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罕王
HANKING

CHINA HANKING HOLDINGS LIMITED

中國罕王控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 03788)

CONNECTED TRANSACTION

LEASE OF PREMISES

THE LEASE AGREEMENT

The Board announces that on 21 December 2022 (after trading hours), Hanking Ginseng & Iron (as tenant), which is an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement with Shengtai Properties (as landlord) in respect of the Leased Premises for a term of 3 years commencing from 1 January 2023 and expiring on 31 December 2025 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shengtai Properties is ultimately controlled by Mr. Yang Jiye (the chairman of the Board, executive Director, chief executive officer, president and controlling Shareholder of the Company), and hence is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

In accordance with IFRS 16 “Leases” applicable to the Group, the payments to be made by the Group contemplated under the Lease Agreement comprise different components and hence different accounting treatments will be applied.

Under IFRS 16 “Leases”, the Group is required to recognise leases as right-of-use assets and lease liabilities. The right-of-use assets of the Group represent the rights to use the underlying leased assets over the lease terms and the lease liabilities represent its corresponding obligations to make lease payments. The aggregate value of the right-of-use assets to be recognised by the Group under the Lease Agreement is expected to be approximately RMB5,320,000, which includes the

present value of the aggregate lease payments to be made under the Lease Agreement during the lease term in accordance with IFRS 16 “Leases”. Such acquisition of right-of-use assets under the Lease Agreement will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio as defined under the Listing Rules calculated based on the value of the right-of-use assets to be recognised by the Group pursuant to IFRS 16 under the Lease Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Lease Agreement constitute connected transactions of the Company which are subject to the reporting and announcement requirements, but exempt from the circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

On the other hand, the property management fee payments under the Lease Agreement will be recognised as expenses of the Group over the term of the Lease Agreement, and the payments of such expenses will be regarded as de minimis continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

THE LEASE AGREEMENT

The Board announces that on 21 December 2022 (after trading hours), Hanking Ginseng & Iron (as tenant), which is an indirect wholly-owned subsidiary of the Company, entered into the Lease Agreement with Shengtai Properties (as landlord) in respect of the Leased Premises for a term of 3 years commencing from 1 January 2023 and expiring on 31 December 2025 (both days inclusive).

The principal terms of the Lease Agreement are set out below:

Date	:	21 December 2022 (after trading hours)
Parties	:	(i) Hanking Ginseng & Iron (as tenant); and (ii) Shengtai Properties (as landlord)
Leased Premises	:	The 7th floor, 21st floor, 22nd floor, 23rd floor and 3-level podium of Hanking Tower located at No. 227, Qingnian Street, Shenhe District, Shenyang City, Liaoning Province
Gross floor area	:	Approximately 2,801.80 sq.m.

Term : 3 years commencing from 1 January 2023 to 31 December 2025 (both days inclusive)

Upon the expiry of the lease, the landlord shall be entitled to adjust the relevant rent and mode of the lease and continue to lease out the Leased Premises. However, the landlord shall inform the tenant the same at least 3 months prior to the expiry of the lease, and the tenant shall have the first right of refusal to renew the lease of the Leased Premises. On the other hand, the tenant shall inform the landlord its intention to renew the lease of the Leased Premises at least 3 months prior to the expiry of the lease. In the event the landlord agrees to renew the lease with the tenant, the landlord and the tenant shall sign a new lease agreement within one month prior to the expiry of the Lease Agreement.

Usage : The Leased Premises shall be used as office

Rentals : In aggregate RMB1,982,247.00 per year (exclusive of property management fee, electricity fee and any tax expenses payable)

The rent under the Lease Agreement shall be paid quarterly, and payable in advance at least 15 days before the commencement of each quarter.

Property management fees : In aggregate approximately RMB1,008,648.00 per year

The property management fee is to be paid together with the rent and follows the same payment terms.

- Termination** : The landlord shall not be entitled to unilaterally terminate the Lease Agreement except for under the following circumstances:
- (i) the tenant conducting any illegal activities or any activities which, among others, affect the operation of the other tenants, contravene the national environmental protection requirements, or damage the public interests, and failing to rectify such within 5 days after receiving a written notice from the landlord requesting for rectification;
 - (ii) delay in payment by the tenant of the rentals, property management fees, or any other payments payable for an aggregate of more than 30 days;
 - (iii) the tenant changing the use of the Leased Premises or the property structure of the Leased Premises without obtaining the written consent from the landlord;
 - (iv) the tenant having damage the Leased Premises or equipment therein and refusing to repair or pay for damages; and
 - (v) the tenant subleasing the Leased Premises to any other third parties.

Basis for determination of the rentals and the property management fees

The rentals and the property management fees payable under the Lease Agreement are determined after arm's length negotiations between the parties with reference to the (i) historical rent payable by the Group to the landlord; (ii) the prevailing market rent of comparable properties in the vicinity of the Leased Premises; and (iii) prevailing rate of property management fees charged by independent third party service providers for comparable properties as the Leased Premises.

The rentals and property management fees payable under the Lease Agreement will be financed by the internal resources of the Group.

