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巨匠建设
JUJIANG CONSTRUCTION GROUP

Jujiang Construction Group Co., Ltd.

巨匠建設集團股份有限公司

(A joint stock limited liability company established in the People's Republic of China)

(Stock Code: 1459)

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE MASTER AGREEMENT**

CONTINUING CONNECTED TRANSACTIONS

The Board hereby announces that on 22 December 2023, the Company (after trading hours) entered into the Master Agreement with Jujiang Holdings Group for a term from 1 January 2024 to 31 December 2024, 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

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 nine 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 Master Agreement between Jujiang Holdings Group and the Group will constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Master Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Master Agreement are subject to the reporting, announcement and annual review requirement but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company dated 10 March 2023 in relation to the entering into the 2023 Master Agreement between the Company and Jujiang Holdings Group regarding continuing connected transactions contemplated thereunder. The 2023 Master Agreement will be expire on 31 December 2023 and in view of the intention of the Company to continue certain types of transactions contemplated thereunder with Jujiang Holdings Group after such expiry, and to facilitate the development of the business of the Group, on 22 December 2023, the Company (after trading hours) entered into the Master Agreement with Jujiang Holdings Group for a term from the 1 January 2024 to 31 December 2024, pursuant to the 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. The Master Agreement generally have identical terms as the 2023 Master Agreement.

THE MASTER AGREEMENT

Date

22 December 2023 (after trading hours)

Parties

The Group (as service provider) and Jujiang Holdings Group

Term

The Master Agreement shall have a term from 1 January 2024 to 31 December 2024.

Subject matter

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 applicable 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 monitoring fee level in the relevant market and other 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, 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 may be fixed or based on the relevant 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 an 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 a monthly basis to ensure that the pricing of the continuing connected transactions under the Master Agreement adheres 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 eleven months ended 30 November 2023, the aggregate service fees paid by Jujiang Holdings Group for the construction contracting services provided by the Group were approximately RMB0.8 million. The Directors confirm that, as at the date of this announcement, the annual caps of the 2023 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 Master Agreement from 1 January 2024 to 31 December 2024 will not exceed the annual caps of RMB12.0 million.

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 eleven months ended 30 November 2023; (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 year ending 31 December 2024.

REASONS FOR 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 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).

LISTING RULES IMPLICATIONS

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 nine other individual shareholders as follows: -

Name of the shareholders	Position at and/or relationship with the Company	Respective shareholding in Jujiang Holdings
Lyu Dazhong	Director	11.42%
Wang Shaolin	Director and his spouse is sister of Mr. Lyu Yaoneng	8.52%
Lyu Yuntao	General manager and son of Mr. Lyu Yaoneng	7.02%
Li Jinyan	Director	5.33%
Shen Bingkun	Retired employee	4.97%
Lu Zhicheng	Director	4.39%
Gao Xingwu	Retired employee	4.17%
Fan Zhiming	Retired employee	1.54%
Ma Shengliang	Ex-employee	1.31%
		<hr/> <hr/> <u>48.67%</u>

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

As the highest applicable percentage ratio in respect of the Master Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Master Agreement are subject to the reporting, announcement and annual review requirement but are exempt from the and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“2023 Master Agreement”	the construction contracting service master agreement dated 10 March 2023 entered into between the Company and Jujiang Holdings Group
“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 Third Party(ies)”	a third party independent of the Company and the connected persons (as defined in the Listing Rules) of the Company
“Jujiang Equity Investment”	Zhejiang Jujiang Equity Investment Management Co., Ltd.* (浙江巨匠股權投資管理股份有限公司), a joint stock limited liability company incorporated in the PRC on 19 August 2011 and a 36.75% shareholder in the Company
“Jujiang Holdings Group”	Zhejiang Jujiang Holdings Group Co., Ltd.* (浙江巨匠控股集團有限公司), a limited liability company incorporated in the PRC and a 38.25% shareholder in the Company
“Listing Rules”	Rules governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the construction contracting service master agreement dated 22 December 2023 entered into between the Company and Jujiang Holdings Group

“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
Chairman

Zhejiang Province, the PRC, 22 December 2023

As of the date of this announcement, the Board comprises Mr. Lyu Yaoneng, Mr. Lyu Dazhong, Mr. Li Jinyan, Mr. Lu Zhicheng, Mr. Shen Haiquan and Mr. Zheng Gang, as executive Directors; and Mr. Yu Jingxuan, Mr. Ma Tao, and Mr. Wong Kai Wai, as independent non-executive Directors.

* *for identification purposes only*