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DIT GROUP LIMITED

築友智造科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

ANNOUNCEMENT

FRAMEWORK AGREEMENTS IN RELATION TO CONTINUING CONNECTED TRANSACTIONS — (1) DECORATION SERVICE ARRANGEMENT; AND (2) LANDSCAPING SERVICE ARRANGEMENT

INTRODUCTION

The Board is pleased to announce that on 7 July 2021 (after trading hours), the Company and CCRE entered into (i) the Framework Agreement I in relation to the provision of decoration service by the Group to CCRE Group, namely the Decoration Service Arrangement and (ii) the Framework Agreement II in relation to the provision of landscaping services by the Group to CCRE Group, namely the Landscaping Service Arrangement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wu Po Sum indirectly held 72.27% of the issued Shares, hence an indirect controlling shareholder of the Company, and indirectly held 69.64% of the issued shares of CCRE. Mr. Wu Po Sum is also the father of Ms. Wu Wallis (alias Li Hua) (a non-executive Director). Therefore, CCRE is a connected person of the Company under the Listing Rules, and each of the Decoration Service Arrangement and the Landscaping Service Arrangement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The Decoration Service Arrangement and the Landscaping Service Arrangement are of revenue nature in the ordinary and usual course of business of the Group, and the counter-parties are the same; therefore, in accordance with Rule 14A.81 of the Listing Rules, the Decoration Service Arrangement and the Landscaping Service Arrangement shall be aggregated when calculating the applicable percentage ratios.

As the applicable percentage ratios in respect of the Proposed Decoration Service Arrangement Annual Cap and the Proposed Landscaping Service Arrangement Annual Cap in aggregate exceed 5%, the transactions contemplated under the Decoration Service Arrangement and the Landscaping Service Arrangement are subject to the annual review, reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The Company will convene the SGM for the purpose of considering and approving the Framework Agreements (including the Proposed Annual Caps). A circular containing, among others, (i) further information on the terms of the Framework Agreements (including the Proposed Annual Caps); (ii) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the Framework Agreements (including the Proposed Annual Caps); (iii) the letter of advice from the Independent Financial Adviser containing its advice in connection with the Framework Agreements (including the Proposed Annual Caps); and (iv) a notice convening the SGM and the related proxy form, is currently expected to be despatched to the Shareholders on or before 28 July 2021.

If the Independent Shareholders' approval for the Framework Agreements are not obtained at the SGM, the transactions contemplated under the Framework Agreements will 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 7 July 2021 (after trading hours):

- (i) the Company and CCRE entered into the Framework Agreement I in relation to the Decoration Service Arrangement; and
- (ii) the Company and CCRE entered into the Framework Agreement II in relation to the Landscaping Service Arrangement.

PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT I

Date: 7 July 2021 (after trading hours)

Parties: (1) the Company; and
(2) CCRE

Term: For a term commencing from the approval date of the Framework Agreement I by the Independent Shareholders and ending on 31 December 2023. The Framework Agreement I 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. If the term of the Framework Agreement I exceeds 31 December 2023, the Company will re-comply with the relevant requirements of the Listing Rules.

Subject matters:

Pursuant to the Decoration Service Arrangement, the Group may participate in the selection and bidding process arranged by CCRE Group for the provision of decoration services such as interior decoration and curtain wall decoration for high-end or fully-furnished property development projects of CCRE Group. Upon selection of the Company as the contractor through the selection or bidding process, the Company will provide, or procure its subsidiaries to provide, decoration services to CCRE Group in accordance with the terms of the tender and relevant service contracts.

Pricing:

Under the Decoration Service Arrangement, the contract price for decoration services to be provided by the Group should be determined with reference to, exclusive of tax, the estimated costs of a decoration project, including construction fees, technical measures fees, site management fees, among others, and a gross profit margin of not more than 18% of such costs.

In respect of decoration services provided under the Framework Agreement I, the Group shall quote a contract price for CCRE not higher than those offered to comparable independent third party customers in respect of comparable decoration services.

