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CR Construction Group Holdings Limited

華營建築集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1582)

CONTINUING CONNECTED TRANSACTION FOR ENTERING INTO THE BIM SERVICES SUBCONTRACTING FRAMEWORK AGREEMENT WITH ZHEJIANG CONSTRUCTION

Financial adviser to the Company



RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

On 8 April 2024 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into the BIM Services Subcontracting Framework Agreement with Zhejiang Construction Digital Technology with a term commencing from the date of the BIM Services Subcontracting Framework Agreement and ending on 31 December 2026 (both dates inclusive). Pursuant to the BIM Services Subcontracting Framework Agreement, the Group agreed to subcontract certain BIM services to Zhejiang Construction Digital Technology during the term of the BIM Services Subcontracting Framework Agreement.

As at the date of this announcement, Zhejiang Construction Digital Technology is a wholly-owned subsidiary of Zhejiang Construction, which is indirectly interested in approximately 72.23% of the entire issued share capital of the Company. Accordingly, Zhejiang Construction Digital Technology is a connected person of the Company by virtue of it being an associate of Zhejiang Construction, a controlling shareholder of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the BIM Services Subcontracting Framework Agreement by the Company and Zhejiang Construction Digital Technology constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Proposed Annual Caps under the BIM Services Subcontracting Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. BACKGROUND

The Board hereby announces that, on 8 April 2024 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into the BIM Services Subcontracting Framework Agreement with Zhejiang Construction Digital Technology with a term commencing from the date of the BIM Services Subcontracting Framework Agreement and ending on 31 December 2026 (both dates inclusive). Pursuant to the BIM Services Subcontracting Framework Agreement, the Group agreed to subcontract certain BIM Services to Zhejiang Construction Digital Technology during the term of the BIM Services Subcontracting Framework Agreement.

2. BIM SERVICES SUBCONTRACTING FRAMEWORK AGREEMENT

The principal terms of the BIM Services Subcontracting Framework Agreement are summarised as follows:

Date

8 April 2024 (after trading hours)

Parties

- (1) the Company (for itself and on behalf of its subsidiaries); and
- (2) Zhejiang Construction Digital Technology.

As at the date of this announcement, Zhejiang Construction Digital Technology is a wholly-owned subsidiary of Zhejiang Construction, which is indirectly interested in approximately 72.23% of the entire issued share capital of the Company. Accordingly, Zhejiang Construction Digital Technology is a connected person of the Company by virtue of it being an associate of Zhejiang Construction, a controlling shareholder of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the BIM Services Subcontracting Framework Agreement by the Company and Zhejiang Construction Digital Technology constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Duration

Commencing from the date of the BIM Services Subcontracting Framework Agreement and ending on 31 December 2026 (both dates inclusive). Any renewal will be subject to a new agreement to be entered into by the parties with the specific extension period to be further agreed by the parties provided that each extension period shall in no event exceed three years.

Main scope

Pursuant to the BIM Services Subcontracting Framework Agreement, the Group will subcontract certain BIM Services to Zhejiang Construction Digital Technology, which generally include the design and the generation of three-dimensional projection and modelling of the Group's building work and projects and the provision of the related consultancy services.

Pricing basis

The contract sum and the terms payable by the Group under the BIM Services Subcontracting Framework Agreement will be negotiated on an arm's length basis and determined between the Group and the Zhejiang Construction Digital Technology, subject to standard and systematic review procedures maintained by the Group, which generally includes the invitation of submission of quotations from at least two Independent Third Parties based on the work scope as stipulated in the tender documents to be prepared by the Group. The Independent Third Parties being invited by the Group are generally subject to qualification and evaluation assessment by the Company from time to time. In determining the pricing terms, the Company will also review the fairness and reasonableness of the quotations with reference to the cost information for relevant materials and resources (including but not limited to human resources with the expertise and experiences and the relevant materials to be deployed) and pricing information of previous quotations submitted to the Group. The Company will also review and compare previous quotations received from both Zhejiang Construction Digital Technology and the Independent Third Parties, so as to ensure that the contract sum and terms granted by the Group to Zhejiang Construction Digital Technology are no less favourable to the Group than the contract sum payable to and the terms available to the Independent Third Parties. Generally, the Company will select the subcontractor with the lowest tender amount on the condition that such subcontractor also satisfies the qualification criteria as set out in the tender documents.

