

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION DISPOSAL OF 51% INTEREST IN THE TARGET COMPANY

INTRODUCTION

The Board is pleased to announce that on 22 December 2017, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, 51% equity interest in the Target Company at the Consideration of RMB165,750,000 (approximately HK\$197,922,000).

Upon Completion, the Target Company will cease to be a subsidiary of the Company, whilst the Company will retain an indirect 47% equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As the applicable percentages ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out under Chapter 14 of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below.

Date: 22 December 2017

Parties:

- (1) The Vendor: China Minsheng Technology Investment Co., Limited* (中民築友科技投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
- (2) The Purchaser: Hangzhou Residential Area Development Centre Co., Limited* (杭州市居住區發展中心有限公司), a company incorporated in the PRC with limited liability

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

The Vendor agreed to sell, and the Purchaser agreed to purchase, 51% equity interest in the Target Company.

Consideration

The Consideration for the Disposal is RMB165,750,000 (approximately HK\$197,922,000).

The Consideration is payable by the Purchaser to the Vendor in accordance with the following schedule:

- (1) RMB82,875,000 (being 50% of the Consideration) shall be payable by bank transfer within three business days after the Sale and Purchase Agreement having taken effect; and
- (2) RMB82,875,000 (being the remaining 50% of the Consideration) shall be payable by bank transfer within three business days after the date on which the registration for the change in shareholder with the administration for industry and commerce has been completed.

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiations with reference to, among other things, the net assets value contained in the latest management accounts of the Target Company with a reference date of 30 November 2017 and the appraised value of the Target Company based on a valuation report prepared by or on behalf of the Purchaser.

Completion and update of registration

Completion of the transfer of the 51% equity interest from the Vendor to the Purchaser will take place upon the payment of the first instalment amount of the Consideration by the Purchaser to the Vendor. The Vendor is required to complete the registration procedures to update the change in shareholder within 15 business days from the date of the Vendor's receipt of the first instalment payment of the Consideration from the Purchaser.

As of the date of this announcement, the Vendor owns 98% equity interest in the Target Company. Upon Completion, the Target Company will be owned by the Vendor as to 47% and the Purchaser as to 51%. The Target Company shall cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Group's financial statements.

Other obligations of the Vendor

The Vendor has undertaken to the Purchaser that:

- (a) during the period from 30 November 2017 until Completion, there should be no change in relation to the 98% equity interest in the Target Company held by the Vendor, and the Target Company should not engage in any business that is beyond the scope of its normal course of business; and
- (b) it should be responsible for all rights and liabilities of the Target Company that are not reflected in the financial accounts of the Target Company as of 30 November 2017 and if there are such liabilities which cause losses to the Target Company or the Purchaser, the Vendor should be responsible to pay all compensation,

and any compensation payable by the Vendor should bear interest at the rate of 8% per annum.

Management of the Target Company

After Completion, the board of directors of the Target Company will comprise of three directors. The Purchaser will be entitled to appoint two directors, one of whom will become the chairman of the board of directors of the Target Company and hold the position of legal representative of the Target Company. The Vendor will be entitled to appoint one director.

On-going obligations of the Vendor

The Vendor has agreed in the Sale and Purchase Agreement that, in the event that the Vendor proposes to further dispose of any equity interest in the Target Company held by the Vendor within three years from Completion:

- (a) the Vendor shall obtain the written consent of the Purchaser;
- (b) the Purchaser shall have a first right to acquire the equity interest proposed to be transferred by the Vendor on the same terms; and

- (c) the Vendor shall retain not less than 33% equity interest in the Target Company after such further disposal, and the remaining equity interest shall not be transferred nor pledged by the Vendor.

Acknowledgement of arrangements with the minority shareholder of the Target Company

As at the date of this announcement, the remaining minority interest (representing 2% equity interest in the Target Company) is held by Zhejiang Huanyu. It is acknowledged in the Sale and Purchase Agreement that:

