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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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.

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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)**

**FRAMEWORK AGREEMENT IN RELATION TO**  
**(1) DISCLOSEABLE 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**

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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 16 of this Circular. A letter of advice containing the recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 17 to 18 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 19 to 40 of this Circular.

A notice of the SGM to be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 21 June 2018 at 10:30 a.m. is set out on pages N-1 to N-2 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 Shop 1712-1716, 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.

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## DEFINITIONS

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

“Board”	the board of Directors
“Circular”	this circular issued by the Company in accordance with the Listing Rules in respect of the transactions contemplated under the Framework Agreement
“CMDC”	China Minsheng Drawin Construction Co., Ltd.* (中民築友建設有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of CMIC
“CMDC Group”	CMDC and its subsidiaries
“CMIC”	China Minsheng Investment Corp., Ltd.* (中國民生投資股份有限公司), a company established in the PRC and the ultimate 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
“Framework Agreement”	the agreement entered into between the Company and CMDC on 2 May 2018 in relation to the EPC Service Arrangement and the Supply Arrangement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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”	29 May 2018, 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 and Mr. Mi Hongjun
“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

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## DEFINITIONS

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“Previous Framework Agreement”	the agreement entered into between the Company and CMDC on 13 March 2017 in relation to the EPC Service Arrangement and the Supply Arrangement for 2017
“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 5 June 2018 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\$1 to RMB0.81094.*

*\* 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

*Independent Non-Executive Directors:*

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

*Principal place of business*

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

4 June 2018

*To the Shareholders*

Dear Sir or Madam,

**FRAMEWORK AGREEMENT IN RELATION TO  
(1) DISCLOSEABLE 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 2 May 2018 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, namely the EPC Service Arrangement; and (ii) the supply of prefabricated construction components and products by the Group to the CMDC Group, namely the Supply Arrangement.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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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: 2 May 2018

Parties: (i) the Company; and  
(ii) CMDC

CMIC, which held approximately 65.03% of the issued share capital of the Company, is the ultimate controlling shareholder, and hence a connected person, of the Company. CMDC is an indirect wholly-owned subsidiary of CMIC, and therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Term: For a term commencing from the approval date of the Framework Agreement by the Independent Shareholders and ending on 31 December 2018. 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.

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## LETTER FROM THE BOARD

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Provision of Services:

- (i) Pursuant to the EPC Service Arrangement, upon selection of the CMDC Group through a selection or bidding process undertaken 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.

Each time when the Group selects a contractor for the construction of a technology park, the Group will consider the quotation from the CMDC Group and compare it with the market price expected to be charged or offered by other service providers in the city or district in which the relevant technology park being constructed are located. The Company believes that the pricing of other EPC services providers are, in general transparent to customers and can be obtained through making enquiries with market participants. The tender price of EPC Services Arrangements are also available on the government websites of the public resources trading centres. Where the construction timetable of the relevant technology park permits, the Group may also invite price quotations from the independent EPC services suppliers for review and comparison purpose, and will at least obtain 3 quotations and compare them with CMDC Group's quotation. The Group will contract with the CMDC Group under the Framework Agreement if the price quoted by the CMDC Group in respect of the EPC services in the city or district in which the relevant technology park being constructed are located is lower than, or within the range of, the market price to be charged or offered by independent third parties in the same local market. In practice, the contracted price in respect of the EPC services with CMDC Group is always lower than the market price charged or offered by independent third parties.



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## LETTER FROM THE BOARD

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- (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.

Please refer to the paragraph headed “Pricing” below for the procedures and criteria generally adopted for determining the price to be quoted by the Group to the CMDC Group.

### Pricing:

- (i) Pursuant to the EPC Service Arrangement, the contract 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 5% of the construction costs. In principle, the contract price of EPC general contracting services should not exceed RMB2,600 per square metre (including tax). The CMDC Group further agrees with the Company that the contract price of EPC general contracting service will not be higher than the market rate.
- (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 10% margin of the unit cost. In principle, the integrated unit price should not exceed RMB3,000 per cubic metre (including tax).

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## LETTER FROM THE BOARD

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The marketing department of the Group will assess and determine the proposed sale price of the prefabricated construction components to be quoted by the Group to CMDC Group with reference to (i) the price range of such components as charged or offered by the largest supplier in the relevant locality, (ii) a comparison of the quality and standard of the prefabricated construction components, and (iii) the demand for such components in the market at the relevant time. As the Supply Arrangement is a continuing connected transaction, the marketing department will also review and assess if such price quoted by the Group is no less favourable to the Group than those offered to independent customers, taking into account the difference in the quality and standard of the prefabricated construction components and the business need of developing long term components relationships with business partners. The general manager responsible for the business segment of supply of the prefabricated construction components will give the final approval on price setting.

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.

### **THE PREVIOUS FRAMEWORK AGREEMENT**

On 13 March 2017, the Company entered into the Previous Framework Agreement with CMDC in relation to the EPC Service Arrangement and the Supply Arrangement. The principal terms of the Previous Framework Agreement were set out in the announcement of the Company dated 13 March 2017.

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## LETTER FROM THE BOARD

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In respect of the Supply Arrangement, the Company was required to set an annual cap over the term of the Previous Framework Agreement. The actual realised transaction amounts in 2017 and the annual cap in relation to the Supply Arrangement under the Previous Framework Agreement are set out below:

<b>Under the Previous Framework Agreement</b>	<b>Actual realised amounts (RMB)</b>	<b>Annual cap (RMB)</b>
EPC Service Agreement	149 million	400 million
Supply Arrangement	24 million	476 million

The Directors would like to add that the very low utilization rate for the annual cap in relation to the Supply Arrangement under the Previous Framework Agreement was due to (i) delays in the undertaking of construction projects by the CMDC Group in 2017 and (ii) the difficulty faced by the CMDC Group in hiring skilled personnel for the construction projects due to, amongst others, shortage in supplies. The Directors believe that, in order to put the Group in a competitive position to be awarded with supply mandates by the CMDC Group, it would be important that the Proposed Annual Cap for the Supply Arrangement under the Framework Agreement is set at the proposed level so that the Group would not be prevented from submitting tenders for supply mandates because the annual transaction amounts have reached or likely to exceed an annual cap which is set at a lower level.

