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CHINA MINSHENG DIT GROUP LIMITED

中民築友智造科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

ANNOUNCEMENT DISCLOSEABLE TRANSACTION DISPOSAL OF 100% EQUITY INTERESTS IN A SUBSIDIARY

The Board is pleased to announce that on 20 May 2019, CMTI, being a subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which CMTI has agreed to sell, and the Purchaser has agreed to purchase, the HCMDIT Equity Interests at a consideration of RMB70,000,000 (equivalent to approximately HKD79,545,455) by the Purchaser to CMTI (the “**Share Consideration**”). Upon completion of the Disposal, the Purchaser shall assume CMTI’s liability to pay up the unpaid registered capital to HCMDIT in respect of the HCMDIT Equity Interests in the amount of RMB40,000,000 (equivalent to approximately HKD45,454,545 (the “**Debt Consideration**”). As of the date of this announcement, HCMDIT has not yet started operation. Its principal business operation is intended to be construction industrialisation.

As the highest applicable percentage ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As the completion of the Second Transfer and the Third Transfer are conditional upon the satisfaction or waiver of Second Transfer Conditions and Third Transfer Conditions respectively, there remains a possibility that the Second Transfer or the Third Transfer may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the shares or any other securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 20 May 2019, CMTI, being a subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which CMTI has agreed to sell, and the Purchaser has agreed to purchase, the HCMDIT Equity Interests at a consideration of RMB70,000,000 (equivalent to approximately HKD79,545,455) by the Purchaser to CMTI (the “**Share Consideration**”). Upon completion of the Disposal, the Purchaser shall assume CMTI’s liability to pay up the unpaid registered capital to HCMDIT in respect of the HCMDIT Equity Interests in the amount of RMB40,000,000 (equivalent to approximately HKD45,454,545 (the “**Debt Consideration**”). As of the date of this announcement, HCMDIT has not yet started operation. Its principal business operation is intended to be construction industrialisation.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date of Contract: 20 May 2019

Parties: (1) CMTI; and
(2) the Purchaser

Assets to be disposed and Total Consideration: Pursuant to the Sale and Purchase Agreement, CMTI has agreed to sell, and the Purchaser has agreed to purchase, the HCMDIT Equity Interests at a consideration of RMB70,000,000 (equivalent to approximately HKD79,545,455) by the Purchaser to CMTI (the “**Share Consideration**”). Upon completion of the Disposal, the Purchaser shall assume CMTI’s liability to pay up the unpaid registered capital to HCMDIT in respect of the HCMDIT Equity Interests in the amount of RMB40,000,000 (equivalent to approximately HKD45,454,545 (the “**Debt Consideration**”).

Information of the HCMDIT is set out under the section headed “*Information of HCMDIT*”.

Disposal Timeline: The Disposal is divided into three (3) stages, which shall be completed before 30 December 2019:

Pursuant to the Sale and Purchase Agreement,

(1) 20% of the HCMDIT Equity Interests will be transferred in stage 1 of the Disposal (the “**First Transfer**”):

Within 3 days after the signing of the Sale and Purchase Agreement, the Purchaser agreed to pay to CMTI 20% of the Share Consideration, in the amount of RMB14,000,000 (equivalent to approximately HKD15,909,091).

The Purchaser and CMTI agreed to complete the SAIC registration in relation to the First Transfer within 7 business days after the receipt of RMB14,000,000 by CMTI. Upon completion of the First Transfer, the Purchaser shall assume 20% of the Debt Consideration, being CMTI's liability to pay up the unpaid registered capital of HCMDIT in respect of 20% of the HCMDIT Equity Interests in the amount of RMB8,000,000 (equivalent to approximately HKD9,090,909).

- (2) 70% of the HCMDIT Equity Interests will be transferred in stage 2 of the Disposal (the “**Second Transfer**”):

Within 5 days after the completion of SAIC registration in respect of the First Transfer, the Purchaser agreed to pay to an account commonly held by the Purchaser and CMTI 70% of the Share Consideration, in the amount of RMB49,000,000 (equivalent to approximately HKD55,681,818).

