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## **E-COMMODITIES HOLDINGS LIMITED**

### **易大宗控股有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**(Stock Code: 1733)**

## **CONTINUING CONNECTED TRANSACTION ENTERING INTO THE MASTER TENANCY FRAMEWORK AGREEMENT**

### **ENTERING INTO THE MASTER TENANCY FRAMEWORK AGREEMENT**

Reference is made to the Announcements in relation to the Previous Tenancy Agreements, pursuant to which the subsidiaries of the Company (as tenants) leased certain premises in the PRC and Japan from the associates of Ms. Wang (as the landlords) for the purpose of facilitating the Group's business operation needs. Ms. Wang, the controlling shareholder of the Company, and her associates own or hold various Premises and Car Parking Spaces in Guangdong-Hong Kong-Macau Greater Bay Area in the PRC, Japan and other locations, which are available for renting purpose. On the other hand, the relevant members of the Group have corporate needs for using the relevant Premises and Car Parking Spaces in pursuit of their respective business activities. Transactions relating to the renting of the relevant Premises and/or Car Parking Spaces may arise from time to time where they are in the interests of the members of the Group as Tenants of the Premises and/or Car Parking Spaces under the relevant Transactions.

On 31 March 2023, the Company entered into the Master Tenancy Framework Agreement with Ms. Wang, for the purpose of regulating various Transactions relating to the renting of Premises and/or Car Parking Spaces between the members of the Group and Ms. Wang and/or her associates for a term commencing on 1 April 2023 and ending on 31 December 2025.

In accordance with IFRS 16 *Leases*, the renting of Premises and/or Car Parking Spaces by the relevant members of the Group, as a Tenant, under the Master Tenancy Framework Agreement will be recognised as right-of-use assets of the Group in its consolidated statement of financial position. Accordingly, the transaction(s) contemplated under the Master Tenancy Framework Agreement will be regarded as acquisition(s) of assets by the Group for the purpose of the Listing Rules.

## **LISTING RULES IMPLICATIONS**

Ms. Wang is the controlling shareholder of the Company and therefore, Ms. Wang or any of her associates is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the entering into the Master Tenancy Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios of the proposed annual caps under the Master Tenancy Framework Agreement exceed 0.1% but are less than 5%, the transaction contemplated under the Master Tenancy Framework Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **A. ENTERING INTO THE MASTER TENANCY FRAMEWORK AGREEMENT**

Reference is made to the Announcements in relation to the Previous Tenancy Agreements, pursuant to which the subsidiaries of the Company (as tenants) leased certain premises in the PRC and Japan from the associates of Ms. Wang (as the landlords) for the purpose of facilitating the Group's business operation needs. Ms. Wang, the controlling shareholder of the Company, and her associates own or hold various Premises and Car Parking Spaces in Guangdong-Hong Kong-Macau Greater Bay Area in the PRC, Japan and other locations, which are available for renting purpose. On the other hand, the relevant members of the Group have corporate needs for using the relevant Premises and Car Parking Spaces in pursuit of their respective business activities. Transactions relating to the renting of the relevant Premises and/or Car Parking Spaces may arise from time to time where they are in the interests of the members of the Group as Tenants of the Premises and/or Car Parking Spaces under the relevant Transactions.

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The principal terms of the Master Tenancy Framework Agreement are set out below.

**Date** : 31 March 2023

**Parties** : (1) The Company; and  
(2) Ms. Wang

**Term** : A fixed term commencing on 1 April 2023 and ending on 31 December 2025 unless terminated earlier in accordance with the terms of the Master Tenancy Framework Agreement.

## **Lease of Premises**

**Scope:** : The Landlord agrees to lease to the Tenant the Premises from time to time during the term of the Master Tenancy Framework Agreement.

**Individual Tenancy Agreement(s)** : During the term of the Master Tenancy Framework Agreement, Individual Tenancy Agreement(s) in relation to the renting of Premises shall be entered into between the relevant Landlord and Tenant, upon and subject to such terms and conditions as may be agreed, provided that:

- (i). each Individual Tenancy Agreement is entered into in the ordinary and usual course of business;
- (ii). the consideration under each Individual Tenancy Agreement will on each occasion be negotiated and determined on an arm's length basis to ensure that the relevant pricing term is fair and reasonable in accordance with prevailing market conditions and on normal commercial terms;
- (iii). the terms and conditions of each Individual Tenancy Agreement must be, from the Company's perspective, no less favorable to any member of the Group when compared with leases of similar premises available from Independent Third Parties; and
- (iv). each Individual Tenancy Agreement shall specify the details in respect of the underlying Premise (including areas, term and rent).