Payment arrangement:

The Framework Agreement I provides that details of the payment mechanism for all fees and payments due to the Group pursuant to the Decoration Service Arrangement should be specified in the relevant service contracts to be entered into by the parties.

PRINCIPAL TERMS OF THE FRAMEWORK AGREEMENT II

Date: 7 July 2021 (after trading hours)

Parties: (1) the Company; and
(2) CCRE

Term: For a term commencing from the approval date of the Framework Agreement II by the Independent Shareholders and ending on 31 December 2023. The Framework Agreement II 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. If the term of the Framework Agreement II exceeds 31 December 2023, the Company will re-comply with the relevant requirements of the Listing Rules.

Subject matters:

Pursuant to the Landscaping Service Arrangement, the Group may participate in the selection and bidding process arranged by CCRE for the provision of landscaping services in respect of property development projects of CCRE Group, including greening and gardening works, road works and outdoor water and drainage system installation works. Upon selection of the Company as the contractor through the selection or bidding process, the Company will provide, or procure its subsidiaries to provide, landscaping services to CCRE Group in accordance with the terms of the tender and relevant service contracts.

Pricing:

Under the Landscaping Service Arrangement, the contract price for landscaping services to be provided by the Group should be determined with reference to, exclusive of tax, the estimated costs of a landscaping project, including construction fees, technical measures fees, site management fees, among others, and a gross profit margin of not more than 20% of such costs.

In respect of landscaping services provided under the Framework Agreement II, the Group shall quote a contract price for CCRE not higher than those offered to comparable independent third party customers in respect of comparable landscaping services.

Payment arrangement:

The Framework Agreement II provides that details of the payment mechanism for all fees and payments due to the Group pursuant to the Landscaping Service Arrangement should be specified in the relevant service contracts to be entered into by the parties.

PROPOSED ANNUAL CAPS IN RESPECT OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE FRAMEWORK AGREEMENTS

Proposed Annual Caps

Pursuant to Rule 14A.53 of the Listing Rules, the Company is required to set an annual cap in respect of the maximum aggregate transaction amounts under the Decoration Service Arrangement and the Landscaping Service Arrangement over the term of the Framework Agreement I and the Framework Agreement II, respectively. The Proposed Decoration Service Arrangement Annual Cap and the Proposed Landscaping Service Arrangement Annual Cap are set out below:

	Proposed Annual Caps					
	Year ending 31 December 2021		Year ending 31 December 2022		Year ending 31 December 2023	
	<i>(equivalent to approximately</i>		<i>(equivalent to approximately</i>		<i>(equivalent to approximately</i>	
	<i>(RMB)</i>	<i>HK\$)</i>	<i>(RMB)</i>	<i>HK\$)</i>	<i>(RMB)</i>	<i>HK\$)</i>
The Decoration Service Arrangement	200 million	240 million	300 million	360 million	400 million	480 million
The Landscaping Service Arrangement	200 million	240 million	300 million	360 million	400 million	480 million

The actual value of each transaction under the Decoration Service Arrangement and the Landscaping Service Arrangement will, when it is entered into, be determined according to the pricing mechanism set out in the respective Framework Agreements and the relevant service contracts as described above.

Basis of determination

In arriving at the Proposed Decoration Service Arrangement Annual Cap and the Proposed Landscaping Service Arrangement Annual Cap, the Directors have taken into consideration the following factors (as appropriate):

- (i) in respect of the Decoration Service Arrangement,
 - (a) pursuant to recent negotiations between the Company and CCRE, CCRE's demand for new decoration projects in 2021 involves a total project area of approximately 1.54 million sq.m., which corresponds to approximately RMB1.02 billion in decoration services contract sums;

