

H. K. E. / . / . C. / . L. / . T. S. E. / . H. K. L. / .  
.....  
.....  
.....



**Jujiang Construction Group Co., Ltd.**  
**巨匠建設集團股份有限公司**

(A ..... P. / . C. / )  
(Stock Code: 1459)

**CONTINUING CONNECTED TRANSACTIONS**  
**UNDER THE 2019 MASTER AGREEMENT**

**Independent Financial Adviser to the**  
**Independent Board Committee and Independent Shareholders**

**ADVENT**  
**宏智融資**

**Advent Corporate Finance Limited**

**CONTINUING CONNECTED TRANSACTIONS**

The Board hereby announces that on 17 April 2019, the Company (after trading hours) entered into the 2019 Master Agreement with Jujiang Holdings Group with retrospective effect from 1 January 2019 for a term of three years, pursuant to the 2019 Master Agreement, Jujiang Holdings Group agreed to engage the Group to provide construction contracting services such as building construction, foundation work, curtain wall construction, building decoration and fire equipment installation to Jujiang Holdings Group.

**LISTING RULES IMPLICATIONS**

The transactions contemplated under the 2019 Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the proposed annual caps in respect of the 2019 Master Agreement for each of the three years ending 31 December 2021 is more than HK\$10,000,000, and at least one of the applicable ratios calculated thereof is more than 5%, the transactions contemplated under the 2019 Master Agreement and proposed annual caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



## **Services**

Jujiang Holdings Group agreed to engage the Group to provide construction contracting services such as building construction, foundation work, curtain wall construction, building decoration and fire equipment installation to Jujiang Holdings Group.

## **Pricing policy**

The Group and Jujiang Holdings Group agreed that the transactions shall be conducted on normal commercial terms, in particular:

- (a) on terms no less favourable to the Group than terms available to or from (as appropriate) Independent Third Parties;
- (b) in the ordinary and usual course of business of the Group and conducted after arm's length negotiations; and
- (c) will not exceed the annual caps.

## **Internal Control Procedures**

The construction contracting service fees payable by Jujiang Holdings Group to the Group will be determined after arm's length negotiation between Jujiang Holdings Group and the Group on a project to project basis. In order to ensure that the service fees the Group received for our provision of construction contracting services are fair and reasonable and in line with market practices, the Group will keep ourselves abreast of the prevailing fee level in market and the market conditions. In general, the Company will compare the services fees of the construction projects which the Group would charge Jujiang Holdings Group with at least 3 comparable constructions projects within 2 years which the Group would charge Independent Third Parties, subject to the nature of those construction contracting services. Further, before the Group provide any construction contracting service, the Group will also refer to the historical fees received from third-party customers for providing similar construction contracting services.

The Group generally provides a price quote during the bidding process or engages in price negotiations with their customers. The price quote is determined primarily based on a number of factors, including the availability and costs of raw materials and equipment and machinery, subcontracting costs, project schedule, labor costs, geographical location, environmental condition of the project site, as well as the complexity and scale of the construction project. The Group may negotiate construction contracting contracts on a fixed-price or variable-price basis.

The Group has adopted a set of written policies in relation to the standard pricing strategy for the construction services which is applicable to all customers (including Jujiang Holdings Group). For the fixed-price contracts, the Group will first ascertain from its suppliers and sub-contractors the prime cost of materials and labour for providing similar construction services and for undertaking

similar projects, and then add in a certain percentage markup, which will be determined by the Group on a case by case basis and with reference to historical transactions of a similar scale and nature and the indicative percentage markup which are made available to the public by the relevant government authorities through various official government websites and publications from time to time. For variable-price contracts, the Group's fees are determined by a unit price and the total volume of actual work performed. The unit price maybe fixed or may reference a government-published price. It can ensure that the price is fair and reasonable and comparable to the price charged by the Group in similar transactions involving Independent Third Parties. The Company is of the view that as it is generally the market practice that determination of percentage markup under fixed-price contracts and unit price under variable-price contracts are mostly based on the indicative figures set down by relevant government authorities, therefore following such indicative figures in determining the service fee would be in line with market practice and the prevailing market price.

Depending on the monetary amount involved, the proposed price will then be reviewed and approved by managers of the Company or the management to ensure that the proposed price is set in accordance with the Group's pricing strategy before submitting the bid to the potential customer for their consideration. Other payment terms are determined with reference to market practices.

Further, the Group has assigned officer to be responsible for the internal audit function and such officer will perform review and conduct sample checking on the continuing connected transactions on monthly basis to ensure that the pricing of the continuing connected transactions under the 2019 Master Agreement adhere to the aforesaid pricing mechanism and approval procedures and is comparable to the prices charged by the Group in similar transactions involving Independent Third Parties, and the terms are no less favourable to the Group than those offered by the Group to other Independent Third Parties in similar transactions.