**Pricing Policy** : The rental of the Premises under the relevant Individual Tenancy Agreement shall be determined in accordance with the following principles:

- (i). in interests and benefits of each of the Landlord and the Tenant;
- (ii). with reference to the then prevailing market conditions, the rental and a market rate of rental of comparable premises or similar premises which may be leased from any Independent Third Parties in the vicinity of the underlying Premise, or if no aforesaid comparable available, then with reference to the government guided-price issued by the relevant authorities in relation to the similar or comparable premises in the vicinity of the underlying Premise;
- (iii). if neither comparable nor government guided-price available, with reference to at least two quotations of similar premises in the vicinity of the subject Premise obtained by administration and/or financial department of the Company from Independent Third Parties; and
- (iv). where the market price is not available, based on the principle of cost plus a fair and reasonable profit rate and with reference to the historical rents and after arm's length negotiations between the Landlord and the Tenant. The reasonable cost is determined with reference to various factors, including location, conditions, areas of the underlying Premise.

## **Lease of Car Parking Spaces**

- Scope:** : The Landlord agrees to lease to the Tenant the Car Parking Spaces from time to time during the term of the Master Tenancy Framework Agreement.
- Individual Car Park Lease Agreement(s)** : During the term of the Master Tenancy Framework Agreement, Individual Car Park Lease Agreement(s) shall be entered into between the Landlord and Tenant, upon and subject to such terms and conditions as may be agreed, provided that:

- (i). each Individual Car Park Lease Agreement is entered into in the ordinary and usual course of business;
- (ii). the consideration under each Individual Car Park Lease Agreement will on each occasion be negotiated and determined on an arm's length basis to ensure that the relevant pricing term is fair and reasonable in accordance with prevailing market conditions and on normal commercial terms;
- (iii). the terms and conditions of each Individual Car Park Lease Agreement must be, from the Company's perspective, no less favorable to any member of the Group when compared with leases of similar car parking spaces available from Independent Third Parties; and
- (iv). each Individual Car Park Lease Agreement shall specify the details in respect of the underlying Car Parking Space, including the parking space number, location, term and rent.

**Pricing Policy**

- : The rental of the Car Parking Spaces under the relevant Individual Car Park Lease Agreement shall be determined in accordance with the following principles:
  - (i). in interests and benefits of each of the Landlord and the Tenant;
  - (ii). with reference to the then prevailing market conditions, the rental and a market rate of the rental of comparable parking lot or other similar car parking spaces which may be leased from any Independent Third Parties in the vicinity of the underlying Car Parking Space, or if no aforesaid comparable available, then with reference to the government guided-price issued by the relevant authorities in relation to the similar or comparable car parking spaces in the vicinity of the underlying Car Parking Space;

- (iii). if neither comparable nor government guided-price available, with reference to at least two quotations of similar car parking spaces in the vicinity of the subject Car Parking Space obtained by the administration and/or financial department of the Company from Independent Third Parties;
- (iv). where the market price is not available, based on the principle of cost plus a fair and reasonable profit rate and with reference to the historical rents and after arm's length negotiations between the Landlord and the Tenant. The reasonable cost is determined with reference to various factors, including physical location of the underlying Car Parking Space and the conditions and circumstances of the property it locates.

- Payment arrangement** : The rental payable under the Master Tenancy Framework Agreement should be paid according to the terms of specific and separate Individual Tenancy Agreement(s) and/or Individual Car Park Lease Agreement(s).
- Other terms** : The parties to the Master Tenancy Framework Agreement agreed that all other reasonable fees and expenses (e.g. property management fees, utilities) in relation to the Premises and/or Car Parking Spaces leased under the relevant Individual Tenancy Agreement and/or Individual Car Park Lease Agreement (as the case may be) shall be borne by the relevant Tenant.

## **B. RIGHT-OF-USE ASSET**

In accordance with IFRS 16 *Leases*, the Group as a lessee, shall recognise a right-of-use asset and a lease liability at the commencement date, a right-of-use asset represents the Group's right to use an underlying asset for the lease term and a lease liability is measured at the present value of the lease payments that are not paid at that date which is discounted using the Group's incremental borrowing rate. Under IFRS 16, the Group presents interest expense on the lease liability separately from the depreciation charge for the right-of-use asset in its consolidated statement of profit or loss. Correspondingly, the Company is required to set the annual cap on the total value of right-of-use assets relating to the lease transactions to be entered into by the Group as the Tenant in each year under the Master Tenancy Framework Agreement. The rental payable under the relevant individual tenancy agreements will be financed by the internal resources of the members of the Group.