### 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\$493 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. As the monthly financial statement of the relevant subsidiaries of the Group will contain the aggregate value of the connected transactions under the EPC Service Arrangement, the finance department of the Company will monitor the aggregate transaction value of the EPC Service Arrangements and will ensure the transactions contemplated thereunder would not exceed the maximum value of RMB400 million.

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 RMB300 million (equivalent to approximately HK\$370 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.

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## LETTER FROM THE BOARD

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Should the Company enter into another framework agreement in 2019 in respect of the EPC Service Arrangement and the Supply Arrangement after the expiry of this Framework Agreement on 31 December 2018, the Company will disclose the total value of actual transactions executed under the EPC Service Arrangement and the Supply Arrangement in the relevant announcement.

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 Group plans to develop 10 technology parks in major cities across the PRC in 2018, the aggregate construction area of which during 2018 is expected to be more than 166,000 square metres,
  - (b) the Group expects that shortage of labour in 2017 which caused delays in undertaking the construction of technology parks in 2017 may be alleviated in 2018; and
  - (c) the average expected or actual construction price in respect of EPC services to be offered by independent construction companies to the Group is higher than the price offered by the CMDC Group in 2017;
- (ii) in respect of the Supply Arrangement,
  - (a) according to the recent discussion between the Company and the CMDC Group, CMDC Group has represented that it had continued to enter into a large number of construction contracts which are all required to be constructed with prefabricated construction components in 2018;
  - (b) in light of the Group's construction plan of 10 new technology parks in 2018, the Group expected that its total production capacity generated for prefabricated construction components may increase to a range from 800,000 cubic metres to 1,070,000 cubic metres at the end of 2018. The Company believes that a greater supply capacity may empower the Company to acquire a greater market share and boost up the Group's sales of the prefabricated units in 2018; and
  - (c) the unit selling price of the prefabricated construction components that may be quoted by the Group to CMDC Group under the Framework Agreement should not exceed RMB3,000 per cubic metre (including tax);

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## LETTER FROM THE BOARD

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- (iii) the Company believes that PRC government policies (as set out in detail in paragraph (b) under the section headed “REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT”) are supportive of the development of the Group’s prefabricated business in the PRC. For example, the continuing shanty town re-development and the “long-term housing” governmental policy including construction activities of rental projects and social units fuel the market demand for the prefabricated construction components. The increase in market demand supports the setting of the Proposed Annual Cap in respect of the Supply Arrangement. The growing market demand also explains the Group’s plan in 2018 to develop 10 technology parks in major cities across the PRC in order to increase its supply capacity of the prefabricated construction components.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

The Group has been continuously developing technology parks in major cities across the PRC and has completed the fundamental layout in major developed regions in the middle-eastern part of the PRC. 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.

The Board (including the independent non-executive Directors after taking into consideration the advice from the Independent Financial Adviser, 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, are on normal commercial terms which are fair and reasonable, and that the contracted price in respect of the EPC services with the CMDC Group would be no less favorable to market price under the EPC Service Arrangement disclosed herein;
- (ii) the Proposed Annual Cap is fair and reasonable; and

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## LETTER FROM THE BOARD

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- (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 interest of the Company and the Shareholders as a whole.

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 March 2017 (being the month where the announcement in relation to the Previous Framework Agreement was made), the Group has entered into more than 30 prefabricated construction component supply contracts with new independent customers, which effectively further broadened its independent customer base. As at the end of February 2018, the total contracted sales derived from supply contracts in respect of prefabricated construction units with independent third parties amounted to approximately RMB475.5 million, compared to only RMB130 million as at February 2017. Further, as the Company has recently revisited its plan with respect to the progress of construction of the technology parks, the production capacity of prefabricated construction components as at the end of 2018 is expected to increase. In view of the expanded production capacity of the Group in 2018, the Group will continue its endeavour to broaden its customer base with independent third parties so as to better utilise such available capacity to realise the revenue potentials. The Company expects that in 2018 the sales amounts of the prefabricated construction units to the CMDC Group will account for less than 25% of the total sales amount of the prefabricated construction units by the Group.
- (b) *The viability and future prospects of the Group's business is supported by favourable government policies:* The Company believes that PRC policies are supportive of the development of the Group's prefabricated business in the PRC, and as such there presents many of opportunities for the Group to grow this business. For examples, (i) the Ministry of Housing and Urban-Rural Development of the PRC has issued a directive which proposes that, by 2020, prefabricated buildings should constitute (A) 15% or more of all of the newly-constructed buildings in the PRC; and (B) 20% or more of all newly-constructed buildings in certain focused regions; and (ii) the Ministry of Housing and Urban-Rural Development of the PRC has promulgated a plan that, by 2020, prefabricated building area should constitute 15% of all the newly constructed building area. As such, the Company believes that the industry will show an upward growing trend in the year of 2018 which will generate demand from independent third parties for the prefabricated construction components manufactured by the Group.

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## LETTER FROM THE BOARD

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- (c) *Procurement of EPC services from CMDC Group will be conducted on fair and reasonable terms:* As disclosed in the sub-paragraph headed “Provision of Services”, each time when the Group selects a contractor for the construction of a technology park, the Group will consider the quotation from the CMDC Group and compare it with the market price expected to be charged or offered by other service providers in the city or district in which the relevant technology park being constructed are located. The Group will only contract with the CMDC Group under the Framework Agreement if the price quoted by the CMDC Group in respect of the EPC services in the city or district in which the relevant technology park being constructed are located is lower than, or within the range of, the market price to be charged or offered by independent third parties. As such, 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 an indirect wholly-owned subsidiary of CMIC.