The funds in the said commonly held account shall be released to CMTI upon the satisfaction of the following conditions:

- (i) the receipt of the written approval by the relevant governmental authority in respect of the tubular pipe projects to be undertaken by HCMDIT;
- (ii) the approval by the relevant governmental authority in respect of environmental assessment as a result of tubular pipe projects to be undertaken by HCMDIT on the land; and
- (iii) the handover of control of the assets and books and records of HCMDIT to the Purchaser and the completion of SAIC registration in respect of the Second Transfer

((i) to (iii) collectively, the “**Second Transfer Conditions**”).

Upon completion of the Second Transfer, the Purchaser shall assume 70% of the Debt Consideration, being CMTI's liability to pay up the unpaid registered capital of HCMDIT in respect of 70% of the HCMDIT Equity Interests in the amount of RMB28,000,000 (equivalent to approximately HKD31,818,182).

- (3) 10% of the HCMDIT Equity Interests will be transferred in stage 3 of the Disposal (the “**Third Transfer**”):

Upon (i) the completion of relevant government filings and registration for the project undertaken by HCMDIT in Gaoxin District, Haikou, and (ii) the satisfaction of the necessary conditions for the commencement of the tubular pipe project (the “**Third Transfer Conditions**”), the Purchaser agreed to pay to CMTI 10% of the Share Consideration, in the amount of RMB7,000,000 (equivalent to approximately HKD7,954,545).

Upon completion of the Third Transfer, the Purchaser shall assume 10% of the Debt Consideration, being CMTI’s liability to pay up the unpaid registered capital of HCMDIT in respect of 10% of the HCMDIT Equity Interests in the amount of RMB4,000,000 (equivalent to approximately HKD4,545,455).

Undertakings:

- i. CMTI undertook to settle all inter-company loans between HCMDIT on one part and CMTI and its affiliates on another part before the completion of the Second Transfer; and
- ii. CMTI undertook that after the completion of the First Transfer but before the completion of the Second Transfer, all new agreements to be entered into by HCMDIT and all new business to be developed by HCMDIT must be approved by the Purchaser and CMTI.
- iii. Within 30 days after the completion of the Third Transfer, the Purchaser shall change the name of HCMDIT and shall not use or adopt the brand of China Minsheng DIT* (中民筑友).

Basis for determining the Total Consideration

The terms of the Disposal, including the Total Consideration thereof, were determined after arm’s length negotiation between CMTI and the Purchaser, having regard to the net asset value of HCMDIT and the amount of the outstanding unpaid registered capital of HCMDIT.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

Given that HCMDIT has not yet started operations nor generated revenue and profits for the financial years ended 31 December 2017 and 31 December 2018, the Board believes that the Group can better utilise its resources by investing the proceeds generated from the Disposal in the Group’s existing projects which may provide better return for its shareholders.

Therefore, the Board is of the view that, in respect of the Disposal:

- (i) the terms and conditions of the Sale and Purchase Agreement are fair and reasonable; and
- (ii) the Sale and Purchase Agreement and the transactions contemplated thereunder are in the interest of the Company and the shareholders of the Company as a whole.

INFORMATION OF HCMDIT

HCMDIT was incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. As of the date of this announcement, HCMDIT has not yet started operation. Its not principal business operation is intended to be construction industrialisation.

Set out below is a summary of the unaudited net loss before and after taxation of HCMDIT for each of the financial year ended 31 December 2017 and 2018:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	<i>(RMB)</i>	<i>(RMB)</i>
Net loss before taxation	(312,333)	(1,108,606)
Net loss after taxation	(259,115)	(888,816)

According to the unaudited consolidated financial statement of HCMDIT for the year ended 31 December 2018, the net asset value of HCMDIT as at 31 December 2018 was approximately RMB58,852,000 (equivalent to approximately HKD66,877,000).

INFORMATION OF THE PARTIES

The Company

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

CMTI

CMTI was incorporated in the PRC and it is a wholly-owned subsidiary of the Company.

The principal business of CMTI includes construction industrialization.

The Purchaser

The Purchaser was incorporated in the PRC and its principal business includes construction industrialization.