## C. HISTORICAL FIGURES AND PROPOSED ANNUAL CAPS

Except for the Previous Tenancy Agreements entered into between the Company and associates of Ms. Wang, the aggregated recognised value of right-of-use assets of which was approximately HK\$20.26 million for the year ended 31 December 2022, there was no other historical transaction amount with respect to the proposed transactions under the Master Tenancy Framework Agreement.

The Directors have proposed the following annual cap, which represents the total value of the right-of-use assets relating to the lease transactions to be entered into by the Group in each year during the term of the Master Tenancy Framework Agreement:

	<b>For the period commencing 1 April 2023 and ending 31 December 2023 (HK\$'000)</b>	<b>For the year ending 31 December 2024 (HK\$ '000)</b>	<b>For the year ending 31 December 2025 (HK\$'000)</b>
<b>Proposed annual cap of the Transaction(s)</b>	7,000	2,000	2,200

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (a). the previous lease transactions and the relevant transaction amounts under the Previous Tenancy Agreements between the Company and associates of Ms. Wang;
- (b). the market rental for similar premises and/or car parking spaces in the vicinity of the relevant Premises and Car Parking Spaces under the Master Tenancy Framework Agreement;
- (c). the expected new leases of the Premises and/or the Car Parking Spaces in the PRC or other locations to facilitate the relevant Group members' corporate needs during the term of the Master Tenancy Framework Agreement;
- (d). the anticipated changes or increments in the rental of the relevant Premises and/or Car Parking Spaces during the term of the Master Tenancy Framework Agreement;
- (e). taking into account a suitable and adequate buffer of 10% on the estimated rental payable for the possible demand of the Group for any new lease of premises or car parking spaces in case of events such as adjustments to business plans.

#### **D. REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER TENANCY FRAMEWORK AGREEMENT**

Ms. Wang and her associates own or hold various Premises or Car Parking Spaces in Guangdong-Hong Kong-Macau Greater Bay Area in the PRC, Japan and other locations for renting purposes. The Group has corporate needs for using the Premises and Car Parking Spaces in pursuit of its daily business activities from time to time. Compared to leasing from other third parties, Ms. Wang as its controlling shareholder has a better understanding of the Group's requirements in respect of Premises and/or Car Parking Spaces. In addition, a framework agreement enables the Company to secure relatively more stable rental terms. Accordingly, for their respective mutual benefits, the Company and Ms. Wang entered into the Master Tenancy Framework Agreement to set out the framework of the terms on which they may enter into certain lease agreements in respect of Premises and/or Car Parking Spaces.

None of the Directors has a material interest in the Master Tenancy Framework Agreement and there was no Director required to abstain from voting on the relevant board resolutions approving the Master Tenancy Framework Agreement.

The Directors (including the independent non-executive Directors) consider that (i) the Master Tenancy Framework Agreement is entered into in the ordinary and usual course of business of the Group; (ii) the Master Tenancy Framework Agreement (together with the proposed annual caps) are entered into on normal commercial terms after arm's length negotiations between the parties; and (iii) the terms of the leases in respect of Premises and Car Parking Spaces contemplated under the Master Tenancy Framework Agreement (together with the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **E. INTERNAL CONTROLS**

The independent non-executive Directors will conduct an annual review on the continuing connected transactions of the Company in the previous financial year, and confirm in the annual report of the Company that the continuing connected transactions were entered into in the ordinary and usual course of business, and conducted on normal commercial terms or better and according to the agreements of such transactions. The terms are fair, reasonable and in the interest of the Shareholders as a whole. The external auditor of the Company will conduct an annual review on the continuing connected transactions of the Company in the previous financial year according to the Listing Rules, express its opinions, and issue relevant letters to the Board according to the requirements of the Listing Rules.



## **F. LISTING RULES IMPLICATIONS**

Ms. Wang is the controlling shareholder of the Company and therefore, Ms. Wang or any of her associates is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the entering into the Master Tenancy Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios of the proposed annual caps under the Master Tenancy Framework Agreement exceed 0.1% but are less than 5%, the transaction contemplated under the Master Tenancy Framework Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **G. INFORMATION ON THE COMPANY AND PARTIES**

### **The Company**

The Company is a company incorporated in the British Virgin Islands and is principally engaged in the processing and trading of coal and other products and providing logistics services throughout the commodity supply chain. The Company is ultimately controlled by Ms. Wang.

