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

products; and (vi) all contracts entered into between the Group and the independent construction contractors with regards to the construction of the technology parks, namely located in Hengyang, Hangzhou and Nanjing. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry and have relied on such statements, information, opinions and representations. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons set out below:

1. Background information of the Group and its relationship with the CMDC Group

1.1 Principal businesses of the Group and the CMDC Group and their relationship

The Company is an investment holding company with subsidiaries principally engaged in property investment and prefabricated construction business in the PRC. As at the Latest Practicable Date, CMJYI, which held approximately 68.56% of the issued share capital of the Company, is the controlling shareholder of the Company.

CMDC was incorporated in the PRC as a wholly-owned subsidiary of CMJYI. The principal business of CMDC and its subsidiaries include real property construction and decoration, installation of mechanical and electrical equipment, construction of base foundation and infrastructure. CMDC possesses a qualification license (Level 1: “房屋建築工程施工總承包企業一級資質”) issued by the Ministry of Housing and Urban-Rural Development of the PRC, which permits it to undertake real property construction, installation of mechanical and electrical equipment and construction of base foundation and infrastructures.

1.2 Recent business development and performance of the Group

It is noted that on 27 May 2015, CMJYI became the largest and controlling shareholder of the Group. As such, with the support from CMJYI in terms of its industry expertise and experience and extensive network resources, the Group made continuous efforts to establish its network by developing technology parks in several major cities throughout the PRC. According to the Management, these technology parks will provide construction solution, including research & development, design, production and sales of prefabricated construction modules.

Over the past 22 months, the Group has strived to secure suitable sites for these technology parks. Up to the Latest Practicable Date, the Group formed a joint venture with China Minsheng Drawin Company Limited (the “JV Partner”) in Changsha (being No.1 as shown in the table below), further secured four sites (being No. 2 to No.5 as shown in the table below) and identified three potential sites (being No.6 to No.8 as shown in the table below) for the development of technology parks. The secured site in Changsha has completed phase one construction by CMDC before the Group forming the joint venture with the JV Partner and is expected to commence phase two construction in second or third quarter of 2017. Four secured sites, of which three located in Hengyang, Hangzhou and Nanjing have completed phase one construction by independent construction contractors and are expected to commence phase two construction in the second half of 2017, and the remaining secured site located in Foshan will commence phase one construction in the second quarter of 2017. The Group has in April 2016 entered into framework agreement with the relevant PRC authority with regards to an identified site in Hefei. The Management intends to complete the acquisition process and obtain the land parcels located in Hefei in the second or third quarter of 2017. The Group has identified two sites located in Pingdingshan and Qingdao and will consider to acquire such sites as and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

when appropriate. Set out below is a table summarising the salients details of the respective technology parks:

| No. | Location | Date acquired | Date announced | Site area (sq.m) | Actual/expected | | Date commence phase one construction | Date complete phase one construction | Expected phase two construction areas (sq.m) | Expected phase two | | Expected date of commencement of phase two construction | Expected date of completion of phase two construction |
|-----|--------------|---------------|---|------------------|-------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--|--|---|---|---|
| | | | | | Phase one construction areas (sq.m) | contractor (Independent/ Connected) | | | | Expected phase two construction (Independent/ Connected) | Expected date of commencement of phase two construction | | |
| 1 | Changsha | 14/09/2016 | 03/03/2016 ¹ 25/05/2016 ² 13/06/2016 ³ | 235,000 | 50,000 | Connected ⁴ | 05/2015 | 01/2016 | 30,000 | Connected | 2Q/3Q 2017 | 3Q 2018 | |
| 2 | Hengyang | 28/10/2015 | 28/12/2015 | 100,000 | 41,000 | Independent | 08/2016 | 12/2016 | 20,000 | Connected | 3Q/4Q 2017 | 3Q 2018 | |
| 3 | Hangzhou | 16/12/2015 | 16/12/2015 | 111,664 | 36,000 | Independent | 08/2016 | 12/2016 | 25,000 | Connected | 3Q/4Q 2017 | 3Q 2018 | |
| 4 | Nanjing | 22/03/2016 | 22/03/2016 | 100,838 | 40,000 | Independent | 08/2016 | 12/2016 | 25,000 | Connected | 3Q/4Q 2017 | 3Q 2018 | |
| 5 | Foshan | 28/10/2016 | 28/10/2016 | 82,066 | 30,000 | Connected ⁵ | 2Q/3Q 2017 | 2Q 2018 | - | - | - | - | |
| 6 | Hefei | N/A | N/A | N/A | 30,000 | Connected ⁶ | 2Q/3Q 2017 | 2Q 2018 | - | - | - | - | |
| 7 | Pingdingshan | N/A | N/A | N/A | 20,000 | Connected ⁷ | 3Q/4Q 2017 | 3Q 2018 | - | - | - | - | |
| 8 | Qingdao | N/A | N/A | N/A | 20,000 | Connected ⁸ | 3Q/4Q 2017 | 3Q 2018 | - | - | - | - | |

Total expected construction areas for the eight technology parks is 200,000 sq.m.

