
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司), you should at once hand this circular and the accompanying form of proxy and reply slip to the purchaser(s) or transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

SUPPLEMENTAL CIRCULAR OF THE AGM
PROPOSALS FOR (7) CONTINUING CONNECTED TRANSACTIONS AND
PROPOSAL OF ANNUAL CAPS
(8) MAJOR TRANSACTION IN RELATION TO THE PPP CONTRACT
(9) MAJOR TRANSACTION IN RELATION TO THE JV AGREEMENT
AND
SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

ADVENT
宏智融資

Advent Corporate Finance

This Supplemental Circular should be read in conjunction with the circular of the Company dated 30 April 2019.

A letter from the Board is set out on pages 7 to 26 of this Supplemental Circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 27 to 28 of this Supplemental Circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 42 of this Supplemental Circular. The supplemental notice of the AGM is set out on pages AGM-1 to AGM-3 of this Supplemental Circular. The AGM will be held at 17/F Skyway Centre, 23 Queen's Road West, Sheung Wan, Hong Kong as scheduled.

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the accompanying supplemental proxy form in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof (as the case may be) (which is 1:00 p.m. on Friday, 28 June 2019 (or other date in the event of any adjournment thereof)). Completion and return of the supplemental proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof if you so wish.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	7
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	27
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	29
APPENDIX I GENERAL INFORMATION	I-1
NOTICE OF AGM	AGM-1

DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

“2016 Master Agreement”	the construction contracting service master agreement dated 25 August 2016 entered into between the Company and Jujiang Holdings
“2019 Master Agreement”	the construction contracting service master agreement dated 17 April 2019 entered into between the Company and Jujiang Holdings
“Acquisition”	the acquisition of 80% shareholdings of the Tongxiang Subsidiary by the Company from the Vendor in accordance with the share transfer agreement dated 13 November 2018 entered into between the Company and the Vendor
“AGM”	the annual general meeting of the Company to be convened and held on 17/F Skyway Centre, 23 Queen’s Road West, Sheung Wan, Hong Kong at 1:00 p.m. on Friday, 28 June 2019, supplemental notice of which is set out on pages AGM-1 to AGM-3 of this circular, and any adjournment thereof
“Articles of Association”	the articles of association of the Company as amended, modified or otherwise supplemental from time to time
“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)
“Concession Period”	the fifteen (15) years commencing on the Effective Date of the PPP Contract and ending on the fifteenth anniversary of the Effective Date of the PPP Contract
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise in the context of this circular, refers to Mr. Lyu Yaoneng, Jujiang Holdings and Jujiang Equity Investment
“Director(s)”	director(s) of the Company

DEFINITIONS

“Domestic Share(s)”	ordinary share(s) issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB by PRC natural persons or entities established under the laws of the PRC
“Effective Date”	the date when the PPP Contract takes effect:– <ul style="list-style-type: none">• upon the fulfilment of all conditions precedent under clause 3.1 of the PPP Contract; or• upon the fulfilment of some conditions precedent and the waiver of all the other conditions precedent in accordance with clause 3.2 of the PPP Contract
“Existing Annual Cap”	the existing annual cap for the transactions contemplated under the 2016 Master Agreement for a term ended on 31 December 2018
“First Circular”	the circular of the Company dated 30 April 2019
“General Mandate”	the general unconditional mandate to be granted by Shareholders to the Directors to allot and issue new domestic shares and/or H shares of the Company representing up to 20% of each of the total number of the Domestic Shares and/or H Shares as the case may be, that are issued and outstanding as at the date of the resolution to grant the general mandate
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign invested shares in the share capital of the Company, which are listed on the main board of the Stock Exchange with a nominal value of RMB1.00 each
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board which comprises Mr. Yu Jingxuan, Mr. Lin Tao and Mr. Wong Ka Wai
“Independent Shareholders”	the Shareholders other than those who have material interest in the 2019 Master Agreement and the Revised Annual Caps and are required under the Listing Rules to abstain from voting on the relevant resolution(s) to be proposed at the AGM

DEFINITIONS

“Independent Financial Adviser” or “Advent Corporate Finance”	Advent Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2019 Master Agreement and the Proposed Annual Caps
“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”	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 on 18 August 2011 and a 38.25% shareholder of the Company
“Jujiang Holdings Group”	Jujiang Holdings, its subsidiaries and their associates (as defined under the Listing Rules) (other than our Group)
“JV Agreement”	the Investment on Setting up Tongxiang City Digital Construction Industrial Base Company Limited* (《投資設立桐鄉市數字建築產業基地有限公司協議書》) entered into by JV-1 Partners and JV-2 Partners on 17 April 2019
“JV Announcement”	the announcement of the Company dated 17 April 2019 in relation to the JV Agreement
“JV-1 Company”	Tongxiang City San Ju Digital Construction Technology Company Limited* (桐鄉市三巨數字建築科技有限責任公司), a joint venture established by JV-1 Partners on 12 December 2018 in accordance with the laws of PRC
“JV-2 Company”	Tongxiang City Jiu Lian Digital Construction Technology Company Limited* (桐鄉市玖聯數字建築科技有限責任公司), a joint venture established by JV-2 Partners on 20 December 2018 in accordance with the laws of PRC
“JV-1 Partners”	comprising the Company, Tong An Construction Company Limited* (同安建築有限公司), and Ya Du Construction Group Company Limited* (亞都建設集團有限公司) which are established in accordance with the laws of PRC

DEFINITIONS

“JV-2 Partners”	<p>comprising the following parties:-</p> <ol style="list-style-type: none">(1) Zhejiang Li Xin Construction Development Company Limited* (浙江立信建設發展有限公司)(2) Zhejiang Ju Xin Construction Company Limited* (浙江巨鑫建設有限公司)(3) Zhejiang Chong De Construction Company Limited* (浙江崇德建設有限公司)(4) Zhejiang Bao Sen Construction Company Limited* (浙江寶森建設有限公司)(5) Zhejiang Bei Sheng Construction Company Limited* (浙江北聖建設有限公司)(6) Zhejiang Zhong Shuo Construction Company Limited* (浙江中碩建設有限公司)(7) Zhejiang Cheng Hui Construction Company Limited* (浙江誠輝建設有限公司)(8) Heng Ji Construction Group Company Limited* (恆基建設集團有限公司)(9) Zhejiang Wise House Green Construction Company Limited* (浙江智房綠色建築有限公司) <p>which are all established under the laws of PRC</p>
“Latest Practicable Date”	<p>31 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein</p>
“Listing Date”	<p>12 January 2016, on which dealings in Shares first commenced on the Stock Exchange</p>
“Listing Rules”	<p>the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified or otherwise supplemental from time to time</p>
“PPP”	<p>public-private partnership, a partner relationship based on a concession agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services</p>
“PPP Contract”	<p>the contract titled “Tongxiang City Youth Quality Education Complex Project PPP Contract”* (《桐鄉市青少年素質教育實踐基地項目PPP合同》) which is to be governed by the laws of PRC</p>

DEFINITIONS

“PPP Project”	the PPP project in relation to the construction, operation and transfer of the Educational Complex in Tongxiang City, Zhejiang Province, the PRC under the PPP Contract
“Educational Complex”	include two buildings to be used as offices and exhibition halls, two student dormitories and a staff dormitory, a canteen, a stadium, a power distribution room and a parking lot
“PRC”	The People’s Republic of China which shall, for the purpose of this circular, excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region of the PRC and Taiwan
“Project Company”	a Company proposed to be established by JV-1 Company and JV-2 Company with the intended name of Tongxiang City Digital Construction Industrial Base Company Limited* (桐鄉市數字建築產業基地有限公司), a joint venture which is to be established by JV-1 Company and JV-2 Company
“Proposed Annual Caps”	the proposed annual caps for the continuing connected transactions contemplated under the 2019 Master Agreement for the three years ending 31 December 2021
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Supplemental Circular”	the circular of the Company dated 12 June 2019 which is in conjunction with the First Circular
“Tongxiang Education Bureau”	Tongxiang Education Bureau* (桐鄉教育局), the implementation institute authorised by the local government of Tongxiang City of Zhejiang Province
“Proposed Annual Caps”	the annual cap for the continuing connected transaction contemplated under the 2019 Master Agreement for the three years ending 31 December 2021
“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

DEFINITIONS

“Tongxiang Subsidiary”	Tongxiang City Quality Education Complex Company Limited* (桐鄉市素質教育實踐基地有限責任公司), a company established in the PRC with limited liability
“Vendor”	Tongxiang City Education Culture Development and Investment Co. Limited* (桐鄉市教育文化發展投資有限責任公司), a company established in the PRC with limited liability
“%”	per cent

* *English transliteration for identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Lyu Yaoneng (呂耀能) (*Chairman*)
Mr. Lyu Dazhong (呂達忠)
Mr. Li Jinyan (李錦燕)
Mr. Lu Zhicheng (陸志城)
Mr. Shen Haiquan (沈海泉)
Mr. Zheng Gang (鄭剛)

Independent Non-executive Directors:

Mr. Yu Jingxuan (余景選)
Mr. Lin Tao (林濤)
Mr. Wong Ka Wai (王加威)

Registered Office:

Gaoqiao Town
Jiaxing City
Zhejiang Province
PRC

Headquarters in the PRC:

No. 669 Qingfeng South Road (South)
Tongxiang City
Zhejiang Province
PRC

Principal Place of Business in Hong Kong:

28/F, Henley Building,
5 Queen's Road Central,
Central, Hong Kong

12 June 2019

To the Shareholders,

Dear Sir or Madam,

**SUPPLEMENTAL CIRCULAR OF THE AGM
PROPOSALS FOR (7) CONTINUING CONNECTED TRANSACTIONS
AND PROPOSAL OF ANNUAL CAPS
(8) MAJOR TRANSACTION IN RELATION TO THE PPP CONTRACT
(9) MAJOR TRANSACTION IN RELATION TO THE JV AGREEMENT
AND
SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

I. INTRODUCTION

This Supplemental Circular should be read in conjunction with the First Circular. Unless otherwise specified, capitalized terms used herein shall have the same meanings as those defined in the First Circular.

The purpose of this Supplemental Circular is to provide the Shareholders with the supplement notice of the AGM, together with additional information on, among other things, the following additional resolutions to put forward at the AGM: (7) to consider and approve the continuing connected transactions and the proposal of annual caps, (8) to consider and approve major transaction in relation to the PPP Contract, and (9) to consider and approve major transaction in relation to the JV Agreement, so that the Shareholders may make an informed decision on voting in respect of the resolutions to be tabled at the AGM.

II. CONTINUING CONNECTED TRANSACTIONS AND PROPOSAL OF THE ANNUAL CAPS

References are made to the continuing connected transactions under the 2016 Master Agreement, the details of which were set out in the announcement by the Company dated 25 August 2016 and the circular of the Company dated 7 November 2016. The 2016 Master Agreement expired on 31 December 2018, and the Board expects that Jujiang Holdings would engage the Group to provide construction contracting services for certain new projects. As such, on 17 April 2019 after trading hours, the Company and Jujiang Holdings entered into the 2019 Master Agreement for a term from 1 January 2019 to 31 December 2021.