### **Ms. Wang**

As of the date of this announcement, Ms. Wang is the ultimate controlling shareholder of the Company.

## **H. DEFINITION**

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

“Announcements”	the announcements of the Company dated 30 June 2022 and 30 September 2022, respectively, in relation to the Previous Tenancy Agreements
“Board”	the board of Directors
“Company”	E-Commodities Holdings Limited, a limited liability company incorporated in the British Virgin Islands, the shares of which are listed on the main board of the Stock Exchange

“Car Parking Space(s)”	certain car parking spaces owned or held by the Landlord and to be leased to the Tenant from time to time under the Master Tenancy Framework Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director of the Company
“E-Commodities Guangdong”	E-Commodities (Guangdong) Supply Chain Management Co., Ltd.*(易大宗(廣東)供應鏈管理有限公司), a company incorporated under the laws of the PRC with limited liability, and a wholly-owned subsidiary of the Company
“E-Commodities Japan”	E-Commodities Japan Co., Ltd.* (株式会社イー・コモディテーズジャパン), a company incorporated in Japan with limited liability, and a subsidiary 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
“Individual Car Park Lease Agreement(s)”	each individual and separate car park lease agreement relating to the lease of the Car Parking Spaces to be entered into between the relevant Landlord and Tenant pursuant to the Master Tenancy Framework Agreement from time to time
“Individual Tenancy Agreement(s)”	each individual and separate tenancy agreement relating to the lease of the Premises to be entered into between the relevant Landlord and Tenant pursuant to the Master Tenancy Framework Agreement from time to time
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules
“IFRS”	the International Financial Reporting Standards issued by the International Accounting Standards Board

“Landlord”	Ms. Wang and/or any of her associates, being a party to the relevant Individual Tenancy Agreement and/or Individual Car Park Lease Agreement (as the case may be) with the relevant Tenant to be entered into in accordance with the terms of the Master Tenancy Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Master Tenancy Framework Agreement”	the Master Tenancy Framework Agreement dated 31 March 2023 entered into between the Company and Ms. Wang in respect of the leases of Premises and/or Car Parking Spaces by the Landlord to the Tenant for a term commencing 1 April 2023 and ending on 31 December 2025
“Ms. Wang”	Ms. Wang Yihan (王奕涵女士), the ultimate controlling shareholder of the Company
“North Energy”	North Energy Co., Ltd., a company established under the laws of Japan with limited liability and owned as to 80% by Ms. Wang
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan
“Premise(s)”	certain residential or commercial premises owned or held by the Landlord and to be leased to the Tenant from time to time under the Master Tenancy Framework Agreement
“Previous Tenancy Agreements”	(i) the tenancy agreement dated 30 June 2022 entered into between E-Commodities Guangdong (as tenant) and Mr. Wang Xingchun (as landlord) in relation to the lease of certain premises located in the PRC; and (ii) the tenancy agreement dated 30 September 2022 entered into between E-Commodities Japan (as tenant) and North Energy (as landlord) in relation to the lease of a premise located in Japan, for further details, please refer to the Announcements
“Share(s)”	ordinary share(s) of the Company with no par value
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenant”	the Company or any of its subsidiaries, being a party to the relevant Individual Tenancy Agreement and/or Individual Car Park Lease Agreement (as the case may be) with the relevant Landlord to be entered into in accordance with the terms of the Master Tenancy Framework Agreement
“Transaction(s)”	the transactions contemplated under the relevant Individual Tenancy Agreements and Individual Car Park Lease Agreement (as the case may be) to be separately entered into in accordance with the terms of the Master Tenancy Framework Agreement
“%”	per cent.

By Order of the Board  
**E-Commodities Holdings Limited**  
**Cao Xinyi**  
*Chairman*

Hong Kong, 31 March 2023

*As at the date of this announcement, the executive directors of the Company are Ms. Cao Xinyi, Mr. Wang Yaxu, Ms. Di Jingmin and Mr. Zhao Wei; the non-executive director of the Company is Mr. Guo Lisheng; and the independent non-executive directors of the Company are Mr. Ng Yuk Keung, Mr. Wang Wenfu and Mr. Gao Zhikai.*

\* *For identification purpose only*