## **HISTORICAL FIGURES**

For the three years ended 31 December 2018, the aggregate service fees paid by Jujiang Holdings Group for the construction contracting services provided by the Group were approximately RMB311.0 million, RMB117.2 million and RMB64.8 million, respectively. The Directors confirm that, as at the date of this announcement, the annual caps of the 2016 Master Agreement have not been exceeded.

## **PROPOSED ANNUAL CAPS AND BASIS OF THE DETERMINATION**

The Board proposed the annual caps for the transactions contemplated under the 2019 Master Agreement for the years ending 31 December 2019, 2020 and 2021 will not exceed the annual caps of RMB300 million, RMB300 million and RMB300 million respectively.

When determining the proposed annual caps, the Board has considered: (i) the historical amount paid by the Jujiang Holdings Group to the Group for the three years ended 31 December 2018; (ii) the contract sum and the anticipated receivable amount under the respective signed construction services agreement with Jujiang Holdings Group; (iii) the anticipated progress and stage of completion of the construction projects; and (iv) our anticipated gross floor area and the average construction fee per square meter of construction projects requiring our provision of construction contracting services for the three years ending 31 December 2021.

## **Conditions**

The 2019 Master Agreement is conditional upon the resolution regarding the 2019 Master Agreement (including the annual caps) and the transactions contemplated thereunder being approved by the Independent Shareholders at the AGM.

## **REASONS FOR 2019 MASTER AGREEMENT**

Taking into account that the Group has already provided construction contracting services to Jujiang Holdings Group in the past and that provision of such services has offered stable and considerable profits to the Group historically, our Directors (excluding the independent non-executive Directors) consider that it is in the interests of the Company and the Shareholders as a whole to continue our relationship with Jujiang Holdings Group and to provide construction contracting services to Jujiang Holdings Group by entering into the 2019 Master Agreement and proposed the annual caps.

## **INFORMATION OF THE PARTIES**

### **Information on the Group**

The Group is principally engaged in construction contracting and design, survey and consultancy services.

### **Information on Jujiang Holdings Group**

Jujiang Holdings Group mainly engages in the business of, amongst other things, property development and investment holding and it is also the shareholder of various subsidiaries (including the Company). As at the date of this announcement, the Company is owned as to 38.25% by Jujiang Holdings Group and Jujiang Holdings Group is owned as to approximately 51.33% by Mr. Lyu Yaoneng (an executive director and chairman of the Company) and approximately 48.67% by eight other individual shareholders.

As Jujiang Holdings Group is one of the Controlling Shareholders and a connected person of the Company, the transactions contemplated under the 2019 Master Agreement between Jujiang Holdings Group and the Group will constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

## **LISTING RULES IMPLICATIONS**

The transactions contemplated under the 2019 Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the proposed annual caps in respect of the 2019 Master Agreement for each of the three years ending 31 December 2021 is more than HK\$10,000,000, and at least one of the applicable ratios calculated thereof is more than 5%, the transactions contemplated under the 2019 Master Agreement and the proposed annual caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Financial Adviser, Advent Corporate Finance Limited, has been appointed to advise the Independent Board Committee and the Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders, in respect of the 2019 Master Agreement and the proposed annual caps.

## **GENERAL**

The Company will convene the AGM to seek approval from the Shareholders for the above matters.

A circular containing, among other things, details of (1) the 2019 Master Agreement and proposed annual caps; (2) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; and (3) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders in accordance with the Listing Rules and the articles of association in due course.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“2016 Master Agreement”	the construction contracting service master agreement dated 25 August 2016 entered into between the Company and Jujiang Holdings Group
“2019 Master Agreement”	the construction contracting service master agreement dated 17 April 2019 entered into between the Company and Jujiang Holdings Group
“AGM”	the forthcoming annual general meeting of the Company to be held on 28 June 2019 or any adjournment thereof
“Board”	the board of Directors of the Company

“Company”	Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed and traded on the Hong Kong Stock Exchange (stock code: 1459)
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Lyu Yaoneng, Jujiang Holdings Group and Jujiang Equity Investment
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Yu Jingxuan, Mr. Lin Tao, and Mr. Wong Kai Wai, formed to advise the Independent Shareholders in respect of, amongst others, the 2019 Master Agreement and the proposed annual caps
“Independent Financial Adviser” or “Advent Corporate Finance Limited”	

“Listing Rules”	Rules governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares(s)”	the domestic share(s) and the H share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

On behalf of the Board  
**Jujiang Construction Group Co., Ltd**  
**Mr. Lyu Yaoneng**  
*C / . /*

Zhejiang Province, the PRC, 17 April 2019

*A . . . . . B / . . . . . M . L / . . . . . , M . L / D / . . . . . , M . L J / . . . . . , M . L / . . . . . , M . S / H / . . . . . M . G / . . . . . D . . . . . ; / . . . . . M . J / . . . . . , M . L T / . . . . . M . K / . . . . . D . . . . .*

\*  *. . . . .*