2019 Master Agreement

Date

17 April 2019 (after trading hours)

Parties

The Group (as service provider) and Jujiang Holdings

Subject matter

The Company and Jujiang Holdings entered into the 2019 Master Agreement with retrospective effect for a term from 1 January 2019 to 31 December 2021, subject to the Shareholders' approval. Save as amended by the 2019 Master Agreement, all other terms of the 2016 Master Agreement (as disclosed below) shall remain unchanged.

Services

Pursuant to the 2019 Master Agreement, Jujiang Holdings 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.

LETTER FROM THE BOARD

Pricing policy

The Group and Jujiang Holdings agreed that the transactions to be contemplated under the 2019 Master Agreement 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 under the 2019 Master Agreement will be determined after arm's length negotiation between Jujiang Holdings Group and the Group on a project-by-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, we will keep ourselves updated on 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 we provide any construction contracting service, we 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. The markup is determined primarily based on a number of factors, including complexity and scale of the construction projects and with reference to historical transactions of a similar scale and nature and the indicative price which are made available to the public by the relevant government authorities through various official government websites and publications from time to time. In general, the markup should be over 4% pursuant to our internal operation and management policy. For the three years ended 31 December 2018, the average gross profit margin of the Jujiang Holdings Group and Independent Third Parties were 6.15% and

LETTER FROM THE BOARD

5.61%, respectively. The government-guidance price is quoted on the Government websites, such as Zhejiang Price Quotation Website* (浙江造價網) at www.zjzj.net, which is operated by the Department of Development of Zhejiang Province* (浙江省建設廳) and updated monthly. The government-guidance price generally refers to the price of construction materials, such as cement and steel bars, which is often used by the construction contractors to estimate the construction costs. 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, such as Zhejiang Price Quotation Website* (浙江造價網) at www.zjzj.net. 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 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 monthly basis to ensure that the pricing of the continuing connected transactions under the 2016 Master Agreement and 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 Latest Practicable Date, the annual caps of the 2016 Master Agreement have not been exceeded.

Proposed Annual Caps

The annual cap amounts of the construction contracting services fees payable to the Group for the construction contracting services under the 2016 Master Agreement for the three years ended 31 December 2018 was RMB321 million, RMB325 million and RMB318 million respectively.

The decreases in historical transaction amount from the respective annual caps under the 2016 Master Agreement were mainly due to delay in progress of construction contracting projects in Shandong, the PRC. We were notified by Jujiang Holdings Group that due to the weakening of the

LETTER FROM THE BOARD

general property market, Jujiang Holdings Group decided to temporarily postpone the project until the sales of phase I of the project in Shandong. Such delay amounted to approximately RMB25.5 million, RMB176.0 million and RMB243.5 million based on our best estimate of the anticipated progress of the project for each year and the total consideration of the project, or approximately 7.9%, 54.2% and 76.6% of the respective annual caps for the three financial years ended 31 December 2018, respectively. As at the Latest Practicable Date, the Jujiang Holdings Group has notified us that the construction works of the said affected projects in Shandong, the PRC were expected to resume in the fourth quarter 2019 as the property market in Shandong is showing signs of improvement.

The Company has decided to decrease the annual cap for the transactions contemplated for the year ending 31 December 2019 to RMB200.0 million and estimates that the annual transaction amounts under the 2019 Master Agreement for the years ending 31 December 2019, 2020 and 2021 not to exceed the annual caps of RMB200.0 million, RMB300.0 million and RMB300.0 million respectively.

The Company has adopted certain internal control procedures to ensure that the proposed annual cap will not be exceeded. All members of the Group are required to report to, and the finance department of the Company will closely monitor, the actual transaction amounts relating to its continuing connected transactions on a quarterly basis. If the actual transaction amount is reasonably expected to reach 85% of the Proposed Annual Caps of the relevant continuing connected transactions at any time, the matter will be promptly escalated to the chief financial officer, who will seek advice from the audit committee of the Company and the Board for appropriate measures, including but not limited to revising the relevant Proposed Annual Caps in accordance with the requirements of the Listing Rules, if necessary.

Basis of the Proposed Annual Caps

When determining the above 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. For each year, the anticipated gross floor area is based on the total gross floor area and our best estimate of the progress of the project, which is in turn based on the timeline instructed by Jujiang Holdings Group. The average construction fee per square meter of construction projects is calculated at total contract amounts divided by total of gross floor area.

LETTER FROM THE BOARD

The table below sets out the Group's construction projects with Jujiang Holdings Group which are expected to be carried out for the years ending 31 December 2019, 2020 and 2021:

Project name	Contract sum (RMB)	2019			2020			2021		
		Anticipated stage of completion	Gross floor area (m ²)	Average construction fee per m ² (RMB)	Anticipated stage of completion	Gross floor area (m ²)	Average construction fee per m ² (RMB)	Anticipated stage of completion	Gross floor area (m ²)	Average construction fee per m ² (RMB)
Stage II of Rongcheng Zhonghan* (榮成中韓邊貿二期)	230,000,000	28.0%	42,000	1,533	63.0%	52,500	1,533	93.0%	45,000	1,533
Annual production of 120,000 tons of silicon steel sheet continued construction project* (年產12萬噸矽鋼片續建項目)	51,000,000	100.0%	35,781	1,425	-	-	-	-	-	-
Stages I and II Jujiang Sunshine Bay* (巨匠陽光海灣一期二期)	280,000,000	10.0%	19,000	1,474	50.0%	76,000	1,474	95.0%	85,500	1,474
Rongcheng•New World (榮成•新天地)	81,506,400	100.0%	1,787	912	-	-	-	-	-	-
Golden Sunshine Residential Community* (金色陽光住宅社區)	238,000,000	20.0%	30,126	1,580	55.0%	52,721	1,580	90.0%	52,721	1,580
#1-8 of Jingfu Garden* (景福家園1-8#)	49,000,000	100.0%	720	1,361	-	-	-	-	-	-

Translations of the Chinese name of the projects are for identification purpose only.

The aggregate amount of the corresponding anticipated gross floor area and average construction fee per square meter for each of the years ending 31 December 2019, 2020 and 2021 amounts to approximately RMB194 million, RMB275.8 million and RMB278.3 million respectively.

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 consistently generated profits for the Group historically, our Directors (excluding the independent non-executive Directors, whose opinion is set out in the section headed "Letter form the Independent Board Committee" in this circular) 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 by entering into the 2019 Master Agreement and proposed the annual caps.

LETTER FROM THE BOARD

Information on the Group

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

Information on Jujiang Holdings

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 Latest Practicable Date, the Company is owned as to 38.25% by Jujiang Holdings and Jujiang Holdings is owned as to approximately 51.33% by Mr. Lyu Yaoneng and approximately 48.67% by nine other individual shareholders. The identities and background of the shareholders of the Jujiang Holdings and relationship with the Company as follows:

Shareholder	% of the	Position within the	Position within
	shareholding	Company	Jujiang Holdings and
			its subsidiaries
Mr. Lyu Yaoneng	51.33%	Chairman of Board, general manager, president and Executive Director	Chairman of Board, Non-executive Director
Mr. Lyu Dazhong	11.43%	Executive Director and vice president	Non-executive Director
Mr. Wang Shaolin ⁽¹⁾	8.52%	Vice president	Non-executive Director
Mr. Lyu Yuntao	7.01%	None	General Manager
Mr. Li Jinyan	5.33%	Executive Director and vice president	Non-executive Director
Mr. Shen Bingkun	4.97%	None	None
Mr. Lu Zhicheng	4.39%	Executive Director	Supervisor
Mr. Gao Xingwu	4.17%	Vice engineer	Non-executive Director
Mr. Fan Zhiming	1.54%	None	None
Mr. Ma Shengliang	1.31%	None	None

(1) Spouse of Mr. Wang Shaolin is sister of Mr. Lyu Yaoneng

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

As each of Mr. Lyu Yaoneng, Mr. Lyu Dazhong, Mr. Li Jinyan and Mr. Lu Zhicheng, being both Directors of the Company and shareholders of Jujiang Holdings, has material interests in the transactions contemplated under the 2019 Master Agreement, they have abstained from voting on the Board resolutions approving the 2019 Master Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Jujiang Holdings, being one of the Controlling Shareholders and one of the parties to the 2019 Master Agreement, has material interests in the 2019 Master Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps. Jujiang Holdings and its associates shall, therefore, abstain from voting on the resolution in relation to the entering into of the 2019 Master Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps at the AGM. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no other Shareholder is involved in or interested in the 2019 Master Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps who is required to abstain from voting on the relevant resolutions to approve the same at the AGM.

Listing Rules Implication

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\$10.0 million, 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.

As the actual transaction amounts under the 2019 Master Agreement would be subject to the actual progress of the construction projects thereunder, and other factors which are beyond control of the management of the Group, it is possible that the Company may sign new construction contracts after the 2019 Master Agreement, the Proposed Annual Caps and the transactions contemplated thereunder having been approved by the Independent Shareholders at the AGM, in which case the Company shall ensure compliance with the announcement, circular and Independent Shareholders' approval requirements if required under the Listing Rules.

An Independent Financial Adviser, Advent Corporate Finance, 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.

III. SUMMARY OF THE PPP PROJECT

Introduction

Reference is made to the announcement of the Company dated 17 April 2019 in relation to, among other things, the PPP Contract.

On 17 April 2019, Vendor and the Tiongxian Subsidiary, a subsidiary in which the Company owns 80% of the outstanding shares, entered into the PPP Contract in respect of the PPP Project in Tongxiang City, Zhejiang Province, the PRC. The total investment of the PPP Project is expected to be approximately RMB263.1 million, which included the considerations of the Acquisition in the amount of RMB48.0 million.

LETTER FROM THE BOARD

The PPP Project will be carried out through the PPP model, which is an emerging cooperation model, supported by local policies, for the public and private sectors to cooperate in the relevant projects. While the PPP model typically involves the use of private sector capital in public sector works, there is no fixed cooperation model, as the extent and nature of the private sector's involvements are driven by the nature of the relevant project and the requirements of the local government concerned.

THE PPP Contract

(1) Parties

Date: 17 April 2019

The Parties: (i) Tongxiang Education Bureau
(ii) Tongxiang Subsidiary

The Tongxiang Education Bureau is the competent authority overseeing the local education industry in Tongxiang City. It is primarily responsible for policy formulation, development planning, supervision and coordination in relation to the education industry of Tongxiang City, as well as the construction, maintenance and management of relevant facilities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Tongxiang Education Bureau and its ultimate beneficial owner is a government body and an Independent Third Party.

(2) Information on the PPP Project

The PPP Project follows the typical public-private partnership model, in which a partner relationship based on a concession agreement and formed between the Tongxiang Education Bureau and us for the construction of the Educational Complex. Tongxiang Education Bureau decided to enter into the PPP model with us because we have the experience and financing means to construct the Educational Complex. Granting us the Concession Rights provides the incentive for us to enter into the arrangement.

Pursuant to the PPP Contract, the PPP Project is construction and operation of the Educational Complex in Tongxiang City, Zhejiang Province, the PRC, with a total site area of approximately 100,000 square metre and a total construction floor area of 53,235.94 square metre. The Educational Complex is a complex that contains two ancillary to be used as offices and exhibition halls, two student dormitories and a staff dormitory, a canteen, a stadium, a power distribution room and a parking lot. The PPP Project will mainly generate the revenue by holding functions and leasing the properties and facilities to the public, the enterprises and the education institutions for trainings and other activities.

