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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)

CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF ENTIRE INTEREST IN THE TARGET COMPANY

INTRODUCTION

The Board is pleased to announce that on 26 December 2017, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser, the indirect controlling shareholder of the Company, entered into the Sale and Purchase Agreement pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in the Target Company at the consideration of RMB52,020,500 (approximately HK\$62,117,800). The main assets of the Target Group are plants and equipments, construction in progress, other receivables, inventories and bank and cash balances.

Upon Completion, the Target Group will become subsidiaries of the Purchaser and cease to be the subsidiaries of the Company, and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser, which held approximately 65.03% of the issued share capital of the Company, is the indirect controlling shareholder of the Company, and hence a connected person of the Company under the Listing Rules. The Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

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

Date: 26 December 2017

Parties:

- (1) The Vendor: China Minsheng Drawin 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: Tianjin China Minsheng Drawin Technology Co., Limited* (天津中民築友科技有限公司), a company incorporated in the PRC with limited liability and the indirect controlling shareholder of the Company

Assets to be disposed of

The Vendor agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in the Target Company, which together with its subsidiaries, owns plants and equipments, construction in progress, other receivables, inventories and bank and cash balances.

Consideration

The Consideration for the Disposal is RMB52,020,500 (approximately HK\$62,117,800) and shall be payable by the Purchaser to the Vendor in cash in accordance with the following schedule:

- (i) RMB5,202,050 (approximately HK\$6,211,800) (being 10% of the Consideration) shall be payable within seven business days after the Sale and Purchase Agreement having taken effect;
- (ii) RMB26,010,250 (approximately HK\$31,058,900) (being 50% of the Consideration) shall be payable within seven business days after the date on which the registration for the change in shareholder with the administration for industry and commerce has been completed; and
- (iii) RMB20,808,200 (approximately HK\$24,847,100) (being 40% of the Consideration) shall be payable within 20 business days after the completion date of the above registration.

The Consideration was determined between the Purchaser and the Vendor after arm's length negotiations with reference to, among other things, the appraised value of the Target Group's assets based on the valuation reports prepared by the Vendor.

Pre-Completion Obligations

From the date of the Sale and Purchase Agreement and until Completion, the Vendor undertakes, amongst other things, that:

- (1) the assets of the Target Company shall not be substituted or dissipated and there shall not be any material change in the nature of such assets;
- (2) the Target Company shall not engage in any business that is beyond the scope of its current business; and
- (3) no documents shall be signed and no expenditure shall be made on behalf of the Target Company by the Vendor without the consent of the Purchaser.

Completion

Completion of the transfer of the entire equity interest in the Target Company from the Vendor to the Purchaser will take place within seven business days after the payment of the first instalment amount of the Consideration from the Purchaser to the Vendor.

Upon Completion, the Target Group will become subsidiaries of the Purchaser and cease to be the subsidiaries of the Company, and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

Other Obligations of the Vendor

Pursuant to the Sale and Purchase Agreement, the Vendor undertakes to the Purchaser that it shall complete the Disposal and procure the relevant registration with the PRC authority within seven business days after payment of the first instalment amount of the Consideration from the Purchaser to the Vendor.

INFORMATION OF THE TARGET GROUP

The Target Company, a company incorporated in the PRC with limited liability, is an investment holding company. The Target Group is principally engaged in the business of prefabricated building and construction in rural areas of the PRC.

Set out below is a summary of the unaudited consolidated net loss of the Target Company for the period from 30 September 2016 (being the date of incorporation of the Target Company) to 31 December 2016 and for the period ended 30 November 2017:

	For the period from 30 September 2016 to 31 December 2016 RMB million	For the period ended 30 November 2017 RMB million
Net loss before taxation and extraordinary items	4.44	12.57
Net loss after taxation and extraordinary items	4.44	12.57

According to the unaudited consolidated financial statements of the Target Company for the period ended 31 December 2016 and for the period ended 30 November 2017, the unaudited consolidated net asset value of the Target Group as at 31 December 2016 and as at 30 November 2017 were approximately RMB4,442,500 (approximately HK\$5,304,900) and RMB39,684,800 (approximately HK\$47,387,700), respectively.

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 an unaudited gain of approximately RMB2,020,500 (approximately HK\$2,412,700) will be recorded by the Company with respect to the Disposal.

INFORMATION OF THE PURCHASER

The Purchaser is an investment holding company. It is a company wholly-owned by China Minsheng Investment Corp., Ltd. (中國民生投資股份有限公司), the indirect controlling shareholder of the Company.

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

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 its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser, which held approximately 65.03% of the issued share capital of the Company, is the indirect controlling shareholder of the Company, and hence a connected person of the Company under the Listing Rules. The Disposal therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As all applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge and belief after having made all reasonable enquiries, other than Mr. Yin Jun who is a common director of the Company and the Purchaser, none of the Directors have a material interest in the Sale and Purchase Agreement and the connected transaction contemplated thereunder. Other than Mr. Yin Jun who had abstained from voting on the relevant Board resolution approving the Sale and Purchase Agreement for good corporate governance purpose, no other Director were required to abstain from voting on the relevant Board resolution.

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”	RMB52,020,500 (approximately HK\$62,117,800), being the total consideration for the entire equity interest in the Target Company
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire equity interest in 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

“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”	Tianjin China Minsheng Drawin Technology Co., Limited* (天津中民築友科技有限公司), a company incorporated in the PRC with limited liability and the indirect controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	a sale and purchase agreement dated 26 December 2017 entered into between the Vendor and the Purchaser in relation to the Disposal
“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”	China Minsheng Drawin Building Technology Co., Limited* (中民築友房屋科技有限公司), a company incorporated in the PRC with limited liability on 30 September 2016 and a direct wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	China Minsheng Drawin 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
“%”	per cent

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

Hong Kong, 28 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*