The principal business of CMDC includes real property construction and decoration, installation of mechanical and electrical equipment, construction of base foundation and infrastructure.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CMIC, which held approximately 65.03% of the issued share capital of the Company, is the ultimate controlling shareholder, and hence a connected person, of the Company. CMDC is an indirect wholly-owned subsidiary of CMIC, and therefore a connected person of the Company pursuant to 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.

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## LETTER FROM THE BOARD

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As the EPC Service Arrangement is capital in nature and the applicable percentage ratios in respect of the estimated maximum value of the EPC Service Arrangement over the term of the Framework Agreement exceed 5% but less than 25%, the EPC Service Arrangement constitutes (i) a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and (ii) a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 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 consider 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 to advise and provide recommendation to the Independent Shareholders as to whether the same are fair and reasonable, on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole 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 after taking into consideration the advice from the Independent Financial Adviser 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.



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## LETTER FROM THE BOARD

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

### SGM

The notice convening the SGM to be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 21 June 2018 at 10:30 a.m. is set out on pages N-1 to N-2 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 and their associates will abstain from voting upon the relevant resolution(s) at the SGM. In this respect, Jiayao Global Investments Limited, Jiaheng (Holding) Investment Limited, Jiaxin (Holding) Investment Limited, Jianuo (Holding) Investment Limited, Jiamin (Holding) Investment Limited, Jiacheng (Holding) Investment Limited and Jiayou (International) Investment Limited, each being an indirect subsidiary of CMIC and collectively in aggregate interested in approximately 65.03% 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, Jiaheng (Holding) Investment Limited, Jiaxin (Holding) Investment Limited, Jianuo (Holding) Investment Limited, Jiamin (Holding) Investment Limited, Jiacheng (Holding) Investment Limited and Jiayou (International) Investment Limited in total control and are entitled to exercise control over the voting right in respect of 7,289,960,000 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 Shop 1712-1716, 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.

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## LETTER FROM THE BOARD

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### 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 17 to 18 of this Circular;
- (ii) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 40 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*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)

4 June 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**FRAMEWORK AGREEMENT IN RELATION TO  
(1) DISCLOSEABLE 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 4 June 2018 (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.

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 19 to 40 of the Circular, and the Letter from the Board as set out on pages 4 to 16 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 19 to 40 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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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

4 June 2018

*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  
Admiralty, Hong Kong

Dear Sir or Madam,

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

### INTRODUCTION

We refer to our appointment as the independent financial adviser 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. 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 4 June 2018 (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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **The Framework Agreement**

Reference is made to the circular of the Company dated 7 April 2017 in relation to a framework agreement dated 13 March 2017 entered into between the Company and CMDC Group (the “**Previous Framework Agreement**”) in respect of (i) the provision of EPC general contracting services by the CMDC Group to the Group (i.e. EPC Service Arrangement); and (ii) the supply of prefabricated construction components and products by the Group to the CMDC Group (i.e. Supply Arrangement).

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.

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.

As (i) the Previous Framework Agreement already expired on 31 December 2017; (ii) 2 of the 5 secured sites of the Group which were determined to construct technology parks under the Previous Framework Agreement had changed the construction plans and required longer time to complete till 2018; (iii) 2 of the 3 potential sites identified by the Group to construct technology parks under the Previous Framework Agreement was successfully secured in 2017, whilst due to change of the construction plan would require longer time to complete till 2018; (iv) 1 of the 3 potential sites identified by the Group to construct technology park under the Previous Framework Agreement is under negotiation with the relevant PRC government authority to change to another site and, the construction will commence after acquisition of land; and (v) the Group has identified 6 new potential sites for the construction of technology parks in 2018, the Company entered into the Framework Agreement in relation to the Supply Arrangement and the EPC Service Arrangement with the intention to complete those transactions fall under the Previous Framework Agreement as well as to continue to carry out (i) EPC Service Arrangement and (ii) the Supply Arrangement in the future.

### **LISTING RULES IMPLICATION**

As at the Latest Practicable Date, CMIC, which held approximately 65.03% of the issued share capital of the Company, is the ultimate controlling shareholder, and hence a connected person, of the Company. CMDC is an indirect wholly-owned subsidiary of CMIC, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the EPC Service Arrangement is capital in nature and one of the applicable percentage ratios in respect of the estimated transaction value of the EPC Service Arrangement over the term of the Framework Agreement exceeds 5% but is less than 25%, the EPC Service Arrangement constitutes (i) a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and (ii) a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 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 under the Framework Agreement 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 at the board meeting for good corporate governance, as they also serve as directors and/or senior management of shareholders and/or subsidiaries of CMIC (other than CMDC).

### 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 whether (i) the entering into the Framework Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; (iii) the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement in relation to the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned; 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 whether (i) the entering into the Framework Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; (iii) the Proposed Annual Cap for the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Supply Arrangement and the estimated transaction value under the EPC Service Arrangement in relation to the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto to be proposed at the SGM.

We acted as the independent financial adviser to the Company with regard to the major and connect transaction and continuing connected transactions under the Previous Framework Agreement. Save for the aforesaid engagement, we have not acted as independent financial adviser to the Company in relation to any transactions of the Company 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 Previous Framework Agreement; (iii) the annual report of the Company for the year ended 31 December 2016 (“**2016 Annual Report**”); (iv) the annual report of the Company for the year ended 31 December 2017 (“**2017 Annual Report**”); (v) other information as set out in the Circular; and (vi) the Company’s development plan on the respective technology parks (including those announcements issued by the Company on 28 June 2017, 29 June 2017, 11 October 2017, 27 December 2017 and 29 December 2017 respectively).