The total investment amount of the PPP Project is expected to be approximately RMB263.1 million, which is expected to be financed by Tongxiang Subsidiary through external bank loans. At the current stage, we do not expect any additional financing necessary in addition to the RMB263.1 million investment amount.

LETTER FROM THE BOARD

(3) Concession Rights

Pursuant to the PPP Contract, Tongxiang Education Bureau agreed to grant certain concession rights in relation to the PPP Project to Tongxiang Subsidiary, including the right to (i) finance and construct the Educational Complex, (ii) operate and maintain the Educational Complex and the whole PPP Project during the Concession Period, and (iii) receive revenue and other incomes from operating and maintaining the Educational Complex under the PPP Project during the Concession Period, which include operating and managing restaurants, dormitories and supermarkets at the PPP Project.

Commencing on the date of trial operations on the Educational Complex, the Tongxiang Subsidiary shall be entitled to charge fees from users of the Educational Complex for trainings and other activities. The Tongxiang Subsidiary is also entitled to revenue generated from conducting business activities such as operating restaurants, dormitories and supermarkets, as well as space renting at the Educational Complex.

The Tongxiang Subsidiary is also entitled to receiving income paid by the Tongxiang Education Bureau as feasibility gap subsidy, which will be calculated based on factors such as annual availability payment, annual operational net profit and performance evaluation coefficient, with an investment return of 6.62 per cent, which is a result of the negotiation between the parties at the arm's-length with reference to the highest interest rate of the bank loans borrowed by the Group (i.e. 6.22%). Both parties deem the investment return to be reasonable.

After the expiration of the operation phase, the Tongxiang Subsidiary shall transfer all properties and facilities of the PPP Project in normal operating conditions to Tongxiang Education Bureau or an entity it designated. The Company shall transfer all its shares in the Tongxiang Subsidiary to the Tongxiang Education Bureau or an entity it designated at nil consideration according to the provisions of the PPP Contract. The nil consideration of the transfer is common to the PPP model. After due analysis and taking the PPP Contract as a whole, the Directors consider the nil consideration of the transfer to be fair and reasonable and in the interest of the Company and shareholders as a whole.

(4) Concession Period

The concession period of the PPP Project shall comprise the construction period and the operation period:

The construction period including (1) the pre-construction phase to prepare and obtain the requisite permits for the construction and (2) the construction phase of 2 years, which started from the Effective Date of the PPP Contract. Assuming the PPP Contract is approved by shareholders at the AGM, the Company estimates that the Effective Date will be a date in early July 2019 and the Construction period will end in July 2021. In case of any delay in construction schedules of the Educational Complex due to any fault attributable to Tongxiang Subsidiary, it shall be liable to bear extra-construction costs.

LETTER FROM THE BOARD

The operation period including the operation phase and handover phase for a total of 13 years. Assuming the PPP Contract is approved by shareholders at the AGM, the Company estimates that the operation period will start in July 2021 and end on July 2034. The operation period shall commence on the next day following the date of inspection and acceptance of work upon delivery.

(5) *Conditions Precedent*

The PPP Contract is subject to and conditional upon the fulfilment of, inter alia, the following conditions precedent:

- a) the Company having obtained the approval of the Shareholders approving the transactions contemplated under the PPP Contract;
- b) the PPP Contract have been duly executed by the respective authorised representative of the contracting parties to the PPP Contract;
- c) the Tongxiang Education Bureau having obtained the consents and approvals from local government of Tongxiang City to act as an implementation institution of the PPP Contract;
- d) the Tongxiang Education Bureau having obtained the consents and approvals from local government of Tongxiang City to act as a contracting party to the PPP Contract.

As at the Latest Practicable Date, the conditions precedents specified in subparagraphs (b), (c) and (d) above have been fulfilled, and no conditions precedent was waived by the Company and Tongxiang Education Bureau.

(6) *Guarantees*

a) *Letter of Construction Guarantee during the Construction Phrase*

Tongxiang Subsidiary shall by itself or cause the Company to provide security to the Tongxiang Education Bureau in the form of irrevocable guarantee payable at any time by banks or insurance companies in the amount of RMB3.0 million to Tongxiang Education Bureau within 30 days after the Effective Date of the PPP Contract to secure the due performance of the obligations of Tongxiang Subsidiary under the PPP Contract, the valid period of which is the period from the Effective Date of this PPP Contract to the completion of the construction of the Educational Complex, subject to the earlier automatic termination upon the letter of operation guarantee (as provided below) taking effective.

LETTER FROM THE BOARD

b) *Letter of Operation Guarantee during the Operation Phrase*

Within 10 business days of the commencement of the trial operation, Tongxiang Subsidiary shall by itself or cause the Company to provide security of RMB1.0 million by instalment to the Tongxiang Education Bureau in the form of irrevocable guarantee payable at any time by banks or insurance companies, in order to secure the due performance of the obligations of Tongxiang Subsidiary under the PPP Contract.

c) *Letter of Handover Guarantee during the Handover Phrase*

Before the completion of the concession period, Tongxiang Subsidiary shall by itself or cause the Company to provide security of RMB1.0 million to the Tongxiang Education Bureau in the form of irrevocable guarantee payable at any time by banks or insurance companies.

If the Tongxiang Subsidiary commits any breach under the PPP Contract during the construction phrase, the operation phrase or the handover phrase, the Tongxiang Education Bureau has the right to notify in writing (“Claim Notice”) to Tongxiang Subsidiary that they will draw certain amount of money (“Claim Amount”) from the relevant guarantees and will set out the basis of the claim in such Claim Notice.

If Tongxiang Subsidiary has no objections or no submission of any opinions within 10 working days from receiving the Claim Notice (“Objection Period”), or fails to reach consensus with the Tongxiang Education Bureau within 10 working days after Tongxiang Subsidiary expressing its disagreement with the breach and or Claim Amount within the Objection Period, the Tongxiang Education Bureau has the unilateral right to draw such Claim Amount.

d) *Joint Guarantee offered by the shareholders of the Tongxiang Subsidiary*

All shareholders of the Tongxiang Subsidiary shall be jointly liable for the performance of the obligations of the Tongxiang Subsidiary under the PPP Contract, under which the respective liability of each shareholder of the Tongxiang Subsidiary shall not exceed their respective contribution to the registered capital of the Tongxiang Subsidiary.

(7) *Licenses and permits*

In connection with the PPP Project, the following licenses and permits have been procured:

- the Real Estate Title Certificate (浙(2018)桐鄉市不動產權第0053537號) dated 17 October 2018, issued by Tongxiang Bureau of Land and Resource (桐鄉市國土資源局);
- the land use rights of the Property for science and education uses;

LETTER FROM THE BOARD

- the Construction Land Use Planning Permit (地字第3304832017TY097號) dated 4 May 2017, issued by Tongxiang the Bureau of Housing and Urban-Rural Development (桐鄉市住房和城鄉規劃建設局);
- two Construction Project Planning Permits, issued by Tongxiang the Bureau of Housing and Urban-Rural Development (桐鄉市住房和城鄉規劃建設局); and
- four Construction Project Work Commencement Permits, issued by Tongxiang the Bureau of Housing and Urban-Rural Development (桐鄉市住房和城鄉規劃建設局).

All license and permits necessary for the PPP Project have been obtained.

REASONS FOR AND BENEFIT OF THE PPP CONTRACT

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

The Board considered that, by entering into the PPP Contract through the Tongxiang Subsidiary, the Group would be able to diversify the Group's business. It would help the Group implement the strategy of "Quality Business" and provide the Group with experience and opportunities to explore more PPP Projects in the future, which is expected to have a positive impact on the future development of the Group. In addition, the gross profit margin and net profit margin of the Group for the years ended 31 December 2016, 2017 and 2018 were 5.57%, 5.76% and 5.49%, respectively, and 2.24%, 2.61%, 2.51%, respectively. The Directors considered that the guarantee investment return of 6.62% can give a higher return to our shareholders.

The terms of the PPP Contract were determined after arm's-length negotiations among the parties thereto.

On this basis, the Directors (including the independent non-executive Directors) consider that the terms of the PPP Contract are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

FINANCIAL IMPACT OF THE PPP CONTRACT

As extracted from the 2018 Annual Report, the audited consolidated net assets value of the Group was approximately RMB1,314.0 million as at 31 December 2018. Upon the completion of the construction of the PPP Project, the aggregate investment cost of RMB263 million made by the Company will be recognised as intangible assets. Therefore, there will have no immediate material impact on the consolidated earnings of the Group as well as the net asset value attributable to equity shareholders of the Company upon the completion of the construction of the PPP Project.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon the completion of the Acquisition.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

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

The Tongxiang Subsidiary was incorporated in Zhejiang Province of the People's Republic of China.

The Company currently directly holds 80% of the paid-up share capital of Tongxiang Subsidiary. The remaining 20% of Tongxiang Subsidiary is owned by the Vendor. According the provisions of the PPP Contract, it shall engage in the business granted under the PPP Contract and shall not carry on any investment activities or other business activities without the prior written approval from the Tongxiang Education Bureau.

Tongxiang Education Bureau refers to the Education Bureau of Tongxiang City (桐鄉市教育局), which is the implementation institute authorised by local government of Tongxiang City for the PPP Project. The Tongxiang Education Bureau is a branch of the Tongxiang City Government, which is the ultimate beneficial owner of Tongxiang Education Bureau.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Tongxiang Education Bureau and its ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction are 25% or more but all applicable percentage ratios are less than 100%, the Transaction constitutes a major transaction for the Company and is subject to notification, announcement and Shareholders' approval under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associate have any material interest in the PPP Contract. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Transaction.

IV. SUMMARY OF JV AGREEMENT

Introduction

Reference is made to JV Announcement regarding the JV Agreement dated 17 April 2019 entered into by JV-1 Partners, in which the Company hold a 40.0% equity interest, and JV-2 Partners, pursuant to which JV-1 Partners through the JV-1 Company will hold 68% equity interest of the Project Company, whiles JV-2 Partners through the JV-2 Company will hold the remaining 32% equity interest of the Project Company. Terms used in this circular but undefined shall have the meaning as defined in such announcement.

LETTER FROM THE BOARD

The transaction constitutes a major transaction of the Company under the Listing Rules.

THE JV Agreement

(1) Parties

Date: 17 April 2019

The Parties: (i) JV-1 Partners (and the Company is one of them)
(ii) JV-2 Partners

To the best of the Directors' knowledge, information and belief, having made reasonable enquiries, JV-1 Partners (excluding the Company) and its ultimate beneficial owners, JV-2 Partners and its ultimate beneficial owners are all individuals with relevant industrial experience in construction business that are third parties independent of and not connected with the Company or any of its Connected Persons. JV-1 Partners (excluding the Company) and JV-2 Partners are incorporated in Jiaxing City, Zhejiang Province, China and are principally engaged in construction contracting business.

(2) Information on the Project Company

The principal activities of the Project Company is expected to be the industrialized and digitalized construction business, which involves a new form of automated, modularized and vertically integrated construction to replace the traditional decentralized, manual and labor-intense construction process. For example, such new form of construction includes the manufacturing of standardized construction components that can be assembled into various structures. The standardization process will be designed with a view to increase efficiency and save raw materials used. The Project Company will make the initial investment in the construction of a manufacturing base and manufacturing lines capable of the design and production of the standardized construction components, among other things.

