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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO ENTERING INTO THE LABOUR SUBCONTRACT FRAMEWORK AGREEMENT

INTRODUCTION

The Board is pleased to announce that on 16 May 2022 (after trading hours), the Company entered into the Labour Subcontract Framework Agreement with Henan Drawin Labour in relation to the provision of labour subcontracting services by the Henan Drawin Labour Group to the Group's landscaping business, decoration business and prefabricated construction components manufacturing factories.

IMPLICATIONS UNDER THE LISTING RULES

Henan Drawin Labour is a direct wholly-owned subsidiary of Drawin Manufacture. As at the date of this announcement, Drawin Manufacture indirectly held approximately 57.36% of the issued Shares, hence a controlling shareholder of the Company. Drawin Manufacture is also indirectly wholly-owned by Mr. Wu Po Sum, who is the father of Ms. Wu Wallis (alias Li Hua) (a non-executive Director). Therefore, each of Drawin Manufacture and Henan Drawin Labour is a connected person of the Company under the Listing Rules. The transactions contemplated under the Labour Subcontract Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the continuing connected transactions under the Labour Subcontract Framework Agreement is more than 0.1% but less than 5%, the contemplated transactions under the Labour Subcontract Framework Agreement constitute continuing connected transactions which are only subject to the annual review, reporting and announcement requirements and are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

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PRINCIPAL TERMS OF THE LABOUR SUBCONTRACT FRAMEWORK AGREEMENT

Date: 16 May 2022 (after trading hours)

Parties: (1) the Company; and
(2) Henan Drawin Labour

Term: For a term commencing from 16 May 2022 to 31 December 2022 (both days inclusive). The Labour Subcontract 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.

Subject matters:

Pursuant to the Labour Subcontract Framework Agreement, the Henan Drawin Labour Group shall provide labour subcontracting services to the Group for its landscaping business, decoration business and prefabricated construction components manufacturing factories in its green construction technology parks in the PRC, for which the Henan Drawin Labour Group will charge the Group labour subcontracting fees (including labour wages, subcontract service fees, management fees, social insurance expenses, taxation, auxiliary materials and tools costs, and other fees).

The Company is free to, from time to time, select other service providers for the provision of labour subcontracting services through the selection or bidding process. The Company will consider the tender proposals and compare the quotations from all bidders, including that from the Henan Drawin Labour Group. During the selection process, the product

research and development department of the Group will conduct in-depth evaluation based on a scoring system applicable to all bidders, which will each be assessed on areas including price, credentials (including past experience and qualifications), quality of services, ability to satisfy specifications and safety standard. The product research and development department will then prepare a summary report and submit the same to the senior manager of internal audit department of the Group and the senior manager of the product research and development department of the Group for consideration and for making the final decision. Where the Henan Drawin Labour Group is the only bidder, the Group will compare the quotation with the market price expected to be charged or offered by other service providers in the city or district in which the Group's landscaping business, decoration business and prefabricated construction components manufacturing factories are located, and where the relevant business timetable permits, invite price quotations from at least two other independent service providers for review and comparison purposes. The Group believes that the pricing of the labour subcontracting services is, in general, transparent and can be obtained through making enquiries with market participants. The tender price for provision of the labour subcontracting services is also available on the government websites of the public resources trading centers. The Group will contract with the Henan Drawin Labour Group pursuant to the Labour Subcontract Framework Agreement if the price quoted by the Henan Drawin Labour Group is lower than, or within the range of, that from other bidders or market price.

Pricing:

Under the Labour Subcontract Framework Agreement, the contract price for labour subcontracting services to be provided by the Henan Drawin Labour Group to the Group should be determined with reference to the estimated labour costs plus a profit margin and management fee of not more than 5% of the labour costs. Pursuant to the Labour Subcontract Framework Agreement, the Henan Drawin Labour Group shall not quote a contract price that is higher than the market rate within the industry. Under the Labour Subcontract Framework Agreement, the contract price for labour subcontracting services to be provided by the Henan Drawin Labour Group to the Group for the term of the Labour Subcontract Framework Agreement shall not exceed HK\$95,000,000 (equivalent to approximately RMB82,138,000).

