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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE NEW LEASE AGREEMENT

THE NEW LEASE AGREEMENT

The Board announces that on 20 March 2020, CR Construction Company Limited, an indirect wholly-owned subsidiary of the Company, as Lessee, entered into the New Lease Agreement with the Lessor, namely Riderstrack Development Limited, an Independent Third Party, as Lessor, in respect of the renewal of the lease of the Premises.

IMPLICATIONS OF THE LISTING RULES

Pursuant to HKFRS 16, as a result of the entering into of the New Lease Agreement, the Group has recognised the right-of-use asset in the consolidated financial statements of the Group, and the transaction contemplated thereunder is regarded as an acquisition of asset by the Group in accordance with the Rule 14.04(1)(a) of the Listing Rules.

As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the New Lease Agreement based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 exceeds 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is accordingly subject to the reporting and announcement requirements.

INTRODUCTION

The Board announces that on 20 March 2020 (after trading hour), CR Construction Company Limited, as Lessee, entered into the New Lease Agreement with Riderstrack Development Limited, as Lessor, in respect of the renewal of the lease of the Premises for a term of three years commencing from 15 January 2020 to 14 January 2023 (both days inclusive) for use as office of the Group. The particulars of which are set out below:

THE NEW LEASE AGREEMENT

Date:	20 March 2020
Lessee:	CR Construction Company Limited, an indirect wholly-owned subsidiary of the Company
Lessor:	Riderstrack Development Limited, to the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Lessor is owned by Sun Hung Kai Properties Limited (the shares of which are listed on the Stock Exchange (Stock code: 0016)), a leading property developer in Hong Kong and the Lessor and its ultimate beneficial owner(s) are Independent Third Parties
The Premises:	Unit Nos 1–3 and 5–9 on Level 31 and Unit Nos. 3, 5–13 and 15–19 on Level 32 of Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
Term:	Three (3) years commencing from 15 January 2020 to 14 January 2023 (both days inclusive) (“ Term ”)
Use:	Riderstrack Development Limited will lease the Premises to CR Construction Company Limited for office use
Monthly rent:	Monthly rental of HK\$847,854.00 during the Term (exclusive of management and air-conditioning charges, tax, water, electricity, gas, telephone and other utility charges and rates)
Management and air-conditioning charges:	HK\$134,580.00 per month (subject to review from time to time by the Lessor)
Total consideration payable:	HK\$30.5 million (exclusive of rates, management and air-conditioning charges and other outgoings)

Payment Terms:	Lessee shall pay the monthly rent and management and air-conditioning charges in advance on the first day of each calendar month
Deposit (payable to Lessor):	HK\$2,947,302.00 (equivalent to the aggregate of three (3) months' monthly rent and three (3) months' management and air-conditioning charges), refundable to the Lessee without interest within 45 days after expiry of the Term in accordance with the relevant terms of the New Lease Agreement

The terms (including the rent and management fee) of the New Lease Agreement were determined after arm's length negotiations between the Lessor and Lessee and with reference to the prevailing market rental for properties of similar type, age and location. The rent, management and air-conditioning charges and the deposit has been and will be funded through the internal resources of the Group.

THE RIGHT-OF-USE ASSET

The Group recognised an addition of right-of-use assets of approximately HK\$29.0 million for the New Lease Agreement under the requirements of HKFRS 16.

REASONS FOR AND BENEFITS OF THE NEW LEASE AGREEMENT

The Group principally act as a main contractor in building construction works and RMAA works projects across public and private sectors in Hong Kong. The Lessee has been leasing the Premises as office since 1 July 2017, and the leasing term has expired on 14 January 2020. The entering into of the New Lease Agreement for the renewal of the lease of the Premises is necessary for the continuing of the business operation of the Group. The Premises are being used as office of the Group.

In addition, the terms (including the rent and management fee) of the New Lease Agreement were determined after arm's length negotiations between the Lessor and Lessee and with reference to the prevailing market rental for properties of similar type, age and location. The Directors consider that the terms of the New Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY AND THE LESSOR

The Company was incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. CR Construction Company Limited, as Lessee, principally act as a main contractor in building construction works and RMAA works projects across public and private sectors in Hong Kong and is an indirectly wholly-owned subsidiary of the Company.

The Lessor, namely Riderstrack Development Limited, is primarily engaged in property investment. To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Lessor is ultimately owned by Sun Hung Kai Properties

Limited (the shares of which are listed on the Stock Exchange (Stock code: 0016)), a leading property developer in Hong Kong and the Lessor and its ultimate beneficial owner(s) are Independent Third Parties.

IMPLICATIONS OF THE LISTING RULES

Pursuant to HKFRS 16, as a result of the entering into the New Lease Agreement, the Group shall recognise an additional asset representing its right to use the Premises. As such, the transaction will be regarded as an acquisition of asset by the Group under the definition of transaction set out in Rule 14.04(1)(a) of the Listing Rules. Based on preliminary estimation of the Company, the value of the right-of-use asset to be recognised by the Company under the New Lease Agreement shall amount to approximately HK\$29.0 million, which is the present value of aggregated lease payments, plus initial direct costs with the lease in accordance with HKFRS 16. Discount rate of approximately 3.5% equivalent to the Company's incremental borrowing rate during the entire term of the New Lease Agreement, is applied to compute the present value of aggregate lease payments under the New Lease Agreement.

As the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the New Lease Agreement based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 exceeds 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is accordingly subject to the reporting and announcement requirements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following respective meanings:

“Board”	the board of Directors
“Company”	CR Construction Group Holdings Limited (華營建築集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“CR Construction Company Limited”	CR Construction Company Limited (華營建築有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKFRS”	Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, is/are not connected persons of the Company and is/are third party independent of the Company and its connected persons in accordance with the Listing Rules
“Lessee”	CR Construction Company Limited, an indirect wholly-owned subsidiary of the Company
“Lessor”	Riderstrack Development Limited, the Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the option market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market)
“New Lease Agreement”	the lease agreement in relation to the Premises, the principal terms of which are set out in the section headed “THE NEW LEASE AGREEMENT” in this announcement
“Premises”	the premises situated at Unit Nos 1–3 and 5–9 on Level 31 and Unit Nos. 3, 5–13 and 15–19 on Level 32 of Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 25 August 2020

As at the date of this announcement, the Company has five executive directors, namely Mr. Guan Manyu, Mr. Li Kar Yin, Ms. Chu Ping, Mr. Law Ming Kin, Mr. Chan Tak Yiu; one non-executive director, namely Mr. Yang Haojiang; and three independent non-executive directors, namely The Honourable Tse Wai Chun Paul JP, Mr. Li Ka Fai David and Mr. Ho Man Yiu Ivan.