The first phase of the investment is expected to be approximately RMB300.0 million, which will be mainly invested in the construction of the manufacturing base and purchase of the machinery and equipments. The intended site is situated at Pu Yuan Town (濮院镇), Tongxiang City, Zhejiang Province, the PRC, with a total site area of approximately 180,000 square meters. The construction period is expected to be approximately 2 years. The table below set forth the indicative timetable and details of each phase:

Phase	Period	Expected starting date
Site selection and land acquisition	Three months	July 2019
Base Construction	14 months	October 2019

The construction base is expected to include a factory building, an administrative building and a dormitory.

LETTER FROM THE BOARD

The total investment amount under the JV Agreement is expected to be RMB1,000.0 million, which included the proposed registered capital of the Project Company is RMB300.0 million and capital commitment of RMB700.0 million. The proposed registered capital of the Project Company will be injected by JV-1 Partners representing RMB204.0 million or 68.0% shareholdings of the Project Company and will be injected by JV-2 Partners representing RMB96.0 million or 32.0% shareholdings of the Project Company.

The difference between the total investment amount under the JV Agreement and the registered capital of the Project Company will be financed by loans from banks or other creditors, failure of which the JV-1 Company and the JV-2 Company shall finance the Project Company either by increasing registered capital of the Project Company or by shareholder(s) loan.

The downpayment of the registered capital of the Project Company shall be RMB5.0 million and the rest of the registered capital of the Project Company shall be injected by instalment on an as-needed basis.

(3) Information on the JV-1 Company and the JV-2 Company

JV-1 Company was established on 12 December 2018 by the Company and the other two independent corporate investors of JV-1 Partners.

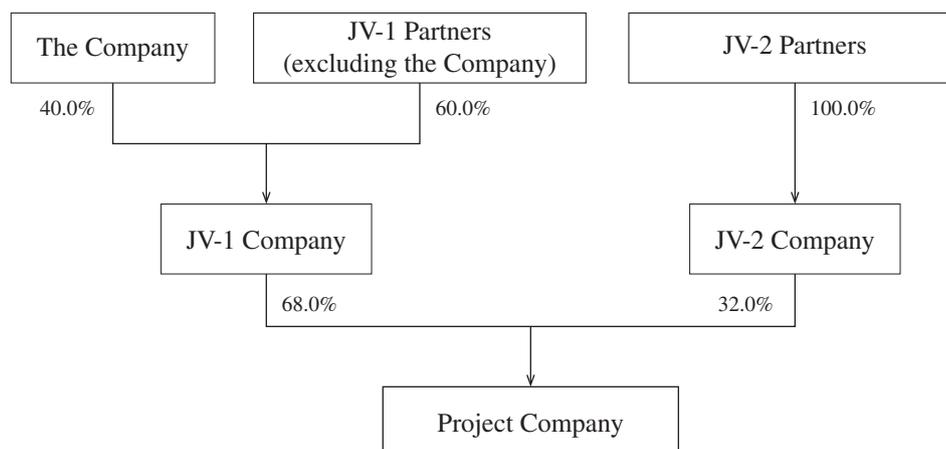
According to the articles of the JV-1 Company, the registered capital subscribed by JV-1 Partners are RMB208.0 million, among which RMB83.2 million shall be injected by the Company on or before 12 December 2019, representing 40.0% equity interest of the JV-1 Company and 27.2% indirect equity interest of the Project Company. As such, the total amount to be invested by the Company under the JV Agreement is approximately RMB272.0 million. According to the PRC legal adviser of the Company, no prior approval from the Board or Shareholders to establish the JV-1 Company under laws of PRC is needed, as the JV Agreement has not been signed by either the Company or the other of the JV-1 Partners and JV-2 Partners.

JV-2 Company was established on 20 December 2018 by JV-2 Partners comprising nine independent corporate investors. According to the articles of the JV-2 Company, the registered capital subscribed by JV-2 Partners is RMB100.0 million.

As provided by the JV Agreement, JV-1 Company and JV-2 Company shall determine when the registered capital should be injected in accordance with the funding requirement of the Project Company. Unless JV-1 Partners and JV-2 Partners otherwise agree with, the shareholder who contributes the highest proportion of the registered capital in the JV-1 Company or the JV-2 Company shall have the right to appoint a director as the legal representative of the corresponding company. The board of the Project Company shall consist of five directors, three of which shall be appointed by JV-1 Company and two of which shall be appointed by JV-2 Company. The chairman of the board of the Project Company shall be nominated by JV-1 Company. As the Company is the shareholder who contributes most to JV-1 Company, the Company shall nominate the director of the Project Company who is to be the chairman of the board. The Project Company is a corporate, and does not have a dividend policy.

LETTER FROM THE BOARD

The corporate structure immediately upon the formation of the Project Company is as follow:



Notes:

- (a) As at the Latest Practicable Date, the JV-1 Partners (excluding the Company) comprising Tong An Construction Company Limited* (同安建築有限公司), and Ya Du Construction Group Company Limited* (亞都建設集團有限公司) which have over 30 and 2 ultimate shareholders, respectively.
- (b) As at the Latest Practicable Date, the JV-2 Partners comprising the following parties:-
- (1) Zhejiang Li Xin Construction Development Company Limited* (浙江立信建設發展有限公司) which have 2 ultimate beneficial owners
 - (2) Zhejiang Ju Xin Construction Company Limited* (浙江巨鑫建設有限公司) which have 5 ultimate beneficial owners
 - (3) Zhejiang Chong De Construction Company Limited* (浙江崇德建設有限公司) which have 2 ultimate beneficial owners
 - (4) Zhejiang Bao Sen Construction Company Limited* (浙江寶森建設有限公司) which have 11 ultimate beneficial owners
 - (5) Zhejiang Bei Sheng Construction Company Limited* (浙江北聖建設有限公司) which have 7 ultimate beneficial owners
 - (6) Zhejiang Zhong Shuo Construction Company Limited* (浙江中碩建設有限公司) which have 4 ultimate beneficial owners
 - (7) Zhejiang Cheng Hui Construction Company Limited* (浙江誠輝建設有限公司) which have 2 ultimate beneficial owners
 - (8) Heng Ji Construction Group Company Limited* (恆基建設集團有限公司) which have 2 ultimate beneficial owners
 - (9) Zhejiang Wise House Green Construction Company Limited* (浙江智房綠色建築有限公司) which have over 50 ultimate beneficial owners

LETTER FROM THE BOARD

(4) *Conditions Precedent*

The JV Agreement is subject to and conditional upon the fulfilment of, inter alia, that:

The Company having obtained the approval of the Shareholders approving the Company's participation in the JV Agreement.

The conditions precedent cannot be waived by the Company or/ and the JV-1 Partners or/ and the JV-2 Partners.

(5) *Guarantees*

Under the JV Agreement, Project Company, JV-1 Company and JV-2 Company are not allowed to provide securities to any third parties.

If Project Company raises fund from third parties and the relevant creditors request the legal representative (and his/her spouse) of the Project Company to stand for surety or to guarantee to secure the performance of all or any of the obligations of such fund raising activities, both JV-1 Partners and JV-2 Partners shall as counter-guarantors provide a counter-guarantee for the aforementioned legal representative (and his/her spouse) of the Project Company.

REASONS FOR AND BENEFIT OF THE JV AGREEMENT

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

At present, the People's Government of Tongxiang City of China is vigorously promoting the use of eco-friendly technologies and materials in the construction industry to advance the concept of green construction, which aims to encourage the construction companies to save resources, reduce waste and protect the environment in the life cycle of a construction project, as well as to facilitate the building industrialization through the construction process. Through joint venture with other investors, the Company is expect to effectively improve the development and application of building materials. Entering into the JV Agreement will enable the Group to explore new business opportunities, and capitalize on the initiatives taking by Tongxiang City. It will also give the Group operational experience and credentials in new type of industrialized and digitalized construction, which the Group expects could further enhance its overall competitiveness in the construction market and obtain the stable supply of the building materials.

The terms of the JV Agreement were determined after arm's length negotiations among the parties thereto.

On this basis, the Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL IMPACT OF THE JV AGREEMENT

Upon the formation of the Project Company, the Company will beneficially hold 27.2% of the issued share capital of the Project Company, and by virtue of the terms of the JV Agreement, the Project Company will be a joint venture of the Group and the financial results of the Project Company is expected be consolidated into the Group's financial statement under the equity method.

As extracted from the 2018 Annual Report, the unaudited consolidated net asset value of the Group was approximately RMB1,314.0 million as at 31 December 2018. The capital injection in connection with the formation of the Project Company will be recognized an interest in a joint venture. Therefore, there will have no immediate material impact on the consolidated earnings of the Group as well as the net asset value attributable to equity shareholders of the Company upon the formation of Project Company.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon the formation of the Project Company.

INFORMATION ON THE PARTIES

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

JV-1 Company is incorporated in Zhejiang Province of the PRC. According to the business licence of the JV-1 Company, JV-1 Company is principally engaged in technology development and technology service in building material areas, sale and instalment of prefabricated house, concrete prefabricated parts and concrete prefabricated materials.

JV-2 Company is incorporated in Zhejiang Province of the PRC. According to the business licence of the JV-2 Company, JV-2 Company is principally engaged in technology development and technology service in building material areas, sale and instalment of prefabricated house, concrete prefabricated parts and concrete prefabricated materials.

Project Company will be incorporated in Zhejiang Province of the PRC and the principal business of the Project Company will be engaged in research, development, produce and sale of concrete prefabricated parts and related products.

The Company will indirectly holds 27.2% of the subscribed registered capital of Project Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all shareholders of JV-1 Company (excluding the Company), all shareholders of JV-2 Company and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction are 25% or more but all applicable percentage ratios are less than 100%, the Transaction constitutes a major transaction for the Company and is subject to notification, announcement and shareholders' approval under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associate have any material interest in the JV Agreement. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Transaction.

V. AGM

A supplemental notice convening the AGM is set out on pages AGM-1 to AGM-3 of this Supplemental Circular. The AGM will be held at 17/F Skyway Centre, 23 Queen's Road West, Sheung Wan, Hong Kong at 1:00 p.m. on Friday, 28 June 2019 as originally scheduled.

Please refer to the First Circular dated 30 April 2019 and the notice convening the AGM of the Company, for details of other resolutions to be considered at the AGM, the eligibility for attending the AGM, the procedure of registration, closure of register of members, voting by way of poll and other related matters.

Recommendations

The Directors consider that the new proposed resolutions set out in the supplemental notice of the AGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, together with their associates, intend to vote in favour of the relevant resolutions in respect of their respective shareholdings in the Company and recommend Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully
For and on behalf of the Board
Jujiang Construction Group Co., Ltd.
Mr. Lyu Yaoneng
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders which was prepared for the purpose of inclusion in this circular.



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)

12 June 2019

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND REVISION OF ANNUAL CAPS

We refer to the circular of the Company dated 12 June 2019 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the 2019 Master Agreement, the Revised Annual Caps and the relevant transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Advent Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

We wish to draw your attention to the letter from the Board set out on pages 7 to 26 of the Circular which contain information in connection with the 2019 Master Agreement, the Revised Annual Caps and the relevant transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 29 to 42 of the Circular which contains its advice and recommendation in the same respect.

