

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTION PATENT LICENCE AGREEMENT

THE PATENT LICENCE AGREEMENT

The Board is pleased to announce that on 26 November 2021 (after trading hours), Drawin Investment (an indirect wholly-owned subsidiary of the Company), as licensor, entered into the Patent Licence Agreement with Drawin Construction Technology, as licensee, for the grant of the right to use the Licensed Patents in the PRC by Drawin Investment to Drawin Construction Technology for the period commencing from 26 November 2021 to 25 November 2026.

IMPLICATIONS UNDER THE LISTING RULES

Drawin Construction Technology 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 Drawin Construction Technology is a connected person of the Company under the Listing Rules. The transaction contemplated under the Patent Licence Agreement therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

As the term of the Patent Licence Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain the reasons for a longer period required for the Patent Licence Agreement and to confirm that it is normal business practice for agreements of this type to be of such duration.

INTRODUCTION

The Board is pleased to announce that on 26 November 2021 (after trading hours), Drawin Investment (an indirect wholly-owned subsidiary of the Company), as licensor, entered into the Patent Licence Agreement with Drawin Construction Technology, as licensee, for the grant of the right to use the Licensed Patents in the PRC by Drawin Investment to Drawin Construction Technology for the period commencing from 26 November 2021 to 25 November 2026.

THE PATENT LICENCE AGREEMENT

Date: 26 November 2021 (after trading hours)

Parties: (1) Drawin Investment (as licensor)
(2) Drawin Construction Technology (as licensee)

Subject matter: Pursuant to the Patent Licence Agreement, Drawin Investment agreed to grant Drawin Construction Technology a non-exclusive, non-transferable and non-sub-licensable right to use the Licensed Patents in the PRC.

Licensed Patents: The Licensed Patents are patents on prefabricated construction technologies (including but not limited to technology on urban multi-storey and high-rise prefabricated buildings and prefabricated urban underground utility tunnels, excluding villa products).

Drawin Investment has applied the Licensed Patents in the products manufactured by some of its manufacturing plants in operation, and the manufactured products are widely recognized by its customers on the market.

Drawin Investment has licensed the Licensed Patents to other relevant companies.

Term: For the period commencing from 26 November 2021 to 25 November 2026.

As the term of the Patent Licence Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain the reasons for a longer period required for the Patent Licence Agreement and to confirm that it is normal business practice for agreements of this type to be of such duration. Please refer to the section headed “Opinion from the Independent Financial Adviser” below for further details.

Consideration, proposed annual caps and payment: The licence fee payable by Drawin Construction Technology to Drawin Investment for the right of use of Licensed Patents is RMB30,000,000 (equivalent to approximately HK\$36,565,000).

Drawin Construction Technology shall pay the licence fee in three instalments:

- (i) RMB6,000,000 (being 20% of the total consideration) shall be paid within ten working days after the signing of the Patent Licence Agreement;
- (ii) RMB9,000,000 (being 30% of the total consideration) shall be paid before 31 July 2022; and
- (iii) RMB15,000,000 (being the remaining balance of the total consideration) shall be paid before 30 November 2022.

It is expected that the annual caps in respect of the license fee under the Patent Licence Agreement for the six financial years ending 31 December 2026 are set out as follows:

	For the year ending 31 December 2021 (from 26 November 2021 to 31 December 2021)	For the year ending 31 December 2022 (from 1 January 2022 to 31 December 2022)	For the year ending 31 December 2023 (from 1 January 2023 to 31 December 2023)	For the year ending 31 December 2024 (from 1 January 2024 to 31 December 2024)	For the year ending 31 December 2025 (from 1 January 2025 to 31 December 2025)	For the year ending 31 December 2026 (from 1 January 2026 to 25 November 2026)
Annual caps	30,000,000	—	—	—	—	—

(RMB)

The licence fee is arrived at after arm's length negotiation between the parties with reference to, among other factors, the market price range of patents comparable to the Licensed Patents offered in the market and the prevailing market condition.

Other obligations: Pursuant to the Patent Licence Agreement, Drawin Investment shall provide a list of the Licensed Patents and the relevant technical information of the Licensed Patents to Drawin Construction Technology.

Drawin Investment shall also provide technical training, guidance and support to the technical personnel and main operation staffs of Drawin Construction Technology in relation to the use of the technology on the Licensed Patents.