Payment

The specific payment terms (including time and method of payment) for the subcontract of the BIM Services by the Group to the Zhejiang Construction Digital Technology will be agreed by the parties in the individual agreements to be entered into, with reference to the payment terms of similar transactions in the market and the payment terms offered by the Group to the Independent Third Parties.

Execution of individual agreement

The BIM Services Subcontracting Framework Agreement is a framework agreement which provides the mechanism for the operation of the continuing connected transactions contemplated thereunder. It is envisaged that from time to time and as required, individual agreements will be entered into between the Group and the Zhejiang Construction Digital Technology setting out the specific terms of the BIM Services to be subcontracted, including but not limited to the main scope of agreement, payment term, payment and the delivery method. Such terms shall be fair and reasonable and be consistent with the principles and the principal terms of the BIM Services Subcontracting Framework Agreement.

3. PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

Historical transaction amounts

The historical transaction amounts for the subcontract of the BIM Services by the Group to the Zhejiang Construction Digital Technology for the three years ended 31 December 2023 were approximately HK\$0, HK\$0 and HK\$1.6 million, respectively.

Proposed Annual Caps

The Proposed Annual Caps for the period commencing from the date of the BIM Services Subcontracting Framework Agreement to the year ending 31 December 2024 and each of the two years ending 31 December 2026 is HK\$4.0 million, HK\$4.0 million and HK\$4.0 million.

The Proposed Annual Caps are primarily determined with reference to (i) the historical transaction amounts for the subcontract of the BIM Services by the Group to the Zhejiang Construction Digital Technology during the three years ended 31 December 2023; and (ii) the prevailing market prices for service fees charged for the provision of similar BIM Services.

The Company confirms that, as at the date of this announcement, the fees payable by the Group to Zhejiang Construction Digital Technology for the subcontract of the BIM Services fall below the de minimis threshold under Chapter 14A of the Listing Rules.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE BIM SERVICES SUBCONTRACTING FRAMEWORK AGREEMENT

As a main contractor, the Group is primarily responsible for, amongst others, monitoring and supervising the construction progress of projects and subcontracting certain works to the approved subcontractors, including but not limited to the BIM Services. The Group will utilise the BIM Services to generate three-dimensional projection and modelling of the Group's projects which can prevent conflicting designs and identify design faults at an early stage and facilitate in project management by monitoring the construction progress. Since an effective operation of the BIM Services typically requires sufficient number of skilled staff, which in turn will increase the overall budget of the Group's projects, the Group has all along been subcontracting such part of services to other subcontractors in the market.

Zhejiang Construction Digital Technology possesses the resources and skilled personnel in performing the BIM Services. In view of the experiences and capabilities of performing the BIM Services by Zhejiang Construction Digital Technology and to better regulate and streamline the terms of continuing connected transactions for the subcontract of the BIM Services by the Group to Zhejiang Construction Digital Technology in the future, the Group believed it is beneficial for the Group to enter into the BIM Services Subcontracting Framework Agreement with Zhejiang Construction Digital Technology.

Having considered the above, the Directors (including the independent non-executive Directors) consider that BIM Services Subcontracting Framework Agreement is entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better to the Company after arm's length negotiations between the parties, and the terms of those transactions contemplated under the BIM Services Subcontracting Framework Agreement together with the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. INTERNAL CONTROL MEASURES

Before entering into the transaction for the subcontract of the BIM Services by the Group to Zhejiang Construction Digital Technology, the Group will invite submission of quotations from at least two Independent Third Parties which provide the same or similar services. The finance department will review and compare the quotations from the Independent Third Parties with the quotations from Zhejiang Construction Digital Technology when determining the subcontractor so as to ensure that the pricing terms provided by Zhejiang Construction Digital Technology to the Group are fair and reasonable and are determined on normal commercial terms or on terms no less favourable to the Group than the contract sum payable to and the terms available to the Independent Third Parties.