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 regard to the Group. 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



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 any independent investigation into the business, financial conditions and affairs or the future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

### PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE DISCLOSEABLE 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, CMIC, which held approximately 65.03% of the issued share capital of the Company, is the ultimate controlling shareholder of the Company.

CMDC was incorporated in the PRC and is an indirect wholly-owned subsidiary of CMIC. 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 Latest business development and performance of the Group*

The Group has been continuously developing technology parks in major cities across the PRC and has completed the fundamental layout in major developed regions in the middle-eastern part of the PRC. According to the Management, these technology parks will provide construction solution, including research and development, design, production and sales of prefabricated construction modules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Over the past three years, the Group has strived to secure suitable sites for the construction of technology parks.

As described in the circular of the Company dated 7 April 2017 with regard to the EPC Service Arrangement under the Previous Framework Agreement, the Group had secured 5 sites and identified 3 potential sites for the development of technology parks. As at the Latest Practicable Date, the following are the latest development with regard to the EPC Service Arrangement under the Framework Agreement:

- (i) 2 of the 5 secured sites of the Group (i.e. No. 1 and No. 5 sites set out in the table below) which were decided to commence Phase Two construction of the technology parks under the Previous Framework Agreement had changed the construction plans and required longer time to complete till 2018;
- (ii) 3 of the 5 secured sites of the Group (i.e. No. 2, No. 3 and No. 4 sites set out in the table below) which were decided to commence Phase Two construction of the technology parks under the Previous Framework Agreement had completed the construction of the production facilities in 2017, but decided not to construct the logistics plant(s) as planned due to sufficient production capacity to meet market demand;
- (iii) among the aforesaid 3 constructed technology parks, the majority control of a technology park (i.e. No. 3 site set out in the table below) was sold to an Independent Third Party in December 2017;
- (iv) 1 of the 3 potential sites identified by the Group to construct technology park under the Previous Framework Agreement was successfully secured in 2017 (i.e. No. 6 site set out in the table below), whilst due to change of the construction plan would require longer time to complete till 2018;
- (v) 1 of the 3 potential sites identified by the Group to construct technology park under the Previous Framework Agreement is under negotiation with the relevant PRC government authority to change to another site and, the construction will commence after acquisition of land;
- (vi) the Group successfully acquired 2 new sites for the construction of technology parks in 2017 which construction had commenced in 2017 and is expected to continue to carry out in 2018 (i.e. No. 7 and No. 8 sites set out in the table below); and
- (vii) the Group has identified 6 new potential sites for the construction of technology parks in 2018 (i.e. No. 9 to No. 14 sites set out in the table below).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As described in the circular of the Company dated 7 April 2017 with regard to the Supply Arrangement under the Previous Framework Agreement, the Group had 6 production facilities (i.e. No. 1, No. 2, No. 3, No. 4, No. 15 and No. 16 sites set out in the table below), of which a site is a leased facility (i.e. No. 16 site set out in the table below) and the rest are owned by the Group. As at the Latest Practicable Date, the following are the latest development with regard to the Supply Arrangement under the Framework Agreement:

- (i) 1 (including the leased facility) of the 6 production facilities were sold in December 2017 (i.e. No. 3);
- (ii) 2 newly acquired sites for construction of technology parks in 2017 (as mentioned above (i.e. No. 7 and No. 8 sites set out in the table below)) are expected to complete in 2018 and will then offset the temporary reduction in production capacity due to the abovementioned disposal; and
- (iii) 6 new potential sites identified by the Group for the construction of technology parks in 2018 (as mentioned above (i.e. No. 9 to No. 14 sites set out in the table below)), if materialised, will further increase the production capacity in 2018.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Set out below is a table summarising the salient details of the respective technology parks:

No.	Location	Date acquired	Site area (sq. m.)	Phase One construction area as disclosed in 2017 Circular (sq. m.)	Actual/Expected Phase One construction area (sq. m.)	Actual/Expected date of commencement of Phase One construction	Actual/Expected date of completion of Phase One construction under the Framework Agreement	Phase Two construction area as disclosed in 2017 Circular (sq. m.)	Actual date of commencement of Phase Two construction	Actual/Expected date of completion of Phase Two construction	Reasons of the variance <i>See abbreviation</i>	Year of commencement of production	Designed production capacity (cu. m.)	Expected production capacity in the year ending 2018 (cu. m.)
1.	Changsha	14/9/2016	235,000	50,000	50,000	2Q 2015	1Q 2016	30,000 <i>(Note 1)</i>	2Q/3Q 2017	3Q 2018	A1	2H 2016	300,000	90,000-120,000
2.	Hengyang	28/10/2015	100,000	41,000	41,000	3Q 2016	4Q 2016	20,000	3Q/4Q 2017	4Q 2017	B	2H 2016	180,000	60,000-80,000
3.	Hangzhou <i>(Note 2)</i>	16/12/2015	11,664	36,000	36,000	3Q 2016	4Q 2016	25,000	3Q/4Q 2017	4Q 2017	B	2H 2016	300,000	N/A
4.	Nanjing	22/3/2016	100,838	40,000	40,000	3Q 2016	4Q 2016	25,000	3Q/4Q 2017	4Q 2017	B	2H 2016	300,000	90,000-120,000
5.	Foshan	28/10/2016	82,066	30,000	30,000	2Q 2017	3Q 2018 <i>(Note 3)</i>	N/A	N/A	N/A	A2	2H 2017	150,000	60,000-80,000
6.	Hefei	28/6/2017	102,644	30,000	30,000	2Q 2017	2Q 2018	N/A	N/A	N/A	A2	2H 2017	180,000	60,000-80,000
7.	Jiaozhou	30/9/2017	62,000	N/A	N/A <i>(Note 4)</i>	4Q 2017	4Q 2018	N/A	N/A	N/A	N/A	1H 2018	150,000	60,000-80,000
8.	Yuxi	14/9/2017	73,898	N/A	20,000	4Q 2017	4Q 2018	N/A	N/A	N/A	N/A	1H 2018	150,000	60,000-80,000
9.	Haikou	N/A	N/A	N/A	20,000	1Q 2018	4Q 2018	N/A	N/A	N/A	N/A	2H 2018	150,000	40,000-50,000
10.	Xiuyu	N/A	N/A	N/A	20,000	1Q 2018	4Q 2018	N/A	N/A	N/A	N/A	2H 2018	150,000	40,000-50,000
11.	Xiangtan	N/A	N/A	N/A	20,000	1Q 2018	4Q 2018	N/A	N/A	N/A	N/A	2H 2018	150,000	40,000-50,000
12.	Huainan	N/A	N/A	N/A	20,000	1Q 2018	4Q 2018	N/A	N/A	N/A	N/A	2H 2018	150,000	40,000-50,000
13.	Qjiang	N/A	N/A	N/A	20,000	1Q 2018	4Q 2018	N/A	N/A	N/A	N/A	2H 2018	150,000	40,000-50,000
14.	Wuxi	N/A	N/A	N/A	20,000	2Q 2018	2Q 2019	N/A	N/A	N/A	N/A	2H 2018	150,000	20,000-40,000
15.	Huiyang	4/8/2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2H 2016	180,000	60,000-80,000
16.	Kunshan	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2H 2016	120,000	40,000-60,000