INFORMATION ON 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 manufacture and sale of prefabricated building units and equipment, and granting licenses in the PRC.

Drawin Investment

Drawin Investment is a company established under the laws of the PRC with limited liability. It is an indirect wholly-owned subsidiary of the Company. The principal business of Drawin Investment includes construction industrialization.

Drawin Construction Technology

Drawin Construction Technology 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 Drawin Construction Technology includes real property construction and decoration, installation of mechanical and electrical equipment, construction of base foundation and infrastructure.

Drawin Manufacture

Drawin Manufacture is a company established under the laws of the PRC with limited liability. 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). Drawin Manufacture is an investment holding company. Apart from holding equity interests in the Company, Drawin Manufacture, through its PRC subsidiaries, is principally engaged in general consultation and design of prefabricated construction business in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PATENT LICENCE AGREEMENT

The Group's core business is the manufacture and sale of prefabricated building units and equipment. The Group's patents mainly include (i) the manufacture of prefabricated construction components, which is used by the Group to enhance its core business; and (ii) the installation of prefabricated construction components, which is related to the Group's non-core business.

The grant of the right to use some of the patents on the installation of prefabricated construction components (including the Licensed Patents) by the Group to its customers (including Drawin Construction Technology) will not affect the Group's core competitiveness and will maximize the value of the Group's patents on the installation of prefabricated construction components by realizing them. By leveraging its research and development and technical expertise in prefabricated building construction technology, the Group will also have an additional source of income.

In addition, as stated in the announcements of the Company dated 13 May 2020, 16 June 2020, 18 March 2021 and 4 May 2021, respectively, the Group will supply prefabricated construction components and products to Drawin Construction Technology and its subsidiaries. Drawin Construction Technology, as a large-scale national wide building construction company, has a relatively pressing demand for prefabricated building construction technology. After Drawin Construction Technology obtained the right to use the Licensed Patents in its construction process, Drawin Construction Technology can enhance its market expansion and increase its business scale, which in turn would facilitate the promotion and recognition of the Group's prefabricated construction components, and hence potentially increase customers' demand for prefabricated construction components.

The Directors (including the independent non-executive Directors) are of the view that the Patent Licence Agreement and the terms thereof are on normal commercial terms, in the ordinary and usual course of business, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Drawin Construction Technology 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 Drawin Construction Technology is a connected person of the Company under the Listing Rules. The transaction contemplated under the Patent Licence Agreement therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

As the term of the Patent Licence Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain the reasons for a longer period required for the Patent Licence Agreement and to confirm that it is normal business practice for agreements of this type to be of such duration. Please refer to the section headed "Opinion from the Independent Financial Adviser" below for further details.

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 Drawin Manufacture), none of the Directors has a material interest in the Patent Licence Agreement and the transaction contemplated thereunder. Other than Ms. Wu Wallis (alias Li Hua) who had abstained from voting on the relevant Board resolutions approving the Patent Licence Agreement and the transaction contemplated thereunder for good corporate governance purpose, none of the other Directors was required to abstain from voting on the relevant Board resolutions.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

As the term of the Patent Licence Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed the Independent Financial Adviser to explain the reasons for a longer period required for the Patent Licence Agreement and to confirm that it is normal business practice for agreements of this type to be of such duration.

Pursuant to Rule 14A.52 of the Listing Rules, Red Sun Capital has formulated its opinion based on its research and analysis, relied on the information set out in this announcement and has referred to the term of the Patent Licence Agreement, which has a duration of five years. Red Sun Capital has taken into consideration the following reasons and analysis for a duration exceeding three years under the Patent Licence Agreement, including:

- (i) the Group is principally engaged in the manufacture and sale of prefabricated building units and equipment, and granting licenses in the PRC, and as set out in this announcement, Drawin Construction Technology (i.e. the licensee) is principally engaged in the real property construction and decoration, installation of mechanical and electrical equipment, construction of base foundation and infrastructure;
- (ii) the Licensed Patents are intellectual property rights on prefabricated construction technologies (including but not limited to technology on urban multi-storey and high-rise prefabricated buildings and prefabricated urban underground utility tunnels, excluding villa products). Drawin Construction Technology shall use the Licensed Patents on the installation of prefabricated construction components and in return Drawin Investment shall receive a licence fee of RMB30,000,000 over the agreement term of five years. It is further noted from the paragraph headed “REASONS FOR AND BENEFITS OF ENTERING INTO THE PATENT LICENCE AGREEMENT” in this announcement that the Company considered that the grant of the right to use the subject patents will not affect the Group’s core competitiveness and after Drawin Construction Technology obtained the right to use the Licensed Patents in its construction process, Drawin Construction Technology can enhance its market expansion and increase its business scale, which in turn would facilitate the promotion and recognition of the Group’s prefabricated construction components, and hence potentially increase customers’ demand for prefabricated construction components;
- (iii) Red Sun Capital further noted from the annual reports of the Group and as advised by the management of the Company (the “**Management**”), during the years ended/ending 31 December 2019, 2020 and 2021, the Company has also granted the right to use certain patents of Drawin Investment to various independent third parties in return for a fee. Similar to the terms under the Patent Licence Agreement, the licence of patents to independent third parties is also on a non-exclusive, non-transferable and non-sub-licensable basis based on the documents of the sampled transactions obtained (the “**Patent Licence Transactions**”), and that the term of the respective Patent Licence Transactions is not less than five years each;

- (iv) Red Sun Capital noted that the licence fee payable by Drawin Construction Technology to Drawin Investment for the right of use of Licensed Patents was determined after arm’s length negotiation between the parties and with reference to the market price range of patents comparable to the Licensed Patents offered in the market and the prevailing market condition. The licence fee shall be additional source of income for Drawin Investment during the term of the Patent Licence Agreement of five years commencing from 26 November 2021, such income would not have materialised in absence of the Patent Licence Agreement; and
- (v) based on the research conducted by Red Sun Capital on announcements and publications issued by other companies listed on the Stock Exchange as well as documents obtained from the Company, Red Sun Capital has identified not less than twelve comparable transactions in relation to the grant of right to use and/or the licensing of certain intellectual property rights, including, where applicable, patents, know-how, copy rights, licence, technical information and data, including transactions entered into by member(s) of listed groups on the Main Board of the Stock Exchange (the “**Market Licensing Precedents**”) and the Patent Licence Transactions. Red Sun Capital considered the Market Licensing Precedents and the Patent Licence Transactions to be an appropriate reference for general market practice, and noted that the term of the relevant agreements in connection with the Market Licensing Precedents and the Patent Licence Transactions ranged from a term of five years to not less than 15 years. As such, the proposed term of five years under the Patent Licence Agreement fall within such range.

Based on the above considerations, Red Sun Capital is of the opinion that the duration of five years under the Patent Licence Agreement is reasonable and it is normal business practice for agreements of this type to be of such duration.

DEFINITIONS

Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as set forth below:

“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”	has the meaning ascribed to it under the Listing Rules
“controlling shareholders”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company from time to time
“Drawin Construction Technology”	Drawin Intelligent Construction Technology Group Co., Ltd.* (築友智造建設科技集團有限公司) (formerly known as China Minsheng Drawin Construction Technology Group Co., Ltd.* (中民築友建設科技集團有限公司)), a company established under the laws of the PRC with limited liability and a direct wholly-owned subsidiary of Drawin Manufacture
“Drawin Investment”	Drawin Intelligent Manufacture Technology Investment Limited* (築友智造科技投資有限公司) (formerly known as China Minsheng Drawin Technology Investment Limited* (中民築友科技投資有限公司)), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Drawin Manufacture”	Drawin Intelligent Manufacture Technology Industry Group Limited* (築友智造科技產業集團有限公司) (formerly known as China Minsheng Drawin Technology Industry Limited* (中民築友科技產業有限公司)), 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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, being the independent financial adviser of the Company appointed for the purpose of Rule 14A.52 of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Licensed Patents”	the patents of Drawin Investment provided in the Patent Licence Agreement that are licensed to Drawin Construction Technology under and pursuant to the Patent Licence Agreement
“Patent Licence Agreement”	the patent licence agreement dated 26 November 2021 entered into between Drawin Investment (as licensor) and Drawin Construction Technology (as licensee) in relation to the grant of right by Drawin Investment to Drawin Construction Technology to use the Licensed Patents
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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

For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$0.82045. 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 of
DIT Group Limited
Liu Weixing
Chairman and Executive Director

Hong Kong, 26 November 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*