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**DISCLOSEABLE TRANSACTION:
RENEWAL OF FINANCIAL GUARANTEE**

RENEWAL OF FINANCIAL GUARANTEE

Reference is made to the announcements of the Company dated 30 July 2018 and 29 July 2019 in relation to the provision of financial guarantee services by the Company via the Wuhu Subsidiary to the Borrower.

On 24 July 2020 (after trading hours), the Wuhu Subsidiary entered into the Renewal Agreement to renew the 2019 Agreement, pursuant to which, the Wuhu Subsidiary has agreed to provide financial guarantee to the Borrower by means of pledging its deposit in the sum of RMB20 million for procuring the Borrower to obtain the loan of RMB19 million provided by the lending bank. In return, the Wuhu Subsidiary shall receive a guarantee fee of 6% of the amount of deposit pledged by the Wuhu Subsidiary.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Guarantee is more than 5% but less than 25%, the Guarantee constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

On 24 July 2020 (after trading hours), the Wuhu Subsidiary entered into the Renewal Agreement to renew the 2019 Agreement, pursuant to which the Wuhu Subsidiary has agreed to provide financial guarantee to the Borrower by means of pledging its deposit in the sum of RMB20 million for procuring the Borrower to obtain the loan of RMB19 million provided by the lending bank. Salient terms of the Renewal Agreement are as follows:

THE RENEWAL AGREEMENT

Date: 24 July 2020

Parties:

- (1) Wuhu Feishang Non-metal Material Co., Limited* (蕪湖飛尚非金屬材料有限公司), a wholly-owned subsidiary of the Company; and
- (2) Wuhu Haiyuan Copper Industrial Co., Ltd.* (蕪湖市海源銅業有限公司) as the Borrower

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Borrower is a company established in the PRC in 1996 with a registered capital of RMB32 million principally engaged in manufacture and subcontracting of nonferrous metals in the PRC and its main products are copper rod, copper busbar, high frequency resistance welding copper wire and other copper materials. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Borrower and its ultimate beneficial owner, namely, Wong Wah On, Edward are Independent Third Parties.

Subject matter

Pursuant to the terms of the Renewal Agreement, the Company has agreed to provide financial guarantee to the Borrower for procuring it to obtain the loan provided by the lending bank in the PRC with principal amount of RMB19 million (equivalent to approximately HK\$21.1 million) by means of entering into a guarantee contract for the pledge of its deposit in the sum of RMB20 million (equivalent to approximately HK\$22.2 million) with the lending bank, which is an Independent Third Party.

Terms of the Guarantee

The Guarantee shall be for a term of one year commencing from 29 July 2020 to 29 July 2021 (subject to the terms of the guarantee contract to be entered into between the Wuhu Subsidiary and the lending bank upon expiry of the existing guarantee contract). The Wuhu Subsidiary shall charge the Borrower an annual guarantee fee of 6% of the amount of deposit pledged by the Wuhu Subsidiary (i.e. RMB20 million) payable quarterly in arrears.

Security

The Borrower shall provide security of its main products comprising electrolytic copper, copper rod and