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HKC (HOLDINGS) LIMITED

香港建設(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 190)

(website: www.hkcholdings.com)

DISCLOSEABLE TRANSACTION IN RELATION TO RENEWAL OF THE EXISTING LEASE AGREEMENT

THE NEW LEASE AGREEMENT

The Board announces that on 30 April 2020, Dongjiang Mixiang, an indirect non-wholly owned subsidiary of the Company (which is indirectly owned as to 80.4% by the Company), entered into the New Lease Agreement with the Landlord for renewal of the lease in respect of the Premises under the Existing Lease Agreement for a term of ten years commencing from 1 May 2021 to 30 April 2031 (both dates inclusive) for the Group's property investment in restaurants and retails in Beijing, the PRC.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS 16, the entering into of the New Lease Agreement as a tenant will require the Group to recognise the right-of-use asset in the consolidated financial statements of the Company, and thus the entering into of the New Lease Agreement and the transactions contemplated thereunder will be regarded as acquisition of assets by the Group in accordance with the Listing Rules.

As one or more than one of the applicable percentage ratios in respect of the New Lease Agreement is more than 5% and below 25%, the entering into of the New Lease Agreement constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements but exempt from Shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

BACKGROUND

The Board announces that on 30 April 2020, Dongjiang Mixiang, an indirect non-wholly owned subsidiary of the Company (which is indirectly owned as to 80.4% by the Company), entered into the New Lease Agreement with the Landlord for renewal of the lease in respect of the Premises under the Existing Lease Agreement for a term of ten years commencing from 1 May 2021 to 30 April 2031 (both dates inclusive) for the Group's property investment in restaurants and retails in Beijing, the PRC.

THE NEW LEASE AGREEMENT

Details of the principal terms of the New Lease Agreement are set out below:

- Date** : 30 April 2020
- Parties** : (i) Diaoyutai State Guesthouse Administration, as the Landlord
(ii) Dongjiang Mixiang, an indirect non-wholly owned subsidiary of the Company, as the Tenant

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Landlord and its ultimate beneficial owner(s) are Independent Third Parties.

- Premises** : The premises located at No. 23 Qianmen, Dong Dajie, Dongcheng, Beijing, the PRC

- Term** : Ten years commencing from 1 May 2021 to 30 April 2031 (both dates inclusive)

- Gross floor area** : 15,091 square meters

- The aggregate value of consideration payable:** : The aggregate amount of rent payable under the New Lease Agreement is RMB239,584,656 (equivalent to approximately HK\$262,177,489), which will be funded by internal resources of the Group.

The rent is payable on a semi-annual basis (or every six months basis).

The rent under the New Lease Agreement was determined after arm's length negotiations between the parties, after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises.

The rent is exclusive of management fee, water, electricity, gas and other outgoings, and any such expenses shall be borne by the Tenant.

- Renewal upon expiration of term** : Upon expiration of the original term under the New Lease Agreement, the Tenant shall have priority to renew the lease of the Premises under the same terms.

- Security deposit** : A cash deposit of RMB500,000 shall be paid by the Tenant to the Landlord as security deposit for the performance of its obligations under the New Lease Agreement.

RIGHT-OF-USE ASSET

Pursuant to HKFRS 16, as a result of the entering into of the New Lease Agreement, the Premises leased under the New Lease Agreement will be recognised as right-of-use asset for an amount of HK\$207,274,574, which is calculated with reference to the aggregate lease payments and discounted by a discount rate of 5% (with reference to the Group's incremental borrowing rate as at the date of this announcement).

REASONS FOR AND BENEFITS OF THE NEW LEASE AGREEMENT

The Group is currently leasing the Premises for the property investment for restaurants and retails in Beijing, the PRC. The Existing Lease Agreement will expire in April 2021. By entering into the New Lease Agreement, the Group will be able to continue its property investment for restaurants and retails at the Premises, and to renew its tenancy agreements with the existing tenants at the Premises.