Having considered the terms of the 2019 Master Agreement, the advice and recommendation of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that the 2019 Master Agreement, is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the transactions contemplated under the 2019 Master Agreement and the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve the 2019 Master Agreement, the Revised Annual Caps and the transactions contemplated thereunder.

Yours faithfully,

for and on behalf of

Independent Board Committee of

Jujiang Construction Group Co., Ltd.

Mr. Yu Jingxuan

Mr. Lin Tao

Mr. Wong Ka Wai

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Advent Corporate Finance, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which have been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2019 Master Agreement.



12 June 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs and Madams,

CONTINUING CONNECTED TRANSACTIONS 2019 FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2019 Master Agreement, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company dated 12 June 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the 2016 Master Agreement, details of which are set out in the announcement of the Company dated 25 August 2016 and the circular of the Company dated 7 November 2016. Given that the 2016 Master Agreement has expired on 31 December 2018, on 17 April 2019 (after trading hours), the Group and Jujiang Holdings entered into the 2019 Master Agreement for the provision of construction contracting services by the Group to Jujiang Holdings and its subsidiaries (the “**Jujiang Holdings Group**”) for a term from 1 January 2019 to 31 December 2021.

As at the Latest Practicable Date, the Company is owned as to 38.25% by Jujiang Holdings and Jujiang Holdings is owned as to approximately 51.33% by Mr. Lyu Yaoneng and approximately 48.67% by nine other individual shareholders. As Jujiang Holdings is one of the Controlling Shareholders and a connected person of the Company, the transactions contemplated under the 2019 Master Agreement between Jujiang Holdings and the Group constitute continuing connected transactions for the Group 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As each of Mr. Lyu Yaoneng, Mr. Lyu Dazhong, Mr. Li Jinyan and Mr. Lu Zhicheng, being both Directors of the Company and shareholders of Jujiang Holdings, has material interests in the transactions contemplated under the 2019 Master Agreement, they have abstained from voting on the Board resolutions approving the 2019 Master Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, Jujiang Holdings, being the Controlling Shareholders and one of the parties to the 2019 Master Agreement, has material interests in the 2019 Master Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps. Jujiang Holdings and its associates shall, therefore, abstain from voting on the resolution in relation to the entering into of the 2019 Master Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps at the AGM. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no other Shareholder is involved in or interested in the 2019 Master Agreement and the transactions contemplated thereunder, including the Proposed Annual Caps who is required to abstain from voting on the relevant resolutions to approve the same at the AGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yu Jingxuan, Mr. Lin Tao and Mr. Wong Ka Wai, has been established to advise the Independent Shareholders as to whether the 2019 Master Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the transaction contemplated under the 2019 Master Agreement and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we, Advent Corporate Finance, were not aware of any relationships or interests between us and (i) the Company; (ii) Jujiang Holdings and (iii) any other parties within the past two years that could be reasonably regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the 2019 Master Agreement. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangement exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transaction.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on (i) the information contained or referred to in the annual reports of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”) and the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), the Circular, the 2019 Master Agreement and certain published information of the Company; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) certain relevant public information, and have assumed that all such information and facts provided and any opinions and representations made to us are true, accurate and complete in all material aspects at the time they were made and as up to the date of the AGM. We have also sought and received confirmation from the Directors that no material facts have been

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group were reasonably made after due and careful enquiry and are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the AGM. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information has been withheld, nor doubt the completeness, truth or accuracy of the information and facts provided. We have not, however, conducted any investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. The Company will notify the Shareholders of any material changes as soon as practicable, if any.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the 2019 Master Agreement, we have taken into account the following principal factors and reasons:

1. Information on the Group

1.1 Business of the Group

The Company was incorporated in the PRC and its Shares was listed on the Stock Exchange on 12 January 2016. The Group is principally engaged in construction contracting and design, survey and consultancy services. The construction contracting services can broadly be divided into residential, commercial, industrial and public works including building construction, foundation work, curtain wall construction, building decoration and fire equipment installation.

The Group successfully obtained the Premium Class Certificate for General Building Construction Contracting Work (“**Premium Class Certificate**”) from the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部) and the Grade A Engineering Design (Construction Industry) Certificate (“**Engineering Design Certificate**”) from the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部) on 28 January 2015. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Holding these two key certificates as well as other certificates, the Group is able to provide fully integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial information of the Group

Set out below is a summary of the financial performance of the Group for the years ended 31 December 2018, 2017 and 2016 (the “FY2018”, “FY2017” and “FY2016”, respectively) as extracted from the 2017 Annual Report, and the 2018 Annual Report.

	For the year ended 31 December		
	2018	2017	2016
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
Revenue			
– Construction contracting business	6,824,733	4,751,245	3,999,061
– Other Business	71,260	51,774	33,107
Subtotal	6,895,993	4,803,019	4,032,168
Gross profit	378,319	276,692	224,697
Gross profit margin	5.5%	5.8%	5.6%
Profit for the year	172,868	125,203	90,234

Majority of revenue of the Group was generated from construction contracting business which accounted for approximately 99.0%, 98.9% and 99.2% of the revenue of the Group for FY2018, FY2017 and FY2016, respectively. The revenue generated from construction contracting business can mainly be classified into residential, commercial, industrial and public works projects.

Revenue of the Group increased to approximately RMB6,896.0 million for FY2018 from approximately RMB4,803.0 million for FY2017, representing an increase of approximately 43.6% or approximately RMB2,093.0 million. Such increase was mainly attributable to increase of construction contracting business amounting to approximately RMB2,073.5 million. The increase in construction contracting business was a result of an increase in revenue from residential construction contracting business, industrial contracting business and public work construction contracting business amounting to approximately RMB905.5 million, RMB1,280.9 million and RMB380.7 million, respectively.

Revenue of the Group increased by approximately 19.1% or approximately RMB770.9 million from approximately RMB4,032.2 million for FY2016 to approximately RMB4,803.0 million for FY2017, primarily attributable to the increase in revenue from construction contracting business. Revenue from construction contracting business increased by approximately 18.8% from approximately RMB 3,999.1 million for FY2016 to approximately RMB4,751.2 million for FY2017. Such increase was mainly attributable to the strategies carried out by the Group and the increase in revenue from residential construction projects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The gross profit increased by approximately 36.7% or approximately RMB101.6 million from approximately RMB276.7 million for FY2017 to approximately RMB378.3 million for FY2018. Such increase was primarily due to the increase in business activities of the construction contracting business for the reasons discussed above. The gross profit margin for FY2018 decreased slightly to approximately 5.5% from approximately 5.8% for FY2017, mainly due to the decrease in the profits margin of the construction contracting business as the profits margin of the residential construction contracting business decreased to approximately 5.4% for FY2018 from approximately 5.8% for FY2017.

The gross profit of the Group improved by approximately 23.1% from approximately RMB224.7 million for FY2016 to approximately RMB276.7 million for FY2017. Such increase was primarily due to the increase in business activities of the construction contracting business. The gross profit margin improved to approximately 5.8% for FY2017 from approximately 5.6% for FY2016. Such increase is mainly attributing to increase in gross profit margins of the residential construction projects which is in line with the Group's strategies to focus on quality customers and high-margin projects.

The profit for the year increased from approximately RMB125.2 million for FY2017 to approximately RMB172.9 million for FY2018, representing an increase of approximately 38.1%.

The profit for the year increased from approximately RMB90.2 million for FY2016 to approximately RMB125.2 million for FY2017, which is primarily due to the improvement of gross profit margins and decrease in administrative and finance costs.

As at 31 December 2018, the total consolidated asset of the Group amounted to approximately RMB5,515.1 million, representing an increase of approximately 15.1% as compared to that of approximately RMB4,790.2 million in FY2017. The total consolidated liabilities of the Group amounted to approximately RMB4,201.0 million for FY2018, representing an increase of approximately 14.8% as compared to that of approximately RMB3,660.2 million for FY2017.

2. Background of 2019 Master Agreement and reasons and benefits for the continuing connected transaction

The Group principally provides construction contracting services to its customers. According to the 2018 Annual Report, the construction contracting services can mainly be divided into residential, commercial, industrial and public works. As disclosed in the 2017 Annual Report and the 2018 Annual Report, the revenue generated from construction contracting services represented approximately 99.0% and 98.9% for FY2018 and FY2017, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As confirmed by the management, Jujiang Holdings Group principally engages in property development and investment holding with over 3,100 staff for the year ended 31 December 2018. For the year ended 31 December 2017 and 2018, total revenue of Jujiang Holdings Group amounted to approximately RMB641.7 million and RMB239.6 million, respectively; total profit of Jujiang Holdings Group amounted to approximately RMB35.5 million and RMB24.4 million, respectively; and total asset of Jujiang Holdings Group amounted to approximately RMB1,555.7 million and RMB1,480.5 million, respectively. On 25 August 2016, the Group entered into the 2016 Master Agreement with Jujiang Holdings in relation to the provision of construction contracting services to Jujiang Holdings Group. Details of which are set out in the announcement of the Company dated 25 August 2016 and the circular of the Company dated 7 November 2016. For the three financial years ended 31 December 2018, revenue generated from transactions with Jujiang Holdings Group amounted to approximately 7.7%, 2.4% and 0.9% of the revenue of the Group respectively.

In light of the 2016 Master Agreement and the long-term continuing working relationship with Jujiang Holdings Group, the Company expects to continue to provide construction contracting services to Jujiang Holdings Group. On 17 April 2019, the Company and Jujiang Holdings entered into the 2019 Master Agreement for a term from 1 January 2019 to 31 December 2021, subject to the Shareholders' approval. Pursuant to the 2019 Master Agreement, the Group shall continue to provide construction services to Jujiang Holdings Group, which include building construction, foundation work, curtain wall construction, building decoration and fire equipment installation.

The Board holds the view that providing construction contracting services to Jujiang Holdings Group is beneficial to the Group as, for the three financial years ended 31 December 2018, the construction contracting projects with Jujiang Holdings Group were overall profitable. According to the information provided by the management of the Company, for the three years ended 31 December 2018, the gross profit recognised from the construction contracting projects with Jujiang Holdings Group amounted to approximately RMB15.5 million, RMB8.6 million, and RMB4.0 million, and the gross profit margin were approximately 4.99%, 7.33%, and 6.13% respectively. We have obtained and reviewed the profitability analysis in relation to the provision of construction contracting services by the Group to Jujiang Holdings Group for the three years ended 31 December 2018 and concur with the view of the Board. To assess the accuracy of the profitability analysis, we have further obtained and reviewed the revenue summary and cost breakdowns of three projects that were the top three revenue recognised projects for the three years ended 31 December 2018. The said top three revenue recognised projects accounted for approximately 47.7% of total revenue recognised from the transactions contemplated under the 2016 Master Agreement for the three years ended 31 December 2018, and we hold the view that such three samples are fair and representative samples. We have also reviewed the relevant supporting documents in relation to revenue recognition and cost summary such as certificates issued by the respective supervisory units for percentage of completion and cost summary of the three projects and no material deviation was noted. Further, according to the Letter from the Board, for the three years ended 31 December 2018, the average gross profit margin of the construction contracting projects with Jujiang Holdings Group and Independent Third Parties were 6.15% and 5.61% respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As mentioned in the 2018 Annual Report and according to the website of the National Bureau of Statistics of China (中華人民共和國國家統計局) (data.stats.gov.cn), (i) the total housing construction area (房屋建築施工面積累計值) in the PRC was increased from approximately 12.6 billion square meters for year ended 31 December 2016 to approximately 14.1 billion square meters for year ended 31 December 2018, representing a compound annual growth rate (the “CAGR”) of approximately 5.6%; (ii) the total newly commenced area (新開工面積累計值) in the PRC was increased from approximately 4.8 billion square meters for the year ended 31 December 2016 to approximately 5.6 billion square meters for the year ended 31 December 2018, representing a CAGR of approximately 7.9%; and (iii) the total contract amount of PRC construction enterprises (中國建築業企業簽訂合同金額累計值) increased from approximately RMB37.4 trillion for year ended 31 December 2016 to approximately RMB49.4 trillion for year ended 31 December 2018, representing a CAGR of approximately 14.9%. And the total value of the PRC construction industry (中國建築業總產值) increased from approximately RMB19.4 trillion for year ended 31 December 2016 to approximately RMB23.5 trillion for the year ended 31 December 2018, representing a CAGR of approximately 10.2%. The Company holds the view that the improvement of various indicators reflected the strong momentum for the construction sector and the demand for the industry is expected to remain on the rise.