To the best of the Directors' knowledge, information and belief and having made all reasonable inquiries, the Purchaser and the ultimate beneficial owner(s) of the Purchaser are third parties independent of the Company and the connected persons of the Company.

FINANCIAL EFFECT OF THE DISPOSAL AND THE USE OF PROCEEDS

Upon completion of the Disposal, HCMDIT will cease to be a subsidiary of the Company.

It is expected that the Company will record a gain of approximately RMB11,200,000 as a result of the Disposal which is calculated by reference to the Total Consideration and the net asset value of HCMDIT. The actual gain of the Company resulting from the Disposal to be recorded by the Company is subject to audit, and will be calculated based on the net asset value of HCMDIT as at the date of completion of the Disposal, and the related expenses incurred by the Company in relation to the Disposal, and therefore may vary from the figure as set out above.

The net proceeds from the Disposal will be used for the general corporate purposes of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

The exchange rate adopted in this announcement for illustration purpose only is HKD1 = RMB0.88.

As the completion of the Second Transfer and the Third Transfer are conditional upon the satisfaction or waiver of Second Transfer Conditions and Third Transfer Conditions respectively, there remains a possibility that the Second Transfer or the Third Transfer may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the shares or any other securities of the Company.

DEFINITIONS

“Board”	the board of Directors
“CMTI”	China Minsheng Technology Investment Limited* (中民築友科技投資有限公司), a wholly-owned subsidiary of the Company
“Company”	China Minsheng DIT Group Limited (中民築友智造科技集團有限公司), a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange (Stock Code: 00726)
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the HCMDIT Equity Interests by the Company
“First Consideration”	has the meaning given to it under the section headed “ <i>Principal Terms of the Sale and Purchase Agreement — Conditions Precedent and Consideration</i> ” in this announcement
“First Transfer”	has the meaning given to it under the section headed “ <i>Principal Terms of the Sale and Purchase Agreement — Conditions Precedent and Consideration</i> ” in this announcement
“Group”	the Company and its subsidiaries
“HCMDIT”	Haikou China Minsheng DIT Limited* (海口中民築友智造科技有限公司), a wholly-owned subsidiary of CMTI
“HCMDIT Equity Interests”	100% of the equity interests in HCMDIT
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Jianhua Construction Materials (China) Limited* (建華建材(中國)有限公司), a company incorporated under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“SAIC”	State Administration for Industry and Commerce (國家工商 行政管理總局) of the PRC
“Sale and Purchase Agreement”	a sale and purchase agreement dated 20 May 2019 entered into between CMTI and the Purchaser in relation to the Disposal
“Second Consideration”	has the meaning given to it under the section headed “ <i>Principal Terms of the Sale and Purchase Agreement — Conditions Precedent and Consideration</i> ” in this announcement
“Second Transfer”	has the meaning given to it under the section headed “ <i>Principal Terms of the Sale and Purchase Agreement — Conditions Precedent and Consideration</i> ” in this announcement
“Second Transfer Conditions”	has the meaning given to it under the section headed “ <i>Principal Terms of the Sale and Purchase Agreement — Conditions Precedent and Consideration</i> ” in this announcement
“Third Transfer”	has the meaning given to it under the section headed “ <i>Principal Terms of the Sale and Purchase Agreement — Conditions Precedent and Consideration</i> ” in this announcement
“Third Transfer conditions”	has the meaning given to it under the section headed “ <i>Principal Terms of the Sale and Purchase Agreement — Conditions Precedent and Consideration</i> ” in this announcement
“Total Consideration”	RMB110,000,000 (equivalent to approximately HKD125,000,000), being the aggregate of the Share Consideration and Debt Consideration

By Order of the Board
China Minsheng DIT Group Limited
Yin Jun
Chairman and Executive Director

Hong Kong, 20 May 2019

As at the date of this announcement, the Board comprises Mr. Yin Jun (Chairman) and Mr. Yang Hongwei as executive directors; Mr. Peng Xiongwen as non-executive director; Mr. Jiang Hongqing, Mr. Lee Chi Ming, and Mr. Ma Lishan as independent non-executive directors.

* *For identification purpose only*