Total aggregate estimated construction area of the 10 technology parks to be carried out in the year ending 31 December 2018: 166,000 sq.m. *(Note 5)*

Total: 800,000  
-1,070,000

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Abbreviations:

A1 – Change of construction plan

A2 – Change of construction schedule

B – No need to construct the logistics plant as planned due to sufficient production capacity to meet market order

N/A – Not applicable

2017 Circular – a circular issued by the Company dated 7 April 2017 in relation to the Previous Framework Agreement

*Notes:*

1. Most of this Phase Two construction area in Changsha technology park has been completed, except the construction of Zhongshi Road which will be completed by 3Q 2018.
2. The majority control of the Hangzhou technology park was sold to an Independent Third Party in December 2017. Please refer to an announcement issued by the Company dated 27 December 2017.
3. Approximately 22,000 sq.m. of the construction area of Foshan technology park has been completed in 2017. Due to change in construction schedule, approximately 8,000 sq.m. of the construction area will only be completed by 3Q 2018, and such construction activities had been undertaken under the Previous Framework Agreement.
4. Approximately 24,000 sq.m. of the construction area of Hefei technology park has been completed in 2017. Due to change in construction schedule, approximately 6,000 sq. m. of the construction area will only be completed by 2Q 2018.
5. The aggregate estimated construction area of the 10 technology parks to be carried out in the year ending 31 December 2018 = 6,000 sq.m. (Hefei) + 160,000 sq.m. (Technology Park No. 7 to 14) = 166,000 sq.m.
6. Construction of technology parks No. 2 to 4 and 15 were completed. Construction of technology park No. 1 was substantially completed (see Note 1). Technology park No. 16 was leased from third party to the Group and the Group is not responsible for its construction. The construction area of these technology parks are therefore not counted towards the aggregate estimated construction area to be carried out in the year ending 31 December 2018.
7. It is assumed that CDMC Group has been successfully selected after a bidding or selection process as the construction contractor for the abovementioned sites.
8. It is also assumed that the Group has been selected after a bidding process as the supplier of the pre-fabricated construction components and products for CDMC Group.

The Group recorded revenue generated from sales of prefabricated units of approximately HK\$36.5 million and HK\$173.6 million for the two years ended 31 December 2016 and 2017 respectively. The significant increase in revenue were mainly attributable to the numbers of technology parks for the manufacturing and sale of prefabricated units increased from two to eight during the year of 2017.

### *1.3 Prospects of the Group*

As disclosed in the 2016 Annual Report and 2017 Annual Report, the Company noted (i) the PRC's gross domestic product ("GDP") growth targets at 6.5% for 2018; and (ii) the continuing shanty town re-development and "long-term housing mechanism", including construction activities on rental projects and social units, should help to increase sales of prefabricated construction components and market penetration of the Group. In particular, the Management noted that (i) the 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) the Ministry of Housing and Urban-Rural Development of the PRC has issued a directive which proposes that, by 2020, prefabricated buildings should constitute (A) 15% or more of all of the newly-constructed buildings in the PRC; and (B) 20% or more of all newly-constructed buildings in certain focused regions; and (iv) the Ministry of Housing and Urban-Rural Development of the PRC has promulgated a plan that, by 2020, prefabricated building area should constitute 15% of all the newly constructed building area. As one of the leading industry participants, the Group continues to focus on products innovation and committed to adhere to the business strategies of the Group.

As described in the paragraph headed "Reasons for and benefits of entering into the Framework Agreement" in the "Letter from the Board" of the Circular, as at the end of February 2018, the total contracted sales derived from supply contracts in respect of prefabricated construction units with Independent Third Parties amounted to approximately RMB475.5 million, compared to only RMB130 million as at February 2017. This demonstrates the Group's continuous endeavours in building up a stable revenue stream from independent customers.

On the basis of the aforesaid background, the Group as a strategy will continue to focus on the research and operations of the prefabricated construction work as well as to strengthen its industrialised and prefabricated construction capabilities which is in line with the market trends and the national policy.