6. LISTING RULES IMPLICATIONS

As at the date of this announcement, Zhejiang Construction Digital Technology is a wholly-owned subsidiary of Zhejiang Construction, which is indirectly interested in approximately 72.23% of the entire issued share capital of the Company. Accordingly, Zhejiang Construction Digital Technology is a connected person of the Company by virtue of it being an associate of Zhejiang Construction, a controlling shareholder of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the BIM Services Subcontracting Framework Agreement by the Company and Zhejiang Construction Digital Technology constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Proposed Annual Caps under the BIM Services Subcontracting Framework Agreement exceed 0.1% but is less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

7. INFORMATION ON THE PARTIES

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 July 2017 and is an investment holding company. As at the date of this announcement, the Group is principally engaged in (i) contractor services for building construction works and repair, maintenance, alteration and addition works projects across public and private sectors in Hong Kong, Malaysia and the United Kingdom; and (ii) construction, rehabilitation and operation of sewage and reclaimed water treatment plants as well as water distribution plants and other environmental related facilities and infrastructure in the PRC.

Zhejiang Construction Digital Technology is a limited liability company established in the PRC on 15 December 2022 and is a wholly-owned subsidiary of Zhejiang Construction. It is principally engaged in the provision of one-stop digital integrated solutions for construction service companies. Its service scope predominantly covers the entire construction process of investment, general engineering contracting, design, procurement, production, logistics, construction and operation and maintenance.

Zhejiang Construction is a company listed on Shenzhen Stock Exchange (SZSE Security Code: 002761) and one of the controlling shareholders of the Company. Based on the latest public information available, Zhejiang Construction is ultimately owned as to (i) approximately 35.90% by Zhejiang State-owned Capital Operation Company Limited* (浙江省國有資本運營有限公司) (which is wholly-owned by the State-owned Assets Supervision and Administration Commission of the Zhejiang Provincial Government* (浙江省人民政府國有資產監督管理委員會)); (ii) approximately 7.24% by ICBC Financial Asset Investment Co. Ltd.* (工銀金融資產投資有限公司); (iii) approximately 4.29% by China Cinda Asset Management Co., Ltd.* (中國信達資產管理股份有限公司); (iv) approximately 4.03% by Zhejiang Yangjian Enterprise Management Co., Ltd.* (浙江陽建企業管理股份有限公司); (v) approximately 2.85% by Deson Development International Holdings Investment Limited.* (迪臣發展國際集團投資有限公司); (vi) approximately 3.00% by Hung Wan Construction Co., Ltd.* (鴻運建築有限公司); (vii) approximately 4.34% by Zhejiang Financial Development Co. Ltd* (浙江省財務開發有限責任公司); and (viii) the remaining approximately 38.35% held by other minority shareholders. As at the date of this announcement, the Zhejiang Construction Group is principally engaged in building construction business, engineering related services and investment in infrastructure projects.

DEFINITIONS

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

“BIM Services”	the building information modelling services, which generally include the design and the generation of three-dimensional projection and modelling of the Group’s building work and projects and the provision of the related consultancy services
“BIM Services Subcontracting Framework Agreement”	a framework agreement for the subcontract of the BIM Services dated 8 April 2024 entered into between the Company (for itself and on behalf of its subsidiaries) and Zhejiang Construction Digital Technology
“Board”	the board of Directors of the Company
“Company”	CR Construction Group Holdings Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability and registered as a non-Hong Kong company in Hong Kong, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1582)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	any third party that is not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Annual Caps”	the proposed annual caps contemplated under the BIM Services Subcontracting Framework Agreement for the three years ending 31 December 2026
“Shareholder(s)”	the holder(s) of the issued Shares of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhejiang Construction”	Zhejiang Construction Investment Group Co., Ltd.* (浙江省建設投資集團股份有限公司), a limited liability company established in the PRC and listed on Shenzhen Stock Exchange (SZSE Security Code: 002761)
“Zhejiang Construction Digital Technology”	Zhejiang Construction Digital Technology Co., Ltd.* (浙江建設數字技術有限公司), a limited liability company established in the PRC and is wholly-owned by Zhejiang Construction

“Zhejiang Construction Group”

Zhejiang Construction and its subsidiaries, excluding the Group

“%”

per cent

By Order of the Board
CR Construction Group Holdings Limited
Guan Manyu
Chairman

Hong Kong, 8 April 2024

As at the date of this announcement, the Company has three executive directors, namely Mr. Guan Manyu, Mr. Li Kar Yin and Mr. Chan Tak Yiu; three non-executive directors, namely Mr. Yang Haojiang, Ms. Ding Shaojian and Mr. Fan Jingbo; and four independent non-executive directors, namely The Honourable Tse Wai Chun Paul JP, Mr. Ho Man Yiu Ivan, Mr. Lau Pak Shing and Mr. Lai Yuk Fai Stephen JP.