Moreover, the Group generated revenue mainly from residential construction projects. According to the website of the National Bureau of Statistics of China (中華人民共和國國家統計局) (data.stats.gov.cn), the total sales amount of residential units (住宅商品房銷售額) in the PRC increased from approximately RMB9,906.4 billion for the year ended 31 December 2016 to approximately RMB12,639.3 billion for the year ended 31 December 2018, representing a CAGR of approximately 13.0%. And the average price of residential units (住宅商品房均平銷售價格) in the PRC increased from approximately RMB7,203 per square meter for the year ended 31 December 2016 to approximately RMB7,614 per square meter for the year ended 31 December 2017, representing a CAGR of approximately 5.7%. There were also improvements in the indicators in relation to the residential units.

Considering (i) construction contracting services is the principal business of the Group in terms of the revenue contribution; (ii) the profitability of projects with Jujiang Holdings Group; and (iii) the long-term stable working relationship with Jujiang Holdings Group, we are of the view that the entering into 2019 Master Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole.

Major terms of the 2019 Master Agreement

Pursuant to the 2019 Master Agreement, the Group and Jujiang Holdings agreed that the transactions contemplated thereunder shall be conducted on normal commercial terms, and the price shall be determined (i) based on the market conditions and market price of comparable services at the relevant time; (ii) with reference to historical service fee of similar projects with Independent Third Parties; or (iii) after arm’s length negotiation according to market price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, 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). 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. 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. The markup is determined primarily based on number of factors, including complexity and scale of the construction project and with reference to historical transactions of a similar scale and nature and the indicative price which are made available to the public by the relevant government authorities through various official government websites and publications from time to time. In general, the markup should be over 4% pursuant to the internal operation and management policy, and the Company reviews and updates such benchmark yearly. The government-guidance price is quoted on the Government websites, such as Zhejiang Price Quotation Website* (浙江造價網) at www.zzj.net, which is operated by the Department of Development of Zhejiang Province* (浙江省建設廳) and updated monthly. The Company applies the latest available information from various official government websites and publications when providing price quote. The government-guidance price generally refers to the price of construction materials, such as cement and steel bars, which is often used by the construction contractors to estimate the construction costs. 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, such as Zhejiang Price Quotation Website* (浙江造價網) at www.zzj.net. The Company applies the latest available information from various official government websites and publications when providing price quote. 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. According to the representation from the management of the Company, the Group did not enter into any construction contracting services contract with the Jujiang Holdings Group in 2019. The Group entered into one residential and one industrial construction contracting services contract with Jujiang Holdings Group in December 2018. Given the 2019 Master Agreement is a continuation of the 2016 Master Agreement, and the "Pricing policy" of the 2019 Master Agreement as disclosed in the Letter from the Board is the same as that as disclosed in the circular of the Company dated 7 November 2016 in relation to the 2016 Master Agreement, we consider it is appropriate to obtain and review one set of contract entered into between the Group and the Jujiang Holdings Group in 2018 and one set of contract entered into between the Group and Independent Third Parties in 2019. The 2018 construction contracting services contract with Jujiang Holdings Group that we obtained and reviewed is comparable to the 2019 construction contracting services contract with Independent Third Parties that we obtained and reviewed in terms of the geographical locations, natures of projects, and contract sum. Both projects were residential construction contracting

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

project located in Zhejiang Province with over RMB100 million contract sum. As disclosed in the 2018 Annual Report, residential projects accounted for approximately 48.3% and 50.5% of construction contracting business for FY2018 and FY2017 respectively. Furthermore, as mentioned below, the Group had internal control mechanism to ensure the pricing and price quote of the continuing connected transactions adhere to the pricing policy. Accordingly, we consider it is fair and representative to obtain and review the residential construction contracting services contracts with Jujiang Holdings Group in 2018 and with Independent Third Parties in 2019. Based on the sample contracts obtained and reviewed, we are of the opinion the contract entered into between the Group and Jujiang Holdings Group as well as the contract entered into between the Group and Independent Third Parties followed and were consistent with the pricing policy adopted by the Group. In addition, we have obtained confirmation from the Company that it will follow the pricing policy adopted by the Group when enter into construction contracting service contracts with Jujiang Holdings Group in the future.

To understand the pricing strategy and mechanism of the Group, we have obtained and reviewed the pricing policy which is applicable to all customers (including Jujiang Holdings Group and Independent Third Parties) adopted by the Group. The price quote and tender document shall be reviewed by the relevant responsible personnel before formal submission to customer for their consideration to ensure the price quote is in accordance with the pricing policy adopted by the Group. Technical aspects shall be cross checked by other technical staff, and major and material projects shall be approved by the chief engineer of the Company. Commercial terms shall be reviewed and checked by responsible personnel and approved by department head. As represented by the management of the Company, as at the Latest Practicable Date, the Group has a team of 34 professionals responsible for providing the price quotes to the customers. Each of the 34 professionals possess the qualification of National Certification of Construction Cost Estimator (全國建設工程造價資格), and the 34 professionals have 3 years to 26 years of experience in construction industry and pricing of construction projects.

Based on the set of contract entered into between the Group and the Jujiang Holdings Group in 2018 and the set of contract entered into between the Group and Independent Third Parties in 2019 that we have obtained, the customer of the Group shall be responsible for all additional expenses or extra costs incurred and delay in project schedule if there shall be any suspension of project progress caused by the customer. The customer shall also pay the Group reasonable profit.

In addition to the annual review on continuing connected transactions by independent non-executive Directors, as confirmed by the management of the Company, the internal audit of the Company performs regular review and conducts sample checking on the continuing connected transactions, including those contemplated under the 2016 Master Agreement and the 2019 Master Agreement, on a monthly basis to ensure the annual cap are not exceeded. There are also internal control mechanism to ensure the pricing and price quote of the continuing connected transactions adhere to the pricing policy and mechanism as set out above, in particular, the price quote provided to Jujiang Holdings Group are comparable to those provided to Independent Third Parties, and the terms of the construction contracting contracts are no less favourable to the Group than those offered by the Group to Independent Third Parties when providing similar construction contracting services. We have obtained three sample records in relation to the regular review on the continuing connected transactions performed by the internal audit of the Company for each year-end of the three years

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ended 31 December 2018 with satisfactory results. Year-end sample records were selected as they reflect the effectiveness of the internal controls of the annual caps and whether the respective annual caps were exceeded. As such, we consider the three year-end samples obtained are fair and representative samples.

Given that the price quote of construction contracting services offered to Jujiang Holdings Group will be determined (i) based on normal commercial terms; (ii) with reference to prevailing market price and government benchmarks; (iii) with reference to historical service fee of construction contracting projects with Independent Third Parties; and the qualification and experience of the professionals responsible for providing the price quotes as well as the internal control policy and procedures in relation to the price quote, we consider the pricing mechanism and procedure of the 2019 Master Agreement is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Payment term

As confirmed by the management of the Company and pursuant to the 2019 Master Agreement, the Independent Third Parties and Jujiang Holdings Group shall settle the construction contracting service charge based on the stage of completion of the relevant projects, with the credit term generally within three months. Pursuant to the contract terms, in general, 5% of the contract sum will be retained by Jujiang Holdings Group for a period of approximately two years after the completion of the relevant projects as maintenance fund.

Based on the aforementioned sample contracts obtained between the Group and Jujiang Holdings Group in 2018 and between the Group and the Independent Third Parties in 2019, we are of the view that the credit term granted by the Group to Jujiang Holdings Group is no less favourable than those offered to Independent Third Parties and are on normal commercial terms.

Termination

Pursuant to the 2019 Master Agreement, the Group and Jujiang Holdings may, at any time during the contract term, terminate the 2019 Master Agreement with immediate effect by mutual consent.

Other major terms

We have reviewed other major terms, such as operation arrangement, of the 2019 Master Agreement and are not aware of any material deviations from normal practice with reference to the construction services contracts entered into between the Group and Independent Third Parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical transaction amounts and the annual caps

Set out below are the (i) historical construction contracting service fee with Jujiang Holdings Group for the three financial years ended 31 December 2018; (ii) annual caps under the 2016 Master Agreement for the three financial years ended 31 December 2018; and (iii) the Proposed Annual Caps under the 2019 Master Agreement for the three financial years ended 31 December 2021.

Historical figures			Annual caps under the 2016 Master Agreement			Proposed annual caps under the 2019 Master Agreement		
For the year ended 31 December			For the year ended 31 December			For the year ended 31 December		
2016	2017	2018	2016	2017	2018	2019	2020	2021
<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
(Audited)	(Audited)	(Audited)						
311.0	117.2	64.8	321.0	325.0	318.0	200.0	300.0	300.0

According to the Letter from the Board, when determining the above 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) the 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. The Directors confirmed that the estimated progress and stage of completion are based on the discussion with the management of Jujiang Holdings Group with reference to the current construction plan.

According to the Letter from the Board, the difference in historical transaction figures from the respective annual caps under the 2016 Master Agreement were mainly due to delay in progress of construction contracting projects in Shandong Province, the PRC. The Group were notified by Jujiang Holdings Group that due to the weakening of the general property market, Jujiang Holdings Group decided to temporarily postpone the project until the sales of phase I of the project in Shandong. Such delay amounted to approximately RMB25.5 million, RMB176.0 million and RMB243.5 million, or approximately 7.9%, 54.2% and 76.6% of the respective annual caps for the three financial years ended 31 December 2018 respectively. According to the representation from the management of the Company and confirmations obtained from Jujiang Holdings Group, as at the Latest Practicable Date, the construction works of the said affected projects in Shandong Province, the PRC are expected to resume in 2019. As confirmed by the management of the Company, the aforementioned delay was solely due to commercial decisions by the Jujiang Holdings Group. The management of the Company further confirms that all extra costs incurred as a result of the delay, including but not limited to the inflation of labor and material costs, will be covered by the respective customers (including Jujiang Holdings Group).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below sets out the Group's existing construction projects with Jujiang Holdings Group which are expected to carry out for the three financial years ending 31 December 2021.