The Directors considered that the transaction contemplated under the New Lease Agreement was entered into in the ordinary and usual course of business of the Group, and the New Lease Agreement was entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transaction contemplated under the New Lease Agreement were fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PARTIES

The Group and the Company

The Company is an investment holding company. The Group is principally engaged in the business of property development and investment and renewable energy investment and operation. The investments of the Group are mainly located in the PRC.

Dongjiang Mixiang

Dongjiang Mixiang is a limited liability company incorporated under the laws of the PRC. Dongjinag Mixiang is an indirect non-wholly owned subsidiary of the Company, which is indirectly owned as to 80.4% by the Company. Dongjiang Mixiang invests in property for restaurants and retails at the Premises.

Diaoyutai State Guesthouse Administration

Diaoyutai State Guesthouse Administration is the PRC governmental agency responsible for matters relating to the administration of the Diaoyutai State Guesthouse (釣魚台賓館). The principal activities of Diaoyutai State Guesthouse Administration are the management and administration of Diaoyutai State Guesthouse.

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DEFINITIONS

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

- “Board” : the board of Directors
- “Company” : HKC (Holdings) Limited, a Bermuda company whose shares are listed on the main board of the Stock Exchange (stock code: 190)
- “connected person(s)” : has the meaning ascribed to it under the Listing Rules
- “Diaoyutai State Guesthouse Administration” or the “Landlord” : Ministry of Foreign Affairs Diaoyutai State Guesthouse Administration* (外交部釣魚台賓館管理局), [the PRC governmental agency responsible for matters relating to the administration of the Diaoyutai State Guesthouse (釣魚台賓館)]
- “Directors” : the directors of the Company
- “Dongjiang Mixiang” or the “Tenant” : Dongjian Mixiang Garden (Beijing) Restaurant Company Limited* (東江米巷花園(北京)餐飲有限公司), a limited liability company incorporated under the laws of the PRC and is an indirect non-wholly owned subsidiary of the Company, which is indirectly owned as to 80.4% by the Company
- “Existing Lease Agreement” : the existing lease agreement entered into between The Legation Quarter Limited, the immediate holding company of Dongjiang Mixiang, and Diaoyutai State Guesthouse Administration in relation to the Premises for a term of 15 years commencing from 1 May 2006 to 30 April 2021 (both dates inclusive)
- “Group” : the Company and its subsidiaries
- “Hong Kong” : The Hong Kong Special Administrative Region of the PRC
- “HKFRS” : Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
- “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 enquiries, is not connected persons of the Company and is third party independent of the Company and its connected persons in accordance with the Listing Rules
- “Listing Rules” : the Rules Governing the Listing of Securities on the Stock Exchange
- “New Lease Agreement” : the lease agreement dated 30 April 2020 entered into between Dongjiang Mixiang and Diaoyutai State Guesthouse Administration in relation to the Premises
- “PRC” : the People’s Republic of China
- “Premises” : the premises located at No. 23 Qianmen, Dong Dajie, Dongcheng, Beijing, the PRC
- “RMB” : Renminbi, the lawful currency of the PRC

“Stock Exchange” : The Stock Exchange of Hong Kong Limited

“%” : per cent.

By order of the Board
HKC (HOLDINGS) LIMITED
OEI Kang, Eric
Chairman and Chief Executive Officer

Hong Kong, 3 May 2020

As at the date of this announcement, the Board comprises seven Directors, of which Mr. OEI Kang, Eric, Mr. LEE Shiu Yee, Daniel, Mr. WONG Jake Leong, Sammy and Mr. LEUNG Wing Sum, Samuel are Executive Directors; and Mr. CHENG Yuk Wo, Mr. Albert Thomas DA ROSA, Junior and Mr. VOON Hian-fook, David are Independent Non-executive Directors.

For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximately exchange rate of RMB1 = HK\$1.0943

** For identification purposes only*