As part of the Group's business expansion plan in prefabricated construction, the Group is actively identifying business opportunities in various regions in the PRC, including but not limited to the area of Guangdong Province, Jiangsu Province and Zhejiang Province. It is expected that once these new production facilities and equipment are in place, the Group's businesses in the production and sales of prefabricated construction components and products will quickly emerge into the market and will broaden the revenue stream and enhance the market position of the Group. Up to the Latest Practicable Date, the Group has 6 production facilities located in

¹ The Company published an announcement on 3 March 2016 with regards to the entering of the joint venture agreement with the JV Partner in relation to the formation of the joint venture company in Changsha, which constituted the major and connected transaction.

² The Company published a circular on 25 May 2016 with regards to the major and connected transaction in relation to the formation of the joint venture company in Changsha with the JV Partner.

³ The special general meeting was convened on 13 June 2016 and the joint venture agreement and the transactions contemplated thereunder were approved.

⁴ The construction of phase one of the technology park in Changsha was completed by CMDC before the formation of the joint venture company.

⁵ If CMDC is to be selected successfully by the Group, it will become the phase one construction contractor of the technology park in Foshan.

⁶ If CMDC is to be selected successfully by the Group, it will become the phase one construction contractor of the technology park in Hefei.

⁷ If CMDC is to be selected successfully by the Group, it will become the phase one construction contractor of the technology park in Pingdingshan.

⁸ If CMDC is to be selected successfully by the Group, it will become the phase one construction contractor of the technology park in Qingdao.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Changsha, Hengyang, Hangzhou, Nanjing, Huizhou and Kunshan. Set out below is a table summarizing the salient details of the respective production facilities:

| Location | Date acquired | Date announced | Year of commence production | Designed production capacity (cubic metres) | Expected production capacity in 2017 (cubic metres) |
|--------------|------------------|--|-----------------------------|---|---|
| Changsha | 14/09/2016 | 03/03/2016 25/05/2016 13/06/2016 | 2H2016 | 300,000 | 90,000-120,000 |
| Hengyang | 28/12/2015 | 28/12/2015 | 2H2016 | 180,000 | 54,000-72,000 |
| Hangzhou | 16/12/2015 | 16/12/2015 | 2H2016 | 300,000 | 90,000-120,000 |
| Nanjing | 22/03/2016 | 22/03/2016 | 2H2016 | 300,000 | 90,000-120,000 |
| Huizhou | 04/08/2015 | 04/08/2015 | 2H2016 | 180,000 | 54,000-72,000 |
| Kunshan | N/A ⁹ | N/A | 2H2016 | 120,000 | 36,000-48,000 |
| Total | | | | | 414,000-552,000 |

As it takes time for the Company to identify suitable sites since mid-2015, when CMJYI became the largest and controlling shareholder of the Group, and to construct technology parks as well as production facilities, it is noted that up to 31 December 2016, the revenue of approximately HK\$36.55 million has been generated to the Group in respect of the technology parks business as well as the prefabricated construction business.

1.3 Prospects of the Group

Despite the global economy is full of volatilities resulted from geopolitics, expectation of a US rate hike, low commodity prices and slow foreign trade growth, the quality of economic development in the PRC has improved as the PRC government continues to deepen its economic structural reform, in particular, seeking a greater role for supply-side economics, and to achieve an appropriate expansion in aggregate demand.

⁹ The technology park in Kunshan was rented by the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Company's interim report for the six months ended 30 June 2016, the Company's noted (i) the PRC's growth domestic product ("GDP") grew 6.7% for the first half of 2016 and the national economy showed a moderate but steady growth and (ii) Construction PMI¹⁰ and the New Orders Index¹¹ reached 62.0% and 58.8% respectively in June 2016 (both of which hit record highs in the first half of 2016), indicating demand for construction had increased significantly. In addition, the Central Politburo of the CPC, the State Council and the National Development and Reform Commission have emphasized the need for "the reduction of property inventory and the promotion of sustainable development within the property industry" when commenting on the property market, which indicated that the PRC government will continue to support the healthy and orderly development of the property market. Therefore, the Company intends to continue to invest in the upstream property development sector as part of its expansion strategy.

The construction industry of the PRC represented a huge market, of which the annual output was RMB19.4 trillion in 2016, nearly 26.0% of the PRC's GDP. According to the Company, this market is dominated by traditional construction methods while the development of industrialised construction is still at the preliminary stage.