- (b) pursuant to recent negotiations between the Company and CCRE, it is expected that the Group can undertake up to 50% of business volumes from CCRE's decoration business in 2021, which corresponds to approximately RMB510 million in decoration services contract sums;
 - (c) based on the current effective contracted sums-turnover conversion ratio of the Group, which is approximately 68% with respect to the Group's current decoration services contracts for the year, it is estimated that the RMB510 million contracted sums arising from decoration services provided by the Group to CCRE in the second half of 2021 will be converted into a turnover of approximately RMB300 million;
 - (d) having considered the term of the Framework Agreement I, it is expected that the Group shall then realize a revenue of RMB200 million in the current year, representing approximately 67% of the aforesaid turnover; and
 - (e) the projection by the Group that the Proposed Decoration Service Arrangement Annual Cap for 2022 and 2023 will grow to RMB300 million and RMB400 million, respectively, based on the estimated demand from CCRE and estimated turnover conversion ratio.
- (ii) in respect of the Landscaping Service Arrangement,
- (a) pursuant to recent negotiations between the Company and CCRE, CCRE's demand for new landscaping projects in 2021 involves a total project area of approximately 1.88 million sq.m., which corresponds to approximately RMB940 million in landscaping services contract sums;
 - (b) pursuant to recent negotiations between the Company and CCRE, it is expected that the Group can undertake up to 50% of business volumes from CCRE's landscaping business in 2021, which corresponds to approximately RMB470 million in landscaping services contract sums;
 - (c) based on the current effective contracted sums-turnover conversion ratio of the Group, which is approximately 46% with respect to the Group's current landscaping services contracts for the year, it is estimated that the RMB470 million contracted sums arising from landscaping services provided by the Group to CCRE in the second half of 2021 will be converted into a turnover of approximately RMB200 million.
 - (d) having considered the term of the Framework Agreement II, it is expected that the Group shall then realize a revenue of RMB200 million in the current year, representing 100% of the aforesaid turnover; and

- (e) the projection by the Group that the Proposed Landscaping Service Arrangement Annual Cap for 2022 and 2023 will grow to RMB300 million and RMB400 million, respectively, based on the estimated demand from CCRE and estimated turnover conversion ratio.

Historical amounts

As the transactions contemplated under the Framework Agreements represent new transactions with CCRE, no historical transaction amounts are available for disclosure purposes.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS

The Group has conducted market expansion and industrial arrangement in major cities in China, especially in central China including Henan Province and the eight surrounding provinces and cities. In respect of decoration service capabilities, it can efficiently provide a multitude of construction services in hard and soft interior decoration and exterior decoration projects for common areas in residential properties, sales department, model rooms, batch finishing, commercial properties, clubhouses, office buildings, schools, shops and other premises, including construction materials supply and installation services. In respect of landscaping services capabilities, it can efficiently provide design services for solid paving, tree planting, landscape building and construction, landscape wall and fencing, miniature, minor topography, waterscape, lighting, water supply and drainage, background music and ancillary facilities, as well as technical services during preconstruction and construction of a landscaping project.

With our increasing business capabilities, the Group can deliver high quality decoration and landscaping services in large scale in the abovementioned regions. By entering into the Framework Agreements, the Group can fully leverage its strengths and expertise to obtain additional income streams.

The Framework Agreement I and the Framework Agreement II set out coherent frameworks for further cooperation amongst the parties. By setting out certain key terms which the parties have agreed in-principle regarding future cooperation, including but not limited to pricing terms, the parties do not require prolonged negotiation and approval process in respect of any further cooperation each time when the parties propose to enter into specific contracts under the Decoration Service Arrangement and the Landscaping Service Arrangement.

The agreed terms stipulated under the Framework Agreement I and the Framework Agreement II shall streamline the internal approval process and improve the project efficiency for further cooperation. The Group believes that the internal control measures as detailed in the sub-section headed “**Internal Control Measures**” can ensure the fairness and reasonableness of the transactions entered into pursuant to the Framework Agreement I and the Framework Agreement II.

The Board (excluding all independent non-executive Directors, whose views will be provided after taking into account the advice of the Independent Financial Adviser) is of the view that:

- (i) the terms and conditions of the Framework Agreements are on normal commercial terms which are fair and reasonable;
- (ii) the Proposed Annual Caps are fair and reasonable; and
- (iii) the Framework Agreements and the transactions contemplated thereunder were 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.