### *1.4 Section summary*

Taking into account of the principal activities of the Group, the Company's strategy to continue to develop its industrialised and prefabricated construction capabilities under the abovementioned market trends and national policy, we consider the Framework Agreement and the transactions contemplated thereunder adhere to the business strategy of the Company, and is in the ordinary and usual course of business of the Company.

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

The reasons for entering into the Framework Agreement are described in the paragraph headed “Introduction” above of this letter as well as set out in the paragraph headed “Reasons for and benefits of entering into the Framework Agreement” in the “Letter from the Board” of the Circular. In addition, the Company’s strategy is to continue to develop its industrialised and prefabricated construction capabilities under the abovementioned market trends and national policy, we consider the Framework Agreement and the transactions contemplated thereunder adhere to the business strategy of the Company.

Given CMDC, which is engaged in the property construction and engineering business, has the requisite construction capability and possesses 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 Group under the Supply Arrangement 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.

With regard to the EPC Service Arrangement under the Framework Agreement, procurement of EPC service 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 from. Notwithstanding the execution 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 obtain quotations from several contractors, including 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 engagement.

Having considered the above, the Directors believe and we concur that the Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company 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 *Duration*

It is designed for a term commencing from the approval date of the Framework Agreement by the Independent Shareholders and ending on 31 December 2018. 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.

Due to the background leading to the Previous Framework Agreement and the reasons for entering into the Framework Agreement, the Directors believe and we concur that it is a practical approach to fix a term with the possibility to extend or renew after 31 December 2018 so as to provide 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 regard 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 profit and management fee of not more than 5% of the construction costs. According to the Management and as set out in the Framework Agreement, the contractual price of EPC general contracting services should not exceed RMB2,600 per square metre (including tax). The CMDC Group further undertakes to the Company that the contractual price of EPC general contracting service will not be higher than the market rate.

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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the prices of materials and construction costs are updated by the Management from time to time based on publicly available data updating every month on regional official authority websites, the Management will be able to derive the construction cost of the relevant projects and, in turn, estimate the project management fees payable by the Group to the CMDC Group (if it has been selected to provide EPC Service). Having discussed with the Management and the management of the CMDC Group responsible for construction works and reviewed 12 sample contracts, we noted that the project management fees offered by the CMDC Group (with regard to the EPC Service) to the Group was either the same or slightly better than those offered by the CMDC Group to its other Independent Third Party customers.

According to the Company, each time when the Group selects a contractor for the construction of a technology park, the Group will consider the quotation from the CMDC Group and compare it with the market price expected to be charged by other service providers in the relevant local market. Given that there are only a few licensed market players in the EPC service industry in China, the pricing of other EPC services providers are transparent to the customers and can be obtained through enquiries with established EPC services suppliers or other EPC services customers. Where the construction timetable of the relevant technology park permits, the Group may also invite price quotations from at least 3 EPC services suppliers independent of the Group for EPC services in relation to the same technology park in the relevant local market for review and comparison purpose.

Having discussed with the Management and reviewed internal records of contractor selection process for previous projects, we noted that price quotations from independent suppliers were not obtained for some of the projects due to time constrain, but we consider the selection process of contractors is complied by the Company since it is allowed under such situation according to the policy. Given that (i) we have reviewed timetables of proposed projects; (ii) we also reviewed internal checklist approved by heads of different departments with explanation of not seeking quotations from independent suppliers for certain technology parks; (iii) the selection of contractors has adhered to the policy prescribed by the Company; (iv) the CMDC Group has ample experience in the industry and can give timely response; and (v) the quotations provided by the CMDC Group are slightly better than the publicly available construction costs, we are of the view that the price and selection process are fair and reasonable when there is no independent supplier involved for certain technology parks.

Taking into account (i) the internal control measures adopted by the Group, in particular, on the selection process of contractors; (ii) the discussions with the management team of the Company, including the chief financial officer of the Group and the manager responsible for the EPC Service Arrangement in the PRC; and (iii) the construction timetables of the relevant technology parks with regard to the EPC

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Service Arrangement under the Framework Agreement as described in the paragraph headed “1.2 Latest business development and performance of the Group” of this letter; we are of the view that the selection process of contractors have been properly complied with by the Company. It is our understanding that, when Independent Third Party quotations were obtained as time permits, the Group will only enter into contracts with the CMDC Group under the Framework Agreement if the price quoted by the CMDC Group in respect of the EPC services in the relevant local market is lower than, or within the range of, the market price to be charged by Independent Third Parties in the same local markets. In order to assess whether the internal control procedures are sufficient for monitoring the pricing mechanism, we have reviewed the internal control measures adopted by the Group, noted the Management had updated the prices of materials and construction costs from time to time based on the publicly available data; and had discussions with the management team of the Company, including the chief financial officer of the Group and the manager responsible for the EPC Service Arrangement in the PRC. With reference to the above, we noted that the internal control procedures of the Group are in place and the Management believes, and we concur that the internal control measures of the Group are sufficient for the purpose of monitoring the pricing mechanism for conducting the EPC Service Arrangement. Having taken into account the above, we are of the view that the operational procedure in place is fair and reasonable.

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 regard 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 10% margin of the unit cost. According to the Management and as set out in the Framework Agreement, the unit price for the prefabricated construction components and products should not exceed RMB3,000 per cubic metre (including tax).

Given that the price list of 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 prevailing market price per 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.

As discussed with the Management, we noted that the marketing department of the Group will assess and determine the proposed sale price of the prefabricated construction components as quoted by the Group to the CMDC Group with reference to (i) the market price range of such units as charged by the largest supplier in the relevant locality, (ii) a comparison of the quality and standard of those prefabricated construction components, and (iii) the demand for such components in the market at the relevant time. Furthermore, the marketing department will also review and assess if such price quoted by the Group is no less favourable to the Group than those offered to independent customers, taking into account the difference in the quality and standard of the prefabricated construction units and the development of long term business relationship of the Group. The general manager responsible for the business segment of supplying the prefabricated construction components will make the final approval of setting the price. Having taking into account the above, we are of the view that the operational procedure in place is fair and reasonable.