Given that (i) green development, green planning and low-carbon economy are part of the National 13th Five-Year Plan; (ii) the PRC government has promoted prefabricated buildings and the application of industrialised construction technologies in the construction of buildings in recent years; (iii) according to "The Opinions and Guidelines on Further Strengthening Urban Planning and Development Management" released by the State Council in February 2016, construction techniques that generate less waste and use fewer resources, such as the use of prefabricated building units and materials, are encouraged by the PRC government; (iv) the PRC government will strive to ensure that 30% of new buildings are constructed using prefabricated units within the next 10 years; and (v) nearly 40 to 50 cities and provinces in the PRC, including Beijing, Shanghai, Shenzhen, Jiangsu Province, Hunan Province, Fujian Province and Zhejiang Province have issued favourable policies, which support the development of prefabricated construction by way of finance and taxation, funding subsidies, supplements of special funds and the granting of land use rights, the Company as a strategy will continue to strengthen its industrialised and prefabricated construction capabilities which is in line with the market trends and the national policy.

¹⁰ The Construction Purchasing Managers' Index ("Construction PMI") is an indicator of the economic health of the manufacturing sector on seven major fields, namely, production level, new orders from customers, speed of supplier deliveries, order backlogs and employment level.

¹¹ New Order Index measures the volume of the orders received by companies in manufacturing sector.

1.4 Section summary

Taking into account the principal activities of the Group and the CMDC Group, the Company's strategy to strengthen its industrialised and prefabricated construction capabilities and the market trends and the national policy (as mentioned above), we consider the Framework Agreement and the transactions contemplated thereunder adhere to the business strategy of the Company, and will be conducted in the ordinary and usual course of business of the Group.

2. Reasons for and benefits of entering into the Framework Agreement

As described in the "Letter from the Board" of the Circular, we understand that, the Group will continuously develop technology parks in order to strengthen its industrialised and prefabricated construction capacities in line with the market trends and the favourable PRC national policy.

According to the Management, by entering into the Framework Agreement, it will serve as a coherent framework for further cooperation amongst the parties and improve project efficiencies and approval process for such transactions.

Given CMDC, a company engaged in the property construction and engineering business, has the requisite construction capability and possess qualification to serve as a competent contractor for the construction of technology parks and other construction projects undertaken by the Company, the EPC Service Arrangement contemplated under the Framework Agreement will enable the Company to leverage on the comparative advantage of the CMDC Group being a general contractor.

In addition, the further collaboration between the Company and CMDC under the Supply Arrangement as contemplated under the Framework Agreement is expected to enable the Group to fully realise the strategic capability presented by its prefabricated construction business and provide an additional source of income to the Group.

As mentioned in the section headed "1.2 Recent business development and performance of the Group" above, the technology parks business as well as the prefabricated construction business had generated revenue of approximately HK\$36.55 million to the Group up to 31 December 2016. We also note from the Company that (i) from mid-June 2016 and up to 28 February 2017, the total contracted sales derived from such supply contracts with independent third party customers amounted to approximately RMB130 million (equivalent to approximately HK\$146.50 million), representing approximately 27% of the Proposed Annual Cap for the Supply Arrangement; and (ii) the Supply Arrangement is proposed to end on 31 December 2017 (i.e. less than one year), which is intended to serve as a trial and experimental collaboration between the parties. In view of the above, we concur with the Directors that the Proposed Annual

Cap of the Supply Agreement over the term of the Framework Agreement, if it were to be realised to the maximum extent, would unlikely to create an unreasonable concentration on the CMDC Group as a customer.

With regards to the EPC Service Arrangement under the Framework Agreement, we are of the view that if the estimated value of the EPC Service Arrangement under the Framework Agreement were to be realised to the maximum extent, it is possible that in the short run to create certain level of concentration on the CMDC Group as a supplier. However, we believe this circumstance is acceptable and justifiable as there are potentially other comparable service providers for the Group to request for EPC service and control measure, namely, tendering process is put in place to ensure such type of service is on market terms.

Having considered the factors set out above, the Directors believe and we concur that the Framework Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Framework Agreement

Details of the Framework Agreement are set out in the “Letter from the Board” of the Circular.

3.1 Term

It is initially designed for a term commencing from the approval date of the Framework Agreement by the Independent Shareholders and ending on 31 December 2017. The Framework Agreement may, subject to compliance with relevant laws and regulations and the Listing Rules as well as the agreement of the parties, be extended or renewed. As the Group’s businesses and operations are still in a development stage since mid-2015 as explained in the section headed “1.2 Recent development and performance of the Group” above, the Directors believe and we concur that a short initial term with the possibility to extend or renew after 31 December 2017 provides the Group flexibility to work with its EPC service providers (including the CMDC Group) and its customers for prefabricated construction components and products (including the CMDC Group).