To the best of the Directors’ knowledge and belief after having made all reasonable enquiries, as at the date of this announcement, (i) Mr. Liu Weixing, an executive Director and the chairman of the Board, directly holds approximately 0.43% of the issued shares of CCRE; (ii) Ms. Wu Wallis (alias Li Hua), a non-executive Director, directly holds approximately 0.34% of the issued shares of CCRE and is also a non-executive director of CCRE and the daughter of Mr. Wu Po Sum (who is an indirect controlling shareholder of CCRE); and (iii) Mr. Wang Jun, a non-executive Director, directly holds approximately 0.55% of the issued shares of CCRE and is also an executive director of CCRE. Save as disclosed above, no other Directors has a material interest in the Framework Agreements and the transactions contemplated thereunder. For good corporate governance purpose, Mr. Liu Weixing, Ms. Wu Wallis (alias Li Hua) and Mr. Wang Jun had abstained from voting on the relevant Board resolutions approving the Framework Agreements and the transactions contemplated thereunder.

Internal Control Measures

The Company has adopted a number of internal control measures to safeguard the aforesaid transactions to be carried out in a fair and reasonable manner and in the interests of the Company’s Shareholders as a whole.

Each time when the Group provides decoration and landscaping services for CCRE, the Group will comply with CCRE’s selection requirements and provide them with solutions in respect of price, qualification (including past experience and credentials), service quality, capabilities of meeting specification and safety standards (if applicable) in accordance with

the same procedures as those of the independent third parties for purpose of participating in a bidding. The Group will be selected as CCRE's contractor when terms offered are better than or equal to those of the independent third parties. As such, there is no guarantee that the Group will be selected as the contractor for the provision of the relevant services as there may be other readily available, comparable and competent contractors in the market for CCRE to consider.

The Company intends to ensure ongoing compliance with such pricing policies by requiring the approval from the finance department of the Company for each proposed transaction to be entered into under the Decoration Service Arrangement and the Landscaping Service Arrangement. This shall enable regular monitoring of the pricing terms of each transaction agreed upon between the Group and CCRE under the relevant arrangements.

The finance department of the Company will also monitor the transaction volume under the Decoration Service Arrangement and the Landscaping Service Arrangement to ensure the Proposed Annual Caps will not be exceeded. Monthly financial statements setting out the value of the transactions under the Decoration Service Arrangement and the Landscaping Service Arrangement will be submitted to the finance department of the Company.

During the term of the Framework Agreements, if there is a likelihood that the Proposed Annual Caps may be exceeded, the finance department of the Company shall report the matter to the Company's senior management, who shall negotiate with CCRE to take remedial actions immediately, including the suspension of transactions. The Company shall renegotiate with CCRE to revise such annual caps and re-comply with all relevant laws and regulations and the Listing Rules (where applicable, the announcement requirement, the Independent Shareholders' approval requirement and/or independent Directors' approval), and shall ensure that the Proposed Annual Caps will not be exceeded before such compliance.

INFORMATION OF THE PARTIES

The Company

The Company was incorporated as an exempted company with limited liability in Bermuda, the Shares of which are 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.

CCRE

CCRE is a company incorporated under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 832). It is principally engaged in real estate development and sales in Henan Province, the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Wu Po Sum indirectly held 72.27% of the issued Shares, hence an indirect controlling shareholder of the Company, and indirectly held 69.64% of the issued shares of CCRE. Mr. Wu Po Sum is also the father of Ms. Wu Wallis (alias Li Hua) (a non-executive Director). Therefore, CCRE is a connected person of the Company under the Listing Rules, and each of the Decoration Service Arrangement and the Landscaping Service Arrangement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The Decoration Service Arrangement and the Landscaping Service Arrangement are of revenue nature in the ordinary and usual course of business of the Group, and the counterparties are the same; therefore, in accordance with Rule 14A.81 of the Listing Rules, the Decoration Service Arrangement and the Landscaping Service Arrangement shall be aggregated when calculating the applicable percentage ratios.