Project name	Contract sum (RMB)	Anticipated stage of completion	2019		Anticipated stage of completion	2020		Anticipated stage of completion	2021	
			Gross floor area (m ²)	Average construction fee per m ² (RMB)		Gross floor area (m ²)	Average construction fee per m ² (RMB)		Gross floor area (m ²)	Average construction fee per m ² (RMB)
Stage II of Rongcheng Zhonghan* (榮成中韓邊貿二期)	230,000,000	28.0%	42,000	1,533	63.0%	52,500	1,533	93.0%	45,000	1,533
Annual production of 120,000 tons of silicon steel sheet continued construction project* (年產12萬噸矽鋼片續建項目)	51,000,000	100.0%	35,781	1,425	-	-	-	-	-	-
Stages I and II Jujiang Sunshine Bay* (巨匠陽光海灣一期二期)	280,000,000	10.0%	19,000	1,474	50.0%	76,000	1,474	95.0%	85,500	1,474
Rongcheng*New World (榮成·新天地)	81,506,400	100.0%	1,787	912	-	-	-	-	-	-
Golden Sunshine Residential Community* (金色陽光住宅社區)	238,000,000	20.0%	30,126	1,580	55.0%	52,721	1,580	90.0%	52,721	1,580
#1-8 of Jingfu Garden* (景福家園1-8#)	49,000,000	100.0%	720	1,361	-	-	-	-	-	-

* Translations of the Chinese name of the projects are for identification purpose only.

We have discussed with the management and reviewed the calculation about the basis of determination of the annual caps under the 2019 Master Agreement. As disclosed in the Letter from the Board, for each year, the anticipated gross floor area is based on the total gross floor area and management of the Company's best estimate of the progress of the project, which is in turn based on the timeline instructed by Jujiang Holdings Group. The average construction fee per square meter of construction projects is calculated by dividing the total contract amounts by total of gross floor area. We have recomputed the calculation of average construction fee per square meter and verified the respective contract sum and total gross floor area of above projects with no material deviation.

The aggregate amount of the product of the corresponding anticipated gross floor area and average construction fee per square meter for each of the years ending 31 December 2019, 2020 and 2021 amounts to approximately RMB194.0 million, RMB275.8 million and RMB278.3 million respectively.

The buffers of the proposed annual cap are approximately 3.00%, 8.07% and 7.23% for three years ending 31 December 2021. The management of the Company holds the view that such buffers allow flexibility to accommodate, among others, the effect of variation order and inflation of steel and labour costs. From the cost breakdowns of the three projects entered into between the Group and Jujiang Holdings Group for the three years ended 31 December 2018 we have obtained, steel

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and labour costs are the major cost components which together account for over half of the total cost in general. According to the National Bureau of Statistics of China (中華人民共和國國家統計局), the cost of steel has increased at a CAGR of approximately 15.23% from 2016 to 2018 while the cost of labour has increased by approximately 6.69% from 2016 to 2017. Moreover, according to the representation by the management of the Company, it is not uncommon for construction projects to have variation order as to the design, quality and quantity of work.

Having considered the determination of Proposed Annual Caps are based on (i) the anticipated gross floor area and average construction fee per square meter for the above projects for the three years ending 31 December 2021 and (ii) the reasons of the annual cap buffers discussed above, we are of the view that the Proposed Annual Caps under the 2019 Master Agreement are fair and reasonable.

However, the Proposed Annual Caps under the 2019 Master Agreements are determined based on information currently available to the Group and provided by the management of Jujiang Holdings Group and the assumptions as set out above, and the utilisation of the respective Proposed Annual Caps refer to future events associated with factors and uncertainties which may beyond the control of the management of the Group, we express no opinion as to the accuracy and the actual utilisation of the Proposed Annual Caps under the 2019 Master Agreement.

INTERNAL CONTROL MEASURES AND ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

According to the representation by the Company, the Company has monthly review performed by internal audit of the Company to ensure the continuing connected transactions will not exceeded the annual caps. We have obtained three sample records for each year-end of the three years ended 31 December 2018 in relation to the regular review on the continuing connected transactions performed by the internal audit of the Company with satisfactory results.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the continuing connected transactions contemplated under the 2019 Master Agreement are subject to the following requirements:

- (i) The independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) The Company must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
- have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the cap.

In view of the continuing connected transactions under the 2019 Master Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions under the 2019 Master Agreement and safeguard the interests of the Independent Shareholders.

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the opinion that the continuing connected transactions contemplated under the 2019 Master Agreement are conducted in the ordinary and usual course of business of the Group, the terms of the 2019 Master Agreement are on normal commercial terms and the Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to approve the 2019 Master Agreement and the transactions contemplated thereunder at the AGM.

Yours faithfully,
for and on behalf of
Advent Corporate Finance Limited
Icarus Ng
Managing Director

Mr. Icarus Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Advent Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (chapter 571 of the laws of Hong Kong). He has over 10 years of experience in corporate finance and investment banking industry.

1. RESPONSIBILITY STATEMENT

This Supplemental Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, save as disclosed below and, so far as the Company is aware, none of the Directors, Supervisors or chief executive of our Company had any interests or short positions in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions) which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

The Company

Director/supervisor	Nature of interest	Number of shares of the relevant corporation (including associated corporation) held ⁽¹⁾	Approximate percentage of shareholdings in the total share capital of the Company	Approximate percentage of shareholdings in the relevant class of shares of the Company
Mr. Lyu Yaoneng ⁽²⁾	Interest of controlled corporation	204,000,000 Domestic Shares (L)	38.25%	51%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) Zhejiang Jujiang Holdings Group Co., Ltd (浙江巨匠控股集團有限公司) ("Jujiang Holdings") is held as to approximately 51.33% by Mr. Lyu Yaoneng. Mr. Lyu Yaoneng controls more than one-third of the voting rights of Jujiang Holdings and is deemed to be interested in its interest in the Company by virtue of the SFO.

Associated Corporation

Director/Supervisor	Associated Corporation	Nature of interest	Approximate shareholding percentage in the relevant class of shares in the Associated Corporation
Mr. Lyu Yaoneng	Jujiang Holdings	Beneficial owner ⁽¹⁾	51.33%
	Jujiang Industrial	Beneficial owner ⁽³⁾	10.00%
Mr. Lyu Dazhong	Jujiang Holdings	Beneficial owner ⁽¹⁾	11.43%
Mr. Li Jinyan	Jujiang Holdings	Beneficial owner ⁽¹⁾	5.33%
Mr. Lu Zhicheng	Jujiang Holdings	Beneficial owner ⁽¹⁾	4.39%
Mr. Zheng Gang	Jujiang Equity Investment	Beneficial owner ⁽²⁾	2.66%
Mr. Shen Haiquan	Jujiang Equity Investment	Beneficial owner ⁽²⁾	1.69%
Mr. Zou Jiangtao	Jujiang Equity Investment	Beneficial owner ⁽²⁾	0.30%

Notes:

- (1) The disclosed interest represents the interests in Jujiang Holdings, the associated corporation which is owned as to approximately 51.33% by Mr. Lyu Yaoneng, 11.42% by Mr. Lyu Dazhong, 7.01% by Mr. Lyu Yuntao, 4.39% by Mr. Lu Zhicheng, 4.97% by Mr. Shen Bingkun, 1.54% by Mr. Fan Zhiming, 8.52% by Mr. Wang Shaolin, 1.31% by Mr. Ma Shengliang, 5.33% by Mr. Li Jinyan and 4.17% by Mr. Gao Xingwu, respectively.
- (2) The disclosed interest represents the interests in Zhejiang Jujiang Equity Investment Management Co., Ltd (浙江巨匠股權投資管理股份有限公司) (“Jujiang Equity Investment”), the associated corporation which is owned by 188 individual shareholders together as to 100%, of which two are Directors (Mr. Shen Haiquan and Mr. Zheng Gang who owned 1.6940% and 2.6612% of Jujiang Equity Investment respectively), one is a Supervisor (Mr. Zou Jiangtao who owned 0.2995% of Jujiang Equity Investment), 121 are current employees other than Directors and Supervisors, 26 are former employees, one is Mr. Lyu Yuntao, who is Mr. Lyu Yaoneng’s son (who owned 29.0536% of Jujiang Equity Investment) and 37 are Independent Third Parties.
- (3) The disclosed interest represents the interests in Tongxiang City Jujiang Industrial Investment Co., Ltd. (桐鄉市巨匠實業投資有限公司) (“Jujiang Industrial”), the associated corporation which is owned as to 10% by Mr. Lyu Yaoneng and 90% by Zhejiang Jujiang Technology Services Co., Ltd. (浙江巨匠科技服務有限公司), respectively.

3. DISCLOSURE OF INTEREST OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below and so far as is known to the Directors or chief executive of the Company, no persons other than a director or chief executive of the Company, had an interest or short position in 5% or more in the Shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO:

Shareholders	Nature of interest	Number of shares held ⁽¹⁾⁽²⁾	Approximate percentage of shareholdings in the total share capital of the Company	Approximate percentage of shareholdings in the relevant class of shares ⁽³⁾
Jujiang Holdings ⁽⁴⁾	Beneficial Owner	204,000,000 Domestic Shares (L)	51%	38.25%
Ms. Shen Hongfen ⁽⁵⁾	Interest of spouse	204,000,000 Domestic Shares (L)	51%	38.25%
Jujiang Equity Investment ⁽⁶⁾	Beneficial Owner	196,000,000 Domestic Shares (L)	49%	36.75%
Chan Ka Wo	Beneficial Owner	9,480,000 H Share (L)	7.1%	1.78%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) The calculation is based on the percentage of shareholding in the Domestic Shares.
- (3) The calculation is based on the total number of 533,360,000 Shares in issue after the Global Offering.
- (4) Jujiang Holdings will be directly interested in approximately 38.25% in the Company.
- (5) Ms. Shen Hongfen (沈洪芬), the spouse of Mr. Lyu Yaoneng, is deemed to be interested in Mr. Lyu Yaoneng's interest in the Company by virtue of the SFO.
- (6) Jujiang Equity Investment will be directly interested in approximately 36.75% in the Company.

As at the Latest Practicable Date, each of Mr. Lv Yaoneng, Mr. Lv Dazhong and Mr. Li Jinyan, all being Directors of the Company, are a non-executive director of Jujiang Holdings and/or its subsidiaries. Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not expiring or determinable within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up.

7. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS

Save as disclosed in this circular, as at the Latest Practicable Date:

- (a) none of the Directors or Supervisors had any interest, direct or indirect, in any assets which have been, since 31 December 2018, being the date of the latest published audited accounts of the Group, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the date of this circular and which is significant in relation to the business of the Group.

8. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or Supervisors nor their respective close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

9. EXPERTS AND CONSENTS

The following are the qualifications of the expert who has given opinion or, advice contained in this circular:

Name	Qualification
Advent Corporate Finance	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser had no shareholding interests in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no interest, directly or indirectly, in any assets which had been, since 31 December 2018, being the date of the latest published audited financial statements of the Group, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent as to the issue of this circular with the inclusion herein of its letter and reference to their name in the form and context in which they respectively appear. The letter and recommendation given by the Independent Financial Adviser is given as at the Latest Practicable Date for incorporation herein.