3.2 Pricing

3.2.1 With regards to the EPC Service Arrangement

The contractual price is determined by the parties after arm’s length negotiation with reference to the estimated costs of a construction project plus a management fee of not more than 3% of the construction costs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Management, the estimated costs of a construction project will be derived by reference to the existing price list of materials used for the construction services and the historical pricing for the construction of the Group's technology parks in the PRC by independent third party contractors. Given that the price list of materials used for the construction services in the PRC are publicly available and fully transparent, the Management is able to assess the fairness and reasonableness of the estimated costs of a construction project quoted by the CMDC Group and other independent construction contractors.

Also, according to the Management, a project management fee as a percentage of the construction cost will normally be charged by the construction project contractor, and the amount of such fee will depend on the contract size, the duration of the project and the complexity of project.

Having discussed with the Management, we note that the proposed management fee of not more than 3% on top of the construction costs payable by the Group to the CMDC Group (if it has been selected to provide the EPC Service through a bidding process arranged by the Group) is lower than the market average in the PRC, which is 5% in average based on the Management's knowledge of the industry and experience in bidding processes. We further understand from the Management that this is CMDC Group's pricing strategy to differentiate themselves from other EPS service providers in the market and the percentage of not more than 3% is in line with the terms offered by the CMDC Group to its other independent third party customers.

In respect of bidding process, we understand from the Management that the Group will typically invite three or more contractors from its list of approved contractors to submit tender or make an open tender invitation when there is a lack of approved contractors in a particular city. The contractors being selected for tender submission will be assessed based on, including but not limited to, their qualifications and grades, financial abilities, technical capabilities, co-operation record, past quality of work and project management abilities. Under the Group's tendering policy, the winning bids will usually be those which conform to the technical requirements at a reasonable and/or lowest price offered. The selection of a winning bid is determined collectively by the Group's decision-making body in a meeting where details of each proposed tender and the contractor's technical capability are given full consideration. Once the final decision is made by the decision-making body, the relevant letter of award will be issued to the winning bidder and the tender results will also be made known to the non-successful bidders. Based on the above, we are of the view that the Group's bidding process is open and fairly structured.

Taking into account the above, we are of the view that the pricing mechanism under the EPC Service Arrangement is fair and reasonable.

3.2.2 With regards to the Supply Arrangement

According to the Management, the pricing for the Supply Arrangement is determined by the parties after arm's length negotiation. The integrated unit price of the prefabricated construction components and products to be supplied by the Group to the CMDC Group should be the prevailing market price of each unit and the quotation of the merchandise provided by the Group should be determined with reference to the estimated costs of each unit plus a profit of not more than a single digit percentage margin of the unit cost.

Given that the price list of raw materials used for the construction services (i.e. including the prefabricated construction components and products) in the PRC are publicly available and fully transparent, both the Group and its customers (including the CMDC Group) are able to assess the estimated cost of each unit of such prefabricated construction components and products.

According to the Management, in preparing the quotation of the merchandise provided by the Group, the Group will make reference to the prevailing market price per unit, the cost of the Group, the duration of the project, the complexity of the project and the terms of the existing contracts entered between the Group and other independent third party customers to ensure the pricing for the Supply Arrangement is fair and reasonable and on normal commercial terms.

Having discussed with Management, we note that it is industry practice to charge a mark-up percentage on top of the estimated cost of the prefabricated construction components and products which is not more than a single digit percentage margin. We noted that these mark-ups applied to the CMDC Group are similar to those charged for the existing contracts entered into between the Company and other independent third parties. Therefore, it appears to be the Company's general pricing policy.

Taking into account the above, we are of the view that the pricing mechanism of the Supply Arrangement is fair and reasonable.

3.3 Payment arrangement

The Framework Agreement provides that the details of all fees and payments due to the Group and the CMDC Group pursuant to the EPC Service Arrangement and the Supply Arrangement should be specified in each specific service or supply contract to be entered into by the relevant parties.

3.3.1 With regards to the EPC Service Arrangement

According to the Management, the payment arrangement between the Company and CMDC with regards to the EPC Service Arrangement is set out as follows:

- (i) the Group shall pay the project progress payment to the CMDC Group every month based upon the construction progress, until the cumulative payment amount reaches 70% of the contract sum;
- (ii) upon the completion and settlement of the project, 95% of the final settlement price shall be paid; and
- (iii) the remaining 5% shall be paid one-off when the warranty period of deficiency (i.e. usually two years) expires and no quality issue has arisen.

According to the publicly available information, we noted that the payment terms granted by the third party construction contractors in the PRC are similar to that offered by the CMDC Group to the Group under the EPC Arrangement.