As the applicable percentage ratios in respect of the Proposed Decoration Service Arrangement Annual Cap and the Proposed Landscaping Service Arrangement Annual Cap in aggregate exceed 5%, the transactions contemplated under the Decoration Service Arrangement and the Landscaping Service Arrangement are subject to the annual review, reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders in relation to the Framework Agreements (including the Proposed Annual Caps). The Company has appointed Fortune Financial Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Company will convene the SGM for the purpose of considering and approving the Framework Agreements (including the Proposed Annual Caps). Shareholders with a material interest in the Framework Agreements and the transactions contemplated thereunder are required to abstain from voting on the relevant resolution(s) at the SGM. As at the date of this announcement, (i) Mr. Wu Po Sum indirectly held approximately 72.27% of the issued Shares of the Company and 69.64% of the issued shares of CCRE and (ii) Mr. Liu Weixing, an executive Director and the chairman of the Board, directly held approximately 0.17% of the issued Shares of the Company and 0.43% of the issued shares of CCRE. Therefore, Mr. Wu Po Sum, Mr. Liu Weixing and their respective associates will abstain from voting on the relevant resolution(s) at the SGM.

A circular containing, among others, (i) further information on the terms of the Framework Agreements; (ii) the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the Framework Agreements (including the Proposed Annual Caps); (iii) the letter of advice from the Independent Financial Adviser containing its advice in connection with the Framework Agreements (including the Proposed Annual Caps); and (iv) a notice convening the SGM and the related proxy form, is currently expected to be despatched to the Shareholders on or before 28 July 2021.

If the Independent Shareholders' approval for the Framework Agreements are not obtained at the SGM, the transactions contemplated under the Framework Agreements will 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
“CCRE”	Central China Real Estate Limited (建業地產股份有限公司*), a company incorporated under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 832)
“CCRE Group”	CCRE and its subsidiaries from time to time
“Company”	DIT Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“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
“Decoration Service Arrangement”	the provision of decoration services by the Group to CCRE Group for their property development projects as set out in the Framework Agreement I
“Director(s)”	the director(s) of the Company from time to time
“Framework Agreement I”	the agreement entered into between the Company and CCRE on 7 July 2021 in relation to the Decoration Service Arrangement

“Framework Agreement II”	the agreement entered into between the Company and CCRE on 7 July 2021 in relation to the Landscaping Service Arrangement
“Framework Agreements”	the Framework Agreement I and the Framework Agreement II
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all three (3) independent non-executive Directors, namely Mr. Jiang Hongqing, Mr. Lee Chi Ming and Mr. Ma Lishan, established to advise the Independent Shareholders in respect of the Framework Agreements (including the Proposed Annual Caps) and the transactions contemplated thereunder
“Independent Financial Adviser”	Fortune Financial Capital Limited, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreements (including the Proposed Annual Caps) and the transactions contemplated thereunder
“Independent Shareholders”	all Shareholders other than the Shareholders with a material interest in the Framework Agreements and the transactions contemplated thereunder
“Landscaping Service Arrangement”	the provision of landscaping services by the Group to CCRE Group for their property development projects as set out in the Framework Agreement II
“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, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Proposed Annual Caps”	the Proposed Decoration Service Arrangement Annual Cap and the Proposed Landscaping Service Arrangement Annual Cap
“Proposed Decoration Service Arrangement Annual Cap”	the proposed annual cap in respect of the Decoration Service Arrangement over the term of the Framework Agreement I
“Proposed Landscaping Service Arrangement Annual Cap”	the proposed annual cap in respect of the Landscaping Service Arrangement over the term of the Framework Agreement II
“RMB”	Renminbi, the lawful currency of the PRC
“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 for the purpose of approving the Framework Agreements (including the Proposed Annual Caps) and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of par value HK\$0.40 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued 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)
“%”	per cent

For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of HK\$1 = RMB0.83376. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

By order of the Board
DIT Group Limited
Liu Weixing
Chairman and Executive Director

Hong Kong, 7 July 2021

As at the date of this announcement, the Board comprises Mr. Liu Weixing (Chairman), Mr. Guo Weiqiang and Ms. Wang Jing as executive Directors; Ms. Wu Wallis (alias Li Hua) and Mr. Wang Jun as non-executive Directors; Mr. Jiang Hongqing, Mr. Lee Chi Ming, and Mr. Ma Lishan as independent non-executive Directors.

** For identification purpose only*