Having discussed with Management and by reviewing 25 randomly selected sample contracts, we noted that the Group generally charged a mark-up percentage of not more than 10% on top of the selling price of the prefabricated construction components and products. We also noted that the mark-up applied to the CMDC Group are similar to those charged for the existing contracts entered into between the Company and other Independent Third Party customers.

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 regard to the EPC Service Arrangement***

According to the Management, the payment arrangement between the Company and CMDC with regard 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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progress, until the cumulative payment amount reaches 70% of the contract sum;

- (ii) upon 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.

Having discussed with Management and by reviewing 15 sample contracts, we noted that the payment terms granted by the Independent Third Party construction contractors in the PRC are similar to that offered by the CMDC Group to the Group under the EPC Arrangement. We further understand from the Management that this is CMDC Group's practice and in line with the terms offered by the CMDC Group to its other Independent Third Party customers. Taking into account the above, we are of the view that the payment method of the EPC Service Arrangement is fair and reasonable and on normal commercial term.

### *3.3.2 With regard 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 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 its Independent Third Party customers (i.e. by reviewing 25 randomly selected sample contracts) 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 Party customers. Taking into account the above, we are of the view that the payment method of the Supply Arrangement is fair and reasonable and on normal commercial terms.

**4 Historical and Proposed Transaction Value and Annual Cap under the Framework Agreement**

**4.1 Historical transaction value and annual caps under the Framework Agreement**

*4.1.1 Historical transaction value for the EPC Service Arrangement*

The estimated maximum transaction value for the EPC Service Arrangement in the Previous Framework Agreement expired on 31 December 2017 was RMB400 million. The actual transaction value for EPC Service Arrangement for the year ended 31 December 2017 was approximately RMB165 million, representing approximately 41% of the then proposed annual cap.

We have discussed with the Management and noted the key reasons attributable to the low utilisation rate of the then proposed annual cap as mentioned above were the effect of those reasons for entering into the Framework Agreement. In particular, we note that:

- (i) due to change of construction plans which, in turn, required longer time to complete till 2018, some of the transaction value for the EPC Service Arrangement are to be deferred to the year ending 31 December 2018;
- (ii) due to suspension of the construction of the logistics plant(s), some of the transaction value for the EPC Service Arrangement originally planned for the logistics plant(s) were unused during the year ended 31 December 2017;
- (iii) due to a change to another site and the acquisition did not materialise in 2017, the transaction value for the EPC Service Arrangement originally planned for this site was unused during the year ended 31 December 2017; and
- (iv) whilst the Group had successfully acquired 2 new sites for construction of technology parks in 2017, which construction had commenced in 2017 and is expected to continue to carry out in 2018, the transaction value used by these two sites in 2017 was less than the transaction value for the EPC Service Arrangement originally planned for the usage by a site during the year ended 31 December 2017, whereby the variance was captured as unused in the year ended 31 December 2017.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that the change in construction plans, the time to successfully acquire a site and the market demand of pre-fabricated construction components and products are subject to change due to various factors uncontrolled by the Group, the Management believes and we concur that the relatively low utilisation rate of the proposed annual cap in the past have no bearing on the fairness and reasonableness of the basis to determine the then proposed annual cap.

### *4.1.2 Historical annual cap for the Supply Arrangement*

The proposed annual cap for the Supply Arrangement as contemplated in the Previous Framework Agreement was RMB476 million. However, the actual transaction amount for Supply Arrangement was approximately RMB24 million, representing approximately 5% of the then proposed annual cap.

We have discussed with the Management and noted the key reasons attributable to the low utilisation rate of the then proposed annual cap were as follows:

- (i) due to change of construction plans which, in turn, required longer time to complete till 2018, and, postponed the requirement for supply of prefabricated construction units to 2018;
- (ii) due to suspension of the construction of the logistics plant(s), which in turn, implied no requirement for supply of some prefabricated construction units in 2017; and
- (iii) due to a change to another site and the acquisition did not materialise in 2017, the supply originally planned for this site was unused during the year ended 31 December 2017.

Given the change in construction plans, the time to successfully acquire a site and the market demand of pre-fabricated construction components and products are subject to change due to various factors uncontrolled by the Group, the Management believes and we concur that the relatively low utilisation rate of the proposed annual cap in the past have no bearing on the fairness and reasonableness of the basis to determine the then proposed annual cap.

4.2 *Proposed transaction value and annual caps under the Framework Agreement*

4.2.1 *Estimated transaction value for the EPC Service Arrangement*

When arriving at our view with regard to the estimated maximum value of the transactions under the EPC Service Arrangement of the Framework Agreement of RMB400 million for the year ending 31 December 2018, we have (i) reviewed 12 contracts covering more than 10% of revenue of CMDC Group in 2017 and contracts between the Group and Independent Third Parties; (ii) discussed with the Management regarding the estimated costs and construction plans of the 4 remaining secured sites; and (iii) discussed with the Management regarding the budget costs and expected construction plans for the 6 potential sites currently under negotiation or identified by the Group. We have also considered the following factors in determining the estimated maximum transaction value:

- (i) according to the Management, assuming CMDC has been successfully selected after a bidding process, the aggregate estimated construction area of the abovementioned 10 technology parks during the year ending 31 December 2018 is approximately 166,000 square metres (please refer to the table in the section headed “1.2 Recent business development and performance of the Group” above);
- (ii) the construction plan and duration of the 10 technology parks during the year ending 31 December 2018 which are set out in the section headed “1.2 Recent business development and performance of the Group” above;
- (iii) the maximum contractual price of RMB2,600 per square metre (inclusive of tax and a mark-up of not more than 5% of the construction cost) is lower than, or within the range of, 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; and
- (iv) a mark-up of not more than 5% of the construction cost which is mentioned in the section headed “3.2.1 With regard to the EPC Service Arrangement” above is slightly lower than those offered by the CMDC Group to other third parties.