Taking into account the above, we are of the view that the payment method of the EPC Service Arrangement is fair and reasonable and is on normal commercial term.

3.3.2 With regards to the Supply Arrangement

According to the Management, the payment arrangement between the Company and the CMDC Group for Supply Arrangement is set out as follows:

- (i) the CMDC Group shall make a prepayment to the Group within 10 days after the entering into of the supply contract, which shall account for 10% of the contract sum of the supply contract;
- (ii) the CMDC Group shall pay the project progress payment to the Group every month according to the working progress, until the cumulative payment amount reaches 70% of the contract sum;
- (iii) upon the completion and settlement of the project, 95% of the final settlement price shall be paid; and

- (iv) the remaining 5% shall be paid one-off when the warranty period of deficiency (i.e. usually two years) expires and no quality issue has arisen.

We have compared the payment terms offered by the Group to all its existing third party customers with that offered by the Group to the CMDC Group and noted that the payment terms applied to the CMDC Group are similar to those in the existing contracts entered into between the Group and other independent third parties.

Taking into account the above, we are of the view that the payment method of the Supply Arrangement is fair and reasonable and is on normal commercial terms.

4. Proposed Annual Cap and the estimated transaction value under the Framework Agreement

4.1 Estimated transaction value for EPC Service Arrangement

When arriving at our view with regards to the estimated maximum value of the transactions under the EPC Service Arrangement of RMB400 million (equivalent to approximately HK\$450.76 million) during the initial term of the Framework Agreement, we have (i) reviewed all the contracts entered into between the Company and other independent construction contractors previously; and (ii) discussed with the Management regarding their budgets for the construction of the eight technology parks, namely with regards to the expected commencement date of construction, the duration required to complete the construction, the expected site area and the construction area. We have considered the following factors in determining the estimated maximum transaction value:

- (i) According to the Management, assuming CDMC has been successfully selected after a bidding process, the aggregate estimated construction area of approximately 200,000 square metres for the phase two construction of the four existing technology parks and the phase one construction of the other four technology parks contemplated under the EPC Service Arrangement and set out in the section headed “1.2 Recent business development and performance of the Group” above;
- (ii) the construction plan and duration of the abovementioned eight technology parks during the year ending 31 December 2017 are set out in the section headed “1.2 Recent business development and performance of the Group” above;

- (iii) the average construction price of RMB2,000 per square metre (inclusive of tax and a mark-up of not more than 3% of the construction cost) is in line with the price quoted by independent construction contractors to the Company previously, which is based upon namely the size of the technology parks, complexity of the projects, the construction periods and location;
- (iv) a mark-up of not more than 3% of the construction cost which is mentioned in the section headed “3.2.1 With regards to the EPC Service Arrangement” above is in line with those provided by the CMDC Group to other third parties but lower than the market average of 5% in the PRC; and
- (v) the inclusion of a reasonable buffer for the transaction amounts under the EPC Service Arrangement. We understand from the Management that a 2% buffer has been included in the average construction price of RMB2,000 per square metre (inclusive of tax and a mark-up of not more than 3% of the construction cost) taking into consideration of possible inflation of costs during the construction of the technology parks.

Given that each of the abovementioned items has been supported and fairly and reasonably arrived at, we consider the estimated maximum value of the transactions under the EPC Service Arrangement for the year ending 31 December 2017 of RMB400 million (equivalent to approximately HK\$450.76 million), calculated by multiplying the average construction price of RMB2,000 per square metre (with tax and a mark-up of not more than 3% of the construction cost included) with the aggregate estimated construction area of approximately 200,000 square metres for the eight technology parks, to be fair and reasonable.

4.2 Proposed Annual Cap for the Supply Arrangement

When arriving at our view with regards to the Proposed Annual Cap for the Supply Arrangement, we have (i) reviewed the existing contracts entered between the Company and other independent construction companies; and (ii) discussed with the Management regarding their expected demand for their prefabricated construction components and products as well as prefabricated construction capabilities in the upcoming months ending 31 December 2017. In addition, we have considered the following factors in determining the Proposed Annual Cap for the Supply Arrangement:

- (i) according to the Management, we noted that the CMDC Group has represented to the Management that it had entered into a large number of construction contracts with total gross floor area of 6 million square metres (equivalent to approximately 2.1 million cubic metres), which are all required to be constructed with

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

prefabricated construction components and products. The amount of prefabricated construction components and products required for each project depends on factors such as the design, size and complexity of the project;