10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Group within the two years immediately preceding the date of this circular and are, or may be, material. The material contracts can be summarised into the following:

- (a) the agreement dated 13 November 2018 entered into between the Company and the Vendor, in relation to the acquisition of the Tongxiang Subsidiary at a cash consideration of RMB48.0 million for the development of the PPP project, details of which were set out in the announcement of the Company dated 13 November 2018.

11. GENERAL

- (a) The registered office of the Company is located at Gaoqiao Town, Jiaxing City, Zhejiang Province, PRC and the head office and principal place of business in PRC is at No. 669 Qingfeng South Road (South), Tongxiang City, Zhejiang Province, PRC and principal place of business in Hong Kong is at 28/F, Henley Building, 5 Queen's Road Central, Central, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (c) The joint company secretary of the Company is Mr. Hong Kam Le and Mr. Jin Shuigen.
- (d) The Company established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board. The audit committee comprises three members, all are independent non-executive Directors.

Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges.

Mr. Yu Jingxuan (余景選), aged 47, obtained a master's degree in management majoring in accounting from Shanghai University of Finance and Economics in February 2001, and a doctor's degree in management majoring in agricultural economics management from Northwest A&F University in June 2011. Mr. Yu has been an associate professor at the School of Accounting in Zhejiang University of Finance and Economics (浙江財經大學會計學院) ("ZUFE") since November 2004, and is currently the secretary and deputy officer to the financial management department of Party Branch Committee. He served as a teaching assistant from August 1993 to March 1999, and a lecturer from March 1999 to November 2004 in ZUFE.

Mr. Lin tao (林濤), aged 43, has over 14 years of experience in the construction education. Mr. Lin has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. From July 1997 to August 1998, he worked as assistant architect at Ningbo Institute of Construction Design Company Ltd.* (寧波建築設計研究院有限公司). Since April 2001, he is a lecturer and assistant officer of faculty of Zhejiang University* (浙江大學) Faculty of Construction. Mr. Lin completed a bachelor's degree and a master degree in construction (建築學), and a doctoral degree in architectural design from Zhejiang University* (浙江大學) in the PRC in June 1997, March 2001 and June 2012, respectively. He was accredited as a class one registered architect by the Office of Personnel of Zhejiang Province* (浙江省人事廳) in September 2004. He is also a member of the Planning and Design Professional Committee* (規劃設計專業委員會) under the Zhejiang Province Village and Town Construction and Development Research Association* (浙江省村鎮建設與發展研究會) since August 2015.

Mr. Wong Ka Wai (王加威), aged 39, has been an independent non-executive Director since 19 August 2015. He is primarily responsible for attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations. From February 2017 to June 2017, he was an independent non-executive director of Green International Holdings Limited (Stock code: 2700), a company listed on the Main Board of the Stock Exchange. Mr. Wong has worked in various international accounting firms for over seven years. From January 2013 to March 2017, he is the chairman of Jai Dam Distribution (Hong Kong) Co. Ltd. . He is the chief financial officer and company secretary of the Ruifeng Power Group Company Limited (stock code: 2025) since May 2017. Mr. Wong obtained a bachelor's degree of

business administration in accountancy from the City University of Hong Kong in November 2001. He was admitted as a member of the Association of Chartered Certified Accountants in 2009.

- (e) The English version of this circular shall prevail over the Chinese text.

12. STATEMENT OF INDEBTEDNESS

At the close of business on 30 April 2019, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had the interest-bearing bank and other borrowings in the amount of approximately RMB427.3 million which are repayable within 1 year and carried effective interest rate with a range from 4.71% to 6.22% per annum.

As at 30 April 2019, banking facilities of RMB1,356.7 million (including both bank loans and letters of guarantee) made available to us, and were secured by the land use rights and buildings of approximately RMB134.3 million of which RMB558.7 million was utilised as general working capital and RMB788.0 million was unutilised.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company's principal place of business in Hong Kong at 28/F, Henley Building, 5 Queen's Road Central, Central, Hong Kong during normal business hours from 12 June 2019 up to and including 28 June 2019 and at the AGM and Class Meeting(s):

- (1) the service contracts and letters of appointment referred to in the section headed "Directors' and Supervisors' Service Contracts" in this appendix;
- (2) the letter from the Independent Board Committee, the text of which is set out on pages 27 to 28 of this circular;
- (3) the letter from Independent Financial Adviser, the text of which is set out on pages 29 to 42 of this circular;
- (4) the written consent of Independent Financial Adviser referred to in the section headed "Experts and Consents" in this appendix;
- (5) the 2019 Master Agreement;
- (6) the PPP Contract;
- (7) the JV Agreement;
- (8) this circular;
- (9) the annual report of the Company for the year ended 31 December 2018; and
- (10) the share transfer agreement dated 13 November 2018 made among the Vendor and the Company.

NOTICE OF ANNUAL GENERAL MEETING



巨匠建设

JUJIANG CONSTRUCTION GROUP

JUJIANG CONSTRUCTION GROUP CO., LTD.
巨匠建设集团股份有限公司

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

(Stock Code: 1459)

SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a notice has been issued on 30 April 2019 in relation to Annual General Meeting (“AGM”) of Jujiang Construction Group Co., Ltd. (the “**Company**”), which will be held at 1:00 p.m. on Friday, 28 June 2019 at 17/F Skyway Centre, 23 Queen’s Road West, Sheung Wan, Hong Kong for resolutions set out in the notice. Unless indicated otherwise, capitalized terms used in this supplemental notice shall have the same meanings as those defined in the circular and supplemental circular of the Company dated 30 April 2019 and 12 June 2019, respectively.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the AGM will be held as originally scheduled, for the purposes of considering and, if thought fit, approving the following resolutions in addition to the resolutions set out in the Notice of Annual General Meeting dated 30 April 2019:

AS SPECIAL RESOLUTIONS

13. To consider and approve the continuing connected transaction, that is, the 2019 Master Agreement, the Proposed Annual Caps and the transactions contemplated hereunder.
14. To consider and approve the major transaction that is contemplated by the Company to proceed with the PPP Contract and the Transaction contemplated therein.
15. To consider and approve the major transaction that is contemplated by the Company to proceed with the JV Agreement and the transaction contemplated therein.
16. the directors of the Company, acting collectively and individually, be and are hereby authorised to take all such steps, do all such acts and things and to sign, execute, seal (where required) and deliver all such documents which he/she may in his/her absolute discretion, consider necessary, appropriate, desirable or expedient in connection with or to implement or give effect to the above resolutions and all of the transactions contemplated thereunder.

Yours faithfully
For and on behalf of the Board
Jujiang Construction Group Co., Ltd.
Mr. Lyu Yaoneng
Chairman

Zhejiang Province, the PRC, 12 June 2019

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Save for the inclusion of the newly proposed resolutions, there are no other changes to the resolutions set out in the Notice of Annual General Meeting dated 30 April 2019. Please refer to the Notice and the Circular of Annual General Meeting dated 30 April 2019 for details of the other resolutions to be passed at the AGM and other relevant matters.
2. Since the proxy form sent by the Company on 30 April 2019 together with the Circular (the “First Proxy Form”) does not contain the additional resolutions as set out in this supplemental notice, this supplemental proxy form (the “Supplemental Proxy Form”) (with the aforesaid additional resolutions) has been prepared and is enclosed with this supplemental notice. This Supplemental Proxy Form is for the purpose of the additional resolutions set out in the supplemental notice and only serves as a supplement to the First Proxy Form. This Supplemental Proxy Form will not affect the validity of any First Proxy Form duly completed and sent to the H Share registrar of the Company.
3. If a shareholder has properly completed and submitted only the First Proxy Form in accordance with the instructions set out therein, the appointed proxy will vote on the resolutions set out in the First Proxy Form per the shareholder’s direction and he is also entitled to vote or abstain at his discretion on the additional resolutions set out in the Supplemental Proxy Form. Similarly, if a Shareholder has properly completed and submitted only the Supplemental Proxy Form in accordance with the instructions set out therein, the appointed proxy will vote on the resolutions set out in the Supplemental Proxy Form per the Shareholder’s direction and he is also entitled to vote or abstain at his discretion on the resolutions set out in the First Proxy Form. If a Shareholder wishes to provide specific direction to his proxy regarding the voting of all resolutions set out in the First Proxy Form and the Supplemental Proxy Form, he should duly complete and submit both proxy forms in accordance with the instructions set out therein.
4. Pursuant to the Notice of AGM published by the Company on 30 April 2019, the register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 28 June 2019 (both days inclusive), during which period no transfer of H shares of the Company can be registered. Holders of H shares and domestic shares whose names appear on the registers of members of the Company on Tuesday, 28 May 2019 shall be entitled to attend and vote at the AGM. For holders of H shares who intend to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Tricor Investor Services Ltd. at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:30 p.m. on Monday, 27 May 2019.
5. Shareholders who intend to attend the AGM should complete the reply slip and return it by hand, by fax or by post to the H share registrar of the Company (for holders of H shares of the Company) or to the head office in the PRC of the Company (for holders of domestic shares of the Company) on or before Thursday, 6 June 2019.
6. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a Shareholder.
7. In order to be valid, the First Proxy form and the Supplemental Proxy Form for the AGM must be deposited by hand or post, for holders of H shares of the Company, to the H share registrar of the Company Tricor Investor Services Ltd. at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong and, for holders of domestic shares of the Company, to the headquarters in the PRC of the Company not less than 24 hours before the time for holding the AGM (or any adjournment thereof) for taking the poll. If the First Proxy Form and the Supplemental Proxy Form signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the First Proxy Form and the Supplemental Proxy Form. Completion and return of the First Proxy Form and the Supplemental Proxy Form will not preclude shareholders from attending and voting in person at the AGM or any adjourned meetings should they so wish.

NOTICE OF ANNUAL GENERAL MEETING

If the proxy is a legal person, its legal representative or any representative authorised by a resolution of its board of directors or by other governing body shall attend the above meeting of the Company on its behalf. If the shareholder is a recognised clearing house (or its proxy) defined by the Hong Kong relevant Ordinance from time to time, the shareholder may authorise one or more persons it considers appropriate as its representative(s) at the above meeting; however, if more than one person are authorized, the power of attorney shall contain the number and class of shares for which such persons are authorized, and shall be signed by an authorised personnel of the recognised clearing house. The person(s) so authorised can represent the recognised clearing house (or its proxy) to attend the meeting and exercise its right, as if the persons are the Company's individual shareholders, and shall not be required to produce evidence of shareholding, the notarised power of attorney and/or further evidence to prove that he/she/they have been duly authorised.

A vote provided in according to the instruments in such proxy forms shall be valid, notwithstanding the previous death or loss of capacity of the appointer or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares with respect to which the proxy is given, provided that no notice in writing of such matters shall have been received by the Company prior to the above meeting.

8. In case of joint shareholder for any share, only the person whose name is at the first place on the register of shareholders has the rights to receive the certificate of relevant shares and notice from the Company and to attend the general meeting or exercise all of the votes relating to the shares.
9. Shareholders or their proxies shall provide their identity documents when attending the AGM.
10. The address of the headquarters in the PRC of the Company is No. 669 Qingfeng South Road (South), Tongxiang City, Zhejiang Province, PRC.
11. Shareholders who attend the AGM shall bear their own traveling and accommodation expense.