HISTORICAL RENTALS AND PROPERTY MANAGEMENT FEES

The historical rentals and property management fees paid by the Group to Shengtai Properties for the lease of relevant premises located at the same building as the Leased Premises for the three financial years ended/ending 31 December 2020, 2021 and 2022 were as follows:

	For the year ended/ending 31 December		
	2020	2021	2022
	RMB	RMB	RMB
Rentals	1,617,504.00	1,617,504.00	1,799,875.50
Property management fees	765,486.00	765,486.00	887,067.00

INFORMATION OF THE PARTIES

The Company and Hanking Ginseng & Iron

Being a high-quality material supplier for the new energy industry, the Company relies on its own high-quality iron ore resources to produce wind power ductile casting iron products, and also engages in the development of gold mine projects in Australia.

Hanking Ginseng & Iron is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in sales of high-purity iron.

Shengtai Properties

Shengtai Properties is a company established in the PRC with limited liability which is principally engaged in property leasing and property management services. It is wholly-owned by Liaoning Hanking Investment Co., Ltd.* (遼寧罕王投資有限公司), which is in turn owned as to 99% by Mr. Yang Jiye (the chairman of the Board, executive Director, chief executive officer, president and controlling Shareholder of the Company). As a result, Shengtai Properties is ultimately controlled by Mr. Yang Jiye, and hence is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASE AGREEMENT

The Group has been leasing portions of the Leased Premises from Shengtai Properties since 2008 for use as office. As the subsisting lease agreement for the said portion of Leased Premises with Shengtai Properties will expire by 31 December 2022, and the Group also intends to lease further premises in the same building to accommodate more staff of the Group as a result of business growth, the Group entered into the Lease Agreement with Shengtai Properties (which covers a larger gross floor area in aggregate than the area currently leased) with a view to continuing the Group's present use of the

Leased Premises without interruption and catering for the business growth of the Group, without incurring additional costs and expenses in identifying, relocating and renovating alternative premises at another location.

The terms of the Lease Agreement (including the rentals and property management fees payable thereunder) are determined after arm's length negotiations between the parties with reference to, among others, the (i) historical rent payable by the Group to the landlord; (ii) the prevailing market rent of comparable properties in the vicinity of the Leased Premises; and (iii) prevailing rate of property management fees charged by independent third party service providers for comparable properties as the Leased Premises. The Directors, including the independent non-executive Directors, consider that the Lease Agreement are on normal commercial terms, that their terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the entering into of the Lease Agreement is in the ordinary and usual course of business of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shengtai Properties is ultimately controlled by Mr. Yang Jiye (the chairman of the Board, executive Director, chief executive officer, president and controlling Shareholder of the Company), and hence is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

In accordance with IFRS 16 "Leases" applicable to the Group, the payments to be made by the Group contemplated under the Lease Agreement comprise different components and hence different accounting treatments will be applied.

Under IFRS 16 "Leases", the Group is required to recognise leases as right-of-use assets and lease liabilities. The right-of-use assets of the Group represent the rights to use the underlying leased assets over the lease terms and the lease liabilities represent its corresponding obligations to make lease payments. The aggregate value of the right-of-use assets to be recognised by the Group under the Lease Agreement is expected to be approximately RMB5,320,000, which includes the present value of the aggregate lease payments to be made under the Lease Agreement during the lease term in accordance with IFRS 16 "Leases". Such acquisition of right-of-use assets under the Lease Agreement will constitute a one-off connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio as defined under the Listing Rules calculated based on the value of the right-of-use assets to be recognised by the Group pursuant to IFRS 16 under the Lease Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Lease Agreement constitute connected transactions of the Company which are subject to the reporting and announcement requirements, but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On the other hand, the property management fee payments under the Lease Agreement will be recognised as expenses of the Group over the term of the Lease Agreement, and the payments of such expenses will be regarded as de minimis continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As Mr. Yang Jiye ultimately controlled Shengtai Properties, he had abstained from voting on the Board resolutions approving the Lease Agreement and the transactions contemplated thereunder. Save and except for the aforesaid, none of the other Directors has any material interest in the Lease Agreement and was required to abstain from voting on the Board resolutions in relation to the Lease Agreement.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Hanking Holdings Limited (中國罕王控股有限公司), an exempted company incorporated on 2 August 2010 with limited liability under the laws of the Cayman Islands, whose shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hanking Ginseng & Iron”	Fushun Hanking Ginseng & Iron Trading Co., Ltd.* (撫順罕王人參鐵貿易有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS 16”	the International Financial Reporting Standard “Leases” 16 issued by the International Accounting Standards Board, which sets out the principles for the recognition, measurement, presentation and disclosure of leases

“Lease Agreement”	the lease agreement entered into on 21 December 2022 between Hanking Ginseng & Iron and Shengtai Properties with respect to the lease of the Leased Premises
“Leased Premises”	the 7th floor, 21st floor, 22nd floor, 23rd floor and 3-level podium of Hanking Tower located at No. 227, Qingnian Street, Shenhe District, Shenyang City, Liaoning Province
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended 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 of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shengtai Properties”	Shenyang Shengtai Properties Management Co., Ltd.* (瀋陽盛泰物業管理有限公司), a company established in the PRC with limited liability which is ultimately controlled by Mr. Yang Jiye, and is hence a connected person of the Company
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
China Hanking Holdings Limited
Yang Jiye
Chairman and executive Director

Shenyang, the PRC, 21 December 2022

As at the date of this announcement, the executive Directors are Mr. Yang Jiye, Mr. Zheng Xuezhi and Dr. Qiu Yumin; the non-executive Directors are Mr. Kenneth Lee and Mr. Xia Zhuo; and the independent non-executive Directors are Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan.

* *For identification purpose only*