- (ii) taking into account (aa) the Group's orders on hand from third party customers, (bb) the Group's expected production capacity in 2017 as mentioned in the paragraph headed "1.2 Recent business development and performance of the Group" above and (cc) the CMDC Group's abovementioned demand for prefabricated construction components and products, the Management negotiated with the CMDC Group and agreed, in principal, to provide prefabricated construction components and products to the CMDC Group in an amount not less than RMB280 million and not more than RMB476 million during the period under the Framework Agreement;
- (iii) based on the average selling price of RMB2,800 per cubic metre (as explained in point (v) below) and the abovementioned monetary value of supply to be made to the CMDC Group, it implies the Company is expected to supply no more than 170,000 cubic metres of prefabricated construction components and products to the CMDC Group, which represents approximately 31% to 41% of the expected production capacity of the Group for the year ending 31 December 2017 (which is approximately 414,000 to 552,000 cubic metres);
- (iv) the selection of suppliers of the prefabricated construction components and products is through a bidding process. We noted that the CMDC Group will invite the Group to submit tender for the supply of prefabricated construction components and products to other property developers, contractors or local governments, with whom the CMDC Group has entered or is about to enter into construction contracts with;
- (v) given that only limited information regarding the market average selling price for prefabricated construction components and products is available and the prefabricated business is an emerging industry in the PRC, the average selling price of RMB2,800 per cubic meter (with a profit of not more than a single digit percentage margin included) is in line with the price quoted by the Company to the independent third parties, which is based on the demand of prefabricated construction components and products required for each project and the location of the prefabricated construction components and products being manufactured;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vi) according to the Framework Agreement and discussion with the Management, a profit of not more than a single digit percentage margin charged on top of the estimated cost of prefabricated construction components and products which is mentioned in the section headed “3.2.2 With regards to the Supply Arrangement” above is the industry practice; and
- (vii) the inclusion of a reasonable buffer for the transaction amounts under the Supply Arrangement. We understand from the Management that a 2% buffer has been included in the average selling price of RMB2,800 per cubic metre taking into consideration of possible increase in price caused by possible inflation of costs or increasing market demand for such prefabricated construction components and products.

Given that each of the abovementioned items has been supported and reasonably arrived at, we consider the Proposed Annual Cap for the Supply Arrangement for the year ending 31 December 2017 of RMB476 million (equivalent to approximately HK\$536.40 million), calculated by multiplying the average selling price of RMB2,800 per cubic meter (with a profit of not more than a single digit percentage margin included) with the expected demand of prefabricated construction components and products from the CMDC Group of approximately 170,000 cubic metres, to be fair and reasonable.

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms and conditions of the Framework Agreement are on normal commercial terms and are fair and reasonable; (ii) the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement are fair and reasonable; and (iii) the Framework Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Company and its subsidiaries and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) at the SGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Chang Sean Pey
Executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities); Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investment Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory, and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

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

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) 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.

The Over-lapping Directors also serve as directors and/or senior management of shareholders and/or subsidiaries of CMJYI (other than CMDC), which is the Company's controlling shareholder holding 68.56% of the issued share capital of the Company as at the Latest Practicable Date. Save for the above, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

As at Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested, directly or indirectly, and which was significant in relation to the business of the Group.

DIRECTORS' INTEREST IN THE FRAMEWORK AGREEMENT

None of the Directors have any material interest in the Framework Agreement or the transactions contemplated thereunder for which they would be required to abstain from voting on the relevant board resolutions approving the terms of the Framework Agreement (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) and transactions contemplated thereunder pursuant to the articles of association of the Company. However, for good corporate governance, the Over-lapping Directors have abstained from voting on the relevant resolutions as they also serve as directors and/or senior management of shareholders and/or subsidiaries of CMJYI (other than CMDC).

QUALIFICATION AND CONSENT OF EXPERT

The following are the qualifications of the expert who has given opinion or advice contained in this Circular:

| Name | Qualification |
|-----------------------|--|
| Altus Capital Limited | A corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO |

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its report or letter (as the case may be) and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Altus Capital Limited was not interested in any securities of any member of the Group, nor did it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Altus Capital Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with the Company or its subsidiaries which will not expire or be determinable by the Company or its subsidiaries within one year without payment of compensation (other than statutory compensation).

MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance nor was any litigation, arbitration or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

NO MATERIAL ADVERSE CHANGE

Reference is made to the annual results announcement of the Company dated 28 March 2017 in relation to the net loss for the year ended 31 December 2016, which is mainly attributable to the net loss on available-for-sale financial assets and trading securities listed in Hong Kong due to the volatile Hong Kong stock market in 2016.

Please refer to the relevant announcement of the Company for further details. Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated finance statements of the Company were made up and up to the Latest Practicable Date.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with business of the Company which interest would be required to be disclosed under Rule 8.10 of the Listing Rules.

MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business carried out by the Group) have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) On 23 April 2015, the Company, Ming Chuk Construction Group (Hong Kong) Company Limited* (名築建工集團(香港)有限公司) (the “**Issuer**”) and Mingzhu Construction Engineering Group Co., Ltd.* (名築建工集團有限公司) (the “**Guarantor**”) entered into a subscription agreement in relation to the subscription for the Issuer’s guaranteed note in a principal amount of HK\$250 million due 2018. Details could be referred to the Company’s announcement dated 23 April 2015 and the Company’s circular dated 30 April 2015;
- (ii) On 23 April 2015, the Company and the Guarantor entered into a strategic cooperation framework agreement whereby the Company and the Guarantor agreed to strengthen the cooperation in relation to business activities and opportunities in the property development, project construction and production of prefabricated materials in the PRC. Details could be referred to the Company’s announcements dated 23 April 2015 and 30 April 2015;

- (iii) On 28 April 2015, Benelux Property Development (Shanghai) Limited, a subsidiary of the Company, together with China Minsheng Drawin Co. Ltd.* (中民築友有限公司) (“CMDCL”), a subsidiary of CMJYI, and Shanghai Zhao Nian Heavy Machinery Co. Ltd.* (上海兆年重工機械有限公司) (as vendor) entered into a memorandum of understanding in relation to the proposed acquisition of certain land parcel located in Songjiang Industrial District, Shanghai and the building situated on such land parcel (together with certain machineries, equipment and facilities in such building and all temporary and permanent buildings, structures and related ancillary facilities on such land parcel) (the “**Shanghai Properties**”) for a total consideration of RMB82 million (equivalent to approximately HK\$92.40 million). On 19 June 2015, the Company had (through its wholly owned subsidiary) entered into an agreement to acquire the above properties. Details could be referred to the Company’s announcement dated 28 April 2015 and 19 June 2015;
- (iv) On 13 May 2015, the Company, together with CMDCL, entered into a memorandum of understanding with Shenzhen Superwatt Power Technology Co., Ltd.* (深圳市賽瓦特動力科技股份有限公司) (“**Superwatt**”) to acquire the entire equity interest in Huizhou City Superwatt Power Technology Co., Ltd.* (惠州市賽瓦特動力科技有限公司) (or to acquire relevant assets). On 4 August 2015, the Company (through its wholly owned subsidiary) entered into an agreement to acquire from Superwatt certain land parcels and buildings (together with certain machineries, equipment and facilities in such buildings and all temporary and permanent buildings, structures and related ancillary facilities on such parcels of land) in Hui Yang District, Huizhou City, for the consideration of RMB73 million (equivalent to approximately HK\$82.26 million). Details could be referred to the Company’s announcement dated 13 May 2015 and 4 August 2015;
- (v) On 14 July 2015, the Company entered into a project investment agreement with the Nanjing Jiangning Binjiang Economic Development Zone Management Committee* (南京江寧濱江經濟開發區管委會) to acquire a land parcel in Nanjing through a tender, auction or listing for sale process from the relevant government authority in the PRC. On 23 March 2016, the Company (through its wholly owned subsidiary) succeeded in the public auction to acquire the land use rights of the above land parcel for a total consideration of approximately RMB60.52 million (equivalent to approximately HK\$68.20 million). Details could be referred to the Company’s announcement dated 14 July 2015 and 23 March 2016;
- (vi) On 31 August 2015, the Company entered into a project investment agreement with the People’s Government in Yongning District of Nanning City* (南寧市邕寧區人民政府) to acquire a land parcel in Nanning City through a tender, auction or listing for sale process from the relevant government authority in the PRC. Details could be referred to the Company’s announcement dated 31 August 2015;

