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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 AGREEMENTS

THE NEW LEASE AGREEMENTS

The Board announces that on 9 September 2021 (after trading hours), CR Construction Company Limited, an indirectly wholly-owned subsidiary of the Company, as lessee, entered into the New Lease Agreements in respect of the lease of Premises 1 and Premises 2 with Lessor 1 and Lessor 2 respectively, both Independent Third Parties, as lessors for a period commencing from 15 January 2023 to 30 November 2025 (both days inclusive) and from 1 December 2021 to 30 November 2025 (both days inclusive) for Premises 1 and Premises 2 respectively.

IMPLICATIONS OF THE LISTING RULES

Pursuant to HKFRS 16, as a result of the entering into the New Lease Agreements, the Group will recognise modifications and additions to right-of-use assets in the consolidated financial statements of the Company in respect of the Premises. The value of the right-of-use assets in respect of the Premises, after the relevant modification and addition adjustments, shall amount to approximately HK\$47,844,901, in aggregate. The transactions contemplated thereunder will be regarded as acquisitions of assets by the Group in accordance with the Listing Rules.

Lessor 1 and Lessor 2 are ultimately beneficially owned by the same shareholder and as such, the leases will be aggregated for the purposes of calculating the relevant percentage ratios (as defined in the Listing Rules). As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the New Lease Agreements based on the value of the right-of-use assets in respect of the Premises, recognised by the Group after the relevant modification and addition adjustments pursuant to HKFRS 16, exceeds 5% but is less than 25%, the entering into of the New Lease Agreements constitutes a discloseable transaction of the Company and is accordingly subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE NEW LEASE AGREEMENTS

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Lease Agreement 1

Lessee:	CR Construction Company Limited, an indirectly wholly-owned subsidiary of the Company
Lessor 1:	Riderstrack Development Limited, the Independent Third Party. 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, a leading property developer in Hong Kong. The Lessor and its ultimate beneficial owner(s) are Independent Third Parties
Location:	Unit Nos. 1–3, 5–13 and 15–18 on Level 32 of Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
Term of Lease:	Two (2) years and Ten (10) months commencing from 15 January 2023 to 30 November 2025
Total rent payable:	the total rent payable under Lease Agreement 1, exclusive of air conditioning, management charges, government rent and rates and other outgoing charges, is HK\$488,784.00 per month.
Security Deposit:	HK\$1,759,622.40

The terms of the Lease Agreement 1 were determined after arm's length negotiations between Lessor 1 and the Lessee and with reference to the prevailing market rental for properties of similar type, age and location.

Lease Agreement 2

Lessee:	CR Construction Company Limited, an indirectly wholly-owned subsidiary of the Company
Lessor 2:	Hero Town Limited, the Independent Third Party. 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, a leading property developer in Hong Kong. The Lessor and its ultimate beneficial owner(s) are Independent Third Parties

Location:	The Whole on Level 26 of Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
Term of Lease:	Four (4) years commencing from 1 December 2021 to 30 November 2025
Total rent payable:	the total rent payable under Lease Agreement 2, exclusive of air conditioning, management charges, government rent and rates and other outgoing charges, is HK\$574,833.20 per month.
Security Deposit:	HK\$2,052,669.30

The terms of the Lease Agreement 2 were determined after arm's length negotiations between Lessor 2 and the Lessee and with reference to the prevailing market rental for properties of similar type, age and location.

The rent under the New Lease Agreements is expected to be funded through the internal resources of the Group.

Lease Agreement 1 and Lease Agreement 2 are inter-conditional.

INFORMATION OF THE PARTIES

The Company and the Group

The Group principally acts as a main contractor in building construction works and RMAA works projects across public and private sectors in Hong Kong and Malaysia.

Lessor 1 and Lessor 2

Lessor 1 and Lessor 2 are primarily engaged in property investment.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, Lessor 1 and Lessor 2 are ultimately owned by Sun Hung Kai Properties Limited, a leading property developer in Hong Kong, and the Lessor and its ultimate beneficial owner(s) are Independent Third Parties.

REASONS AND BENEFITS OF THE LEASE

The Group principally acts as a main contractor in building construction works and RMAA works projects across public and private sectors in Hong Kong and Malaysia. The Lessee has been leasing the Premises 1 as office premises of the Group since 1 July 2017, and the lease term will expire on 14 January 2023. The entering into of the New Lease Agreements of the Premises is necessary for continuing the business operations of the Group. The Directors consider it is beneficial to enter into the New Lease Agreements for their continued use as office premises of the Group, which will facilitate the future expansion and growth of the business of the Group.

In addition, the terms (including the rent and management fee) of the New Lease Agreements 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 Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

Pursuant to HKFRS 16, as a result of the entering into the New Lease Agreements, the Group will recognise modifications and additions to right-of-use assets in the consolidated financial statements of the Company in respect of the Premises. As such, the transactions will be regarded as acquisitions of assets 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 assets in respect of the Premises, after the relevant modification and addition adjustments, shall amount to approximately HK\$47,844,901 in aggregate.

The value of the right-of-use assets represents the present value of aggregated lease payments, plus initial direct costs and estimated reinstatement cost with the lease in accordance with HKFRS 16. The discount rate applied to compute the present value of aggregate lease payments is equivalent to the Company's incremental borrowing rate during the term of the lease agreements.

Lessor 1 and Lessor 2 are ultimately beneficially owned by the same shareholder and as such, the leases will be aggregated for the purposes of calculating the relevant percentage ratios (as defined in the Listing Rules). As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in respect of the New Lease Agreements based on the value of the right-of-use asset recognised by the Group pursuant to HKFRS 16 exceeds 5% but is 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 but is exempted from the shareholders' approval requirement.

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
“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 16”	Hong Kong Financial Reporting Standard 16 “Leases” 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
“Lease Agreement 1”	an agreement entered into between the Lessee and Lessor 1 on 9 September 2021 (after trading hours) for the lease of Premises 1
“Lease Agreement 2”	an agreement entered into between the Lessee and Lessor 2 on 9 September 2021 (after trading hours) for the lease of Premises 2
“Lessee”	CR Construction Company Limited, an indirectly wholly-owned subsidiary of the Company
“Lessor 1”	Riderstrack Development Limited, the Independent Third Party
“Lessor 2”	Hero Town Limited, the Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Premises”	collectively Premises 1 and Premises 2
“Premises 1”	Unit Nos. 1–3, 5–13 and 15–18 on Level 32 of Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
“Premises 2”	The Whole on Level 26 of Standard Chartered Tower of Millennium City 1, No. 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
“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)

“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
“New Lease Agreements”	the lease agreements in relation to the Premises, the principal terms of which are set out in the section headed “THE NEW LEASE AGREEMENTS” in this announcement
“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, 9 September 2021

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. Ho Man Yiu Ivan and Mr. Lau Pak Shing.