The proposed profit margin and the contract price for labour subcontracting services are determined by the parties following arm's length negotiations and set with reference to the average labour costs quoted from the other market participants in 2021 and the projected level of demand for labour subcontracting services of the Group for the term of the Labour Subcontract Framework Agreement.

Payment arrangement:

The Labour Subcontract Framework Agreement provides that details of the payment mechanism for all fees and payments due to the Henan Drawin Labour Group pursuant to the Labour Subcontract Framework Agreement should be specified in the relevant service or supply contracts to be entered into by the relevant parties.

PROPOSED ANNUAL CAP AND ESTIMATED TRANSACTION VALUE IN RESPECT OF THE TRANSACTIONS UNDER THE LABOUR SUBCONTRACT FRAMEWORK AGREEMENT**Proposed Annual Cap for the Labour Subcontract Framework Agreement**

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 amount under the Labour Subcontract Framework Agreement over the term of the Labour Subcontract Framework Agreement. It is estimated that the maximum transaction value during the term of the Labour Subcontract Framework Agreement will be HK\$95,000,000 (equivalent to approximately RMB82,138,000).

The actual value of each transaction under the Labour Subcontract Framework Agreement will, when it is entered into, be determined according to the pricing mechanism set out in the Labour Subcontract Framework Agreement as described above.

Basis of determination

In arriving at the Proposed Annual Cap and the estimated transaction value under the Labour Subcontract Framework Agreement, the Directors have principally taken into consideration the following factors, including, (i) the Group's business plans and expected growth trend of its landscaping business, decoration business and prefabricated construction components manufacturing factories; (ii) the current and expected labour capacity of the Group in its landscaping business, decoration business and prefabricated construction components manufacturing factories; (iii) the Group's expected demand for labour subcontracting services for the term of the Labour Subcontract Framework Agreement with reference to the expected working hours involved, commissioned and expected business volume and labour costs involved; (iv) the prevailing market price for comparable type of labour subcontracting services in the industry; and (v) a slight buffer for unexpected additional demands for the labour subcontracting services required by the Group from the Henan Drawin Labour Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LABOUR SUBCONTRACT FRAMEWORK AGREEMENT

As the Company is principally engaged in the prefabricated construction work, decoration and landscaping services, granting licenses, consulting services and sales of equipment in the PRC, it may require labour subcontracting services from time to time during the course of its ordinary business. The Henan Drawin Labour Group has expertise in labour subcontracting services and has established a good reputation for its quality services in the industry. By selecting the Henan Drawin Labour Group as a provider of such services, the Directors are of the view that the Group can benefit from its relatively low fee quote, its capabilities and competencies, its knowledge and familiarity of the Group's business needs and operational requirements and its extensive experience and expertise in providing such services in a timely manner and in accordance with applicable laws and regulations.

The Labour Subcontract Framework Agreement sets 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 Labour Subcontract Framework Agreement.

The agreed terms stipulated under the Labour Subcontract Framework Agreement 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 subsection headed "Internal Control Measures" can ensure the fairness and reasonableness of the transactions entered into pursuant to the Labour Subcontract Framework Agreement.

The Board (including all independent non-executive Directors, but excluding Ms. Wu Wallis (alias Li Hua), a non-executive Director and the daughter of Mr. Wu Po Sum, who indirectly holds the entire equity interest in Henan Drawin Labour) is of the view that:

- (a) the terms and conditions of the Labour Subcontract Framework Agreement are on normal commercial terms which are fair and reasonable;
- (b) the Proposed Annual Cap is fair and reasonable; and
- (c) the Labour Subcontract Framework Agreement 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, other than Ms. Wu Wallis (alias Li Hua) (a non-executive Director) who is the daughter of Mr. Wu Po Sum (who indirectly holds the entire equity interests in Henan Drawin Labour), none of the Directors has a material interest in the Labour Subcontract

Framework Agreement and the transactions contemplated thereunder. For good corporate governance purpose, Ms. Wu Wallis (alias Li Hua) had abstained from voting on the relevant Board resolutions approving the Labour Subcontract Framework Agreement and the transactions contemplated thereunder.

Internal Control Measures

The Company has adopted a number of internal control measures to safeguard the transactions under the Labour Subcontract Framework Agreement to be carried out in a fair and reasonable manner and in the interests of the Company and its Shareholders as a whole.