- (1) Pursuant to the agreements previously entered into between the Vendor and Zhejiang Huanyu with respect to the sale of such 2% equity interest by the Vendor to Zhejiang Huanyu:
 - (a) in the event that Zhejiang Huanyu decides to cease holding equity interest in the Target Company, Zhejiang Huanyu is required to sell such equity interest to the Vendor;
 - (b) if above sale occurs within three years from the date when Zhejiang Huanyu originally acquired the 2% equity interest from the Vendor, the Vendor has a right to acquire the 2% equity interest from Zhejiang Huanyu at the original price of RMB12,000,000;
 - (c) if above sale occurs after three years from the date when Zhejiang Huanyu originally acquired the 2% equity interest from the Vendor, the Vendor has a right to acquire the 2% equity interest from Zhejiang Huanyu at market price which is acceptable to the Vendor;
 - (d) if the Vendor fails to exercise the above acquisition right within one month of notice from Zhejiang Huanyu, Zhejiang Huanyu may sell such equity interest to third party on the same terms (provided that such third party shall not be a competitor of the Vendor or the Target Company); and
- (2) Zhejiang Huanyu shall be the first supplier and business partner of the Target Company with respect to the undertaking of prefabricated construction projects in Zhejiang province and Zhejiang Huanyu shall enjoy certain discount on the price for its procurements from the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company, a company incorporated in the PRC with limited liability, is principally engaged in the business of prefabricated construction work in the PRC.

Set out below is a summary of the unaudited consolidated net (loss)/profit of the Target Company for the period from 26 November 2015 (being the date of incorporation of the Target Company) to 31 December 2015 and the year ended 31 December 2016:

	For the year ended 31 December 2016	For the period from 26 November 2015 to 31 December 2015 ^{Note}
	<i>RMB million</i>	<i>RMB million</i>
Net (loss)/profit before taxation and extraordinary items	(4.05)	0.04
Net (loss)/profit after taxation and extraordinary items	(4.05)	0.04

Note: As the Target Company was only incorporated on 26 November 2015, the profit for the period since its incorporation until 31 December 2015 only represented a small amount of exchange gain.

According to the unaudited consolidated financial statements of the Target Company for the year ended 31 December 2016, the unaudited consolidated net asset value of the Target Company as at 31 December 2016 was approximately HK\$104,649,000.

After taking into account the Consideration, the net asset value of the Target Company as at 30 November 2017 and the related transaction costs, it is estimated that a gain (unaudited) of approximately HK\$100,425,000 will be recorded by the Company with respect to the Disposal. In addition, it is estimated that the Company will also record a gain of approximately HK\$92,549,000 derived from the revaluation of its remaining 47% equity interest in the Target Company.

The Company intends to use the net proceeds arising from the Disposal as general working capital of the Group.

INFORMATION OF THE PURCHASER

The Purchaser, a company incorporated in the PRC with limited liability, is principally engaged in the business of property developer in the PRC.

INFORMATION OF THE COMPANY AND THE VENDOR

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

The Vendor is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is mainly engaged in prefabricated construction business and property development in the PRC.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal enables the Group to realize cash resources and unlock the value in low-yielding assets held by the Target Group at fair market value.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement have been negotiated on an arm's length basis and on normal commercial terms, in the ordinary course of business, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors have a material interest in the Sale and Purchase Agreement and the transaction contemplated thereunder and therefore no Director has abstained from voting on the relevant Board resolution approving the Sale and Purchase Agreement.

LISTING RULES IMPLICATIONS

As the applicable percentages ratios in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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 the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 726)
“Completion”	completion of the Disposal
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	RMB165,750,000, being the consideration for 51% equity interest of the Target Company under the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of 51% equity interest of the Target Company by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement

“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Hangzhou Residential Area Development Centre Co., Limited* (杭州市居住區發展中心有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	a sale and purchase agreement dated 22 December 2017 entered into between the Vendor and the Purchaser in relation to the Disposal
“Share(s)”	holder(s) of Share(s)
“Shareholder(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	Zhejiang China Minsheng Drawin Technology Co., Limited* (浙江中民築友科技有限公司), a company incorporated in the PRC on 26 November 2015 with limited liability and a direct non-wholly owned subsidiary of the Vendor
“Vendor”	China Minsheng Technology Investment Co., Limited* (中民築友科技投資有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Zhejiang Huanyu”	Zhejiang Huanyu Construction Group Limited* (浙江環宇建設集團有限公司), a company incorporated in the PRC with limited liability and, save for its holding of a minority interest in the Target Company, is a third party which is independent from the Company

“%”

per cent

For and on behalf of
China Minsheng Drawin Technology Group Limited
Yin Jun
Chairman and Executive Director

Hong Kong, 27 December 2017

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

* *For identification purpose only.*