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 2018 of RMB400 million, calculated by multiplying the aggregate estimated construction area of the abovementioned 10 technology parks during the year ending 31 December 2018 with the maximum contractual price of RMB2,600 per square metre, to be fair and reasonable.

#### *4.2.2 Proposed Annual Cap for the Supply Arrangement*

In order to arrive at our view with regard to the Proposed Annual Cap of RMB300 million for the Supply Arrangement, we have performed the following work, such as (i) reviewed the supply contracts with independent customers of the Group covering more than 50% of the Company's revenue; (ii) discussed with the Management regarding the estimated demand of the 4 remaining secured sites within the year ending 31 December 2018; and (iii) discussed with the Management regarding expected demand for their prefabricated construction components and products as well as prefabricated construction capabilities for the 6 potential sites currently under negotiation or identified by the Group within the year ending 31 December 2018. 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 continued to enter into a large number of construction contracts, which are all required to be constructed with 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 the year ending 31 December 2018 as mentioned in the paragraph headed "1.2 Recent business development and performance of the Group" above; (cc) the CMDC Group's continued demand for prefabricated construction components and products as mentioned above; and (dd) the Group intends to allow sufficient amount of supply available for the demand from CMDC Group so as to enhance its chances to be selected in any tendering process for the supply mandate from CMDC Group, the Management decided to fix at an amount of not more than RMB300 million during the period under the Framework Agreement;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) we understand from the Management that 9 of the technology parks may supply prefabricated construction components and products to the CMDC Group in 2018. Having reviewed the monthly breakdown of expected transaction amount and value for each of the 9 technology parks, we note that the Company expects to supply approximately 108,000 cubic metres of prefabricated construction components and products to the CMDC Group, which represents approximately 10% to 14% of the expected total production capacity of the Group for the year ending 31 December 2018 (which is approximately 800,000 to 1,070,000 cubic metres as described in the table under the paragraph headed “1.2 Latest business development and performance of the Group” above). Moreover, we further understand from the Management that the expected selling price of prefabricated construction components and products for the 9 technology parks ranges from RMB2,500 to RMB3,000 per cubic metre;
- (iv) we noted that the CMDC Group will invite the Group to submit tender/quotation 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; and
- (v) the maximum selling price of RMB3,000 per cubic meter (with a profit of not more than 10% included) is in line with the price quoted by the Company to the Independent Third Party customers, 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.

Given that each of the abovementioned factors has been supported and reasonably arrived at, we consider the Proposed Annual Cap for the Supply Arrangement for the year ending 31 December 2018 of RMB300 million, calculated by multiplying the maximum selling price of RMB3,000 per cubic meter (with a profit of not more than 10% included) with the expected demand of prefabricated construction components and products from the CMDC Group of approximately 108,000 cubic metres, to be fair and reasonable.

As mentioned in (ii) above, the Directors believe that, in order to put the Group in a competitive position to be awarded with supply mandates by the CMDC Group, it would be important that the Proposed

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Annual Cap for the Supply Arrangement under the Framework Agreement is set at a proposed level so as not to be prevented from submitting tenders/quotations for supply mandate (in the event that any potential projects as set out in the table under the paragraph headed “1.2 Latest business development and performance of the Group” above were replaced by other new potential projects) because the annual transaction amounts have reached or likely to exceed an annual cap if it is set at a low level. Given that there is no commitment that the Group will be awarded with the supply mandate by the CMDC Group at any time, we concur with the Directors that it is also commercially justifiable to set the Proposed Annual Cap for the Supply Arrangement under the Framework Agreement at RMB300 million (though the utilisation rate was low for the year ended 31 December 2017) to allow flexibility for the Group to operate, manage and grow its business.

### RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the entering into the Framework Agreement and the transactions contemplated thereunder is in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) the Proposed Annual Cap for the Supply Arrangement and the estimated transaction value under the EPC Service Arrangement in relation to the Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

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 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).

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**  
**Jeanny Leung**  
*Executive Director*

*Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has about 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance 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 CMIC (other than CMDC). CMIC is the Company's ultimate controlling shareholder holding 65.03% 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 2017 (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 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 CMIC (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:

<b>Name</b>	<b>Qualification</b>
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 2017 (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, or were proposed to be 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).

**NO MATERIAL ADVERSE CHANGE**

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 2017, 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 close 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.

**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 Mr. Tsang Ho Pong 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 Shop 1712-1716, 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 Framework Agreement;
- (ii) the Previous Framework Agreement;

- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this Circular;
- (iv) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 40 of this Circular;
- (v) the written consent referred to in the paragraph headed “Qualification and consent of expert” in this Appendix; and
- (vi) a copy of this circular.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)

**NOTICE IS HEREBY GIVEN** that a special general meeting of China Minsheng Drawin Technology Group Limited (the “**Company**”) will be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong on Thursday, 21 June 2018 at 10:30 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 4 June 2018 issued by the Company.

“**THAT** the entry into by the Company of the Framework Agreement dated 2 May 2018 (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, 4 June 2018

*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.

\* *For identification purpose only*

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## NOTICE OF SPECIAL GENERAL MEETING

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- (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 Shop 1712-1716, 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. Chan Chi Hung, Mr. Jiang Hongqing, Mr. Lee Chi Ming and Mr. Ma Lishan as independent non-executive directors.*