As disclosed in the section headed “PRINCIPAL TERMS OF THE LABOUR SUBCONTRACT FRAMEWORK AGREEMENT”, each time when the Group selects a service provider for the provision of labour subcontracting services, the Group will consider the quotation from the Henan Drawin Labour Group and compare it with that from other bidders and the market prices expected to be charged or offered by other service providers in the city or district in which the Group’s landscaping business, decoration business and prefabricated construction components manufacturing factories are located. During the selection process, the product research and development department of the Group will conduct in-depth evaluation based on a scoring system applicable to all bidders, which will each be assessed on areas including price, credentials (including past experience and qualifications), quality of services, ability to satisfy specifications and safety standard. The product research and development department will then prepare a summary report and submit the same to the senior manager of internal audit department of the Group and the senior manager of the product research and development department of the Group for consideration and for making the final decision. The Group will only contract with the Henan Drawin Labour Group under the Labour Subcontract Framework Agreement if the price quoted by the Henan Drawin Labour Group is lower than, or within the range of, the market price to be charged or offered by independent third parties. As such, there is no guarantee that the Henan Drawin Labour Group will be selected as the service provider for the provision of the labour subcontracting services as there may be other readily available, comparable and competent service providers in the market for the Group 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 Labour Subcontract Framework Agreement. This shall enable regular monitoring of the pricing terms of each transaction proposed by the Henan Drawin Labour Group. Furthermore, the finance department of the Company will monitor transaction volume under the Labour Subcontract Framework Agreement to ensure the Proposed Annual Cap will not be exceeded. Monthly financial statements setting out the aggregate value of the transactions under the Labour Subcontract Framework Agreement will be submitted to the finance department of the Company.

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 the prefabricated construction work, decoration and landscaping services, granting licenses, consulting services and sales of equipment in the PRC.

Henan Drawin Labour

Henan Drawin Labour is a company established under the laws of the PRC with limited liability and is a direct wholly-owned subsidiary of Drawin Manufacture. The principal business of Henan Drawin Labour is provision of construction labour subcontracting services. As at the date of this announcement, Drawin Manufacture indirectly held approximately 57.36% of the issued Shares, hence a controlling shareholder of the Company. Drawin Manufacture is also indirectly wholly-owned by Mr. Wu Po Sum, who is the father of Ms. Wu Wallis (alias Li Hua) (a non-executive Director).

IMPLICATIONS UNDER THE LISTING RULES

Henan Drawin Labour is a direct wholly-owned subsidiary of Drawin Manufacture. As at the date of this announcement, Drawin Manufacture indirectly held approximately 57.36% of the issued Shares, hence a controlling shareholder of the Company. Drawin Manufacture is also indirectly wholly-owned by Mr. Wu Po Sum, who is the father of Ms. Wu Wallis (alias Li Hua) (a non-executive Director). Therefore, each of Drawin Manufacture and Henan Drawin Labour is a connected person of the Company under the Listing Rules. The transactions contemplated under the Labour Subcontract Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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DEFINITIONS

“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company from time to time
“Drawin Manufacture”	Drawin Intelligent Manufacture Technology Industry Group Limited* (築友智造科技產業集團有限公司), a company established under the laws of the PRC with limited liability and an indirect controlling shareholder of the Company
“Group”	the Company and its subsidiaries from time to time
“Henan Drawin Labour”	Henan Drawin Construction Labour Co., Ltd.* (河南築友建築勞務有限公司), a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of Drawin Manufacture
“Henan Drawin Labour Group”	Henan Drawin Labour 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
“Labour Subcontract Framework Agreement”	the agreement entered into between the Company and Henan Drawin Labour on 16 May 2022 in relation to the provision of labour subcontracting services
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 Cap”	the proposed annual cap in respect of the aggregate value for the transactions under the Labour Subcontract Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“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 = RMB0.86461. 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, 16 May 2022

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), Mr. Wang Jun and Mr. Guo Jianfeng as non-executive Directors; Mr. Jiang Hongqing, Mr. Lee Chi Ming and Mr. Ma Lishan as independent non-executive Directors.

* *For identification purposes only*