- (vii) On 26 October 2015, the Company entered into a project investment agreement with the Management Committee of Fuyang Economic and Technological Development Zone, Hangzhou* (杭州富陽經濟技術開發區管理委員會) to acquire a land parcel in Hangzhou City, Zhejiang Province, through a tender, auction or listing for sale process from the relevant government authority in the PRC. On 16 December 2015, the Company succeeded in the public auction to acquire the land use rights of the above land parcel for a total consideration of approximately RMB30 million (equivalent to approximately HK\$33.81 million). Details could be referred to the Company's announcement dated 26 October 2015 and 16 December 2015;
- (viii) On 27 October 2015, the Company entered into a project investment agreement with the Management Committee of Songmu Industrial Park, Hengyang, Hunan* (湖南衡陽松木經濟開發區管理委員會) to acquire a land parcel in Hengyang City, Hunan Province, through a tender, auction or listing for sale process from the relevant government authority in the PRC. On 28 December 2015, the Company (through its wholly owned subsidiary) succeeded in the public auction to acquire the land use rights of the above land parcel for a total consideration of approximately RMB49.5 million (equivalent to approximately HK\$55.78 million). Details could be referred to the Company's announcement dated 27 October 2015 and 28 December 2015;
- (ix) On 14 December 2015, the Company has entered into a project investment agreement with the People's Government of Nanan City in Fujian Province* (福建省南安市人民政府) to acquire a land parcel in Nanan City through a tender, auction or listing for sale process from the relevant government authority in the PRC. Details could be referred to the Company's announcement dated 14 December 2015;
- (x) On 3 March 2016, China Minsheng Drawin Technology Investment Co., Ltd.* (中民築友科技投資有限公司) ("CMDTI"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with CMDCL in relation to the establishment of China Minsheng Drawin (Changsha) Green Construction Technology Co. Ltd. (中民築友(長沙)綠建科技有限公司), a joint venture company, whereby CMDTI contributed cash in the amount of approximately RMB476 million (equivalent to approximately HK\$536.40 million), and CMDCL contributed assets consisting of land use rights for a construction industrial park in Changsha City of Hunan Province, the PRC, as well as its existing properties, production equipments, facilities and construction in progress with the total value of approximately RMB457 million (equivalent to approximately HK\$514.99 million). Details could be referred to the Company's announcement dated 3 March 2016 and the Company's circular dated 26 May 2016;

- (xi) On 15 December 2016, the Company and China Construction Bank Corporation (“CCB”) (Changsha Branch) entered into a subscription agreement in relation to the subscription for the wealth management product issued by CCB Changsha Branch at a consideration of RMB107 million (equivalent to approximately HK\$120.58 million). Details could be referred to the Company’s announcement dated 5 January 2017; and
- (xii) On 20 February 2017, the Company and CCB (Changsha Branch) entered into a subscription agreement in relation to the subscription for two wealth management products issued by CCB Changsha Branch at a consideration of RMB50 million (equivalent to approximately HK\$56.34 million), respectively. Details could be referred to the Company’s announcement dated 20 February 2017.

MISCELLANEOUS

- (i) The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (ii) The head office and principal place of business of the Company in Hong Kong is located at Suites 1001-1004, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong.
- (iii) The company secretary of the Company is Ms. Cheng Ka Yan who is a member of The Hong Kong Institute of Certified Public Accountants.
- (iv) The Company’s branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Ltd., whose address is 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (v) The registered office of the Independent Financial Adviser, Altus Capital Limited, is at 21 Wing Wo Street, Central, Hong Kong.
- (vi) The English text of this Circular prevails over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong), at Suites 1001-1004, 10th Floor, One Pacific Place, 88 Queensway, Hong Kong from the date of this Circular up to and including the date of the SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the Framework Agreement;

- (iii) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this Circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 33 of this Circular;
- (vi) the written consents referred to in the paragraph headed “Experts and Consent” in this Appendix;
- (vii) the annual reports of the Company for the financial year ended 31 March 2015 and the nine months ended 31 December 2015;
- (viii) the interim report of the Company for the six months ended 30 June 2016; and
- (ix) a copy of this circular.

NOTICE OF SPECIAL GENERAL MEETING



China Minsheng Drawin Technology Group Limited **中民築友科技集團有限公司**

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

NOTICE IS HEREBY GIVEN that a special general meeting of China Minsheng Drawin Technology Group Limited (the “**Company**”) will be held at 1804, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Wednesday, 26 April 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution (with or without amendments) as an ordinary resolution of the Company:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meaning as those defined in the circular dated 7 April 2017 issued by the Company.

“**THAT** the entry into by the Company of the Framework Agreement dated 13 March 2017 (a copy of which has been produced to the meeting and initialed by the chairman of the meeting for the purposes of identification) and the transactions contemplated thereunder (including the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement) be and are hereby confirmed, approved and ratified.”

By order of the Board of
China Minsheng Drawin Technology Group Limited
Yin Jun
Chairman and Executive Director

Hong Kong, 7 April 2017

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, on a poll, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
- (2) A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned SGM thereof if you so wish. In the event that you attend the SGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.

NOTICE OF SPECIAL GENERAL MEETING

- (3) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, at the offices of the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (4) In the case of joint registered holders of any shares of the Company, any one of such joint registered holders may vote at the SGM, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders are present at the SGM, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).

As at the date of this notice, the Board comprises Mr. Yin Jun (Chairman), Mr. Chen Domingo and Mr. Mi Hongjun as executive Directors; Mr. Chen Donghui, Ms. Gan Ping, Mr. Zhao Xiaodong and Mr. Zhou Feng as non-executive directors; Mr. Chan Chi Hung, Mr. Jiang Hongqing, Mr. Lee Chi Ming and Mr. Ma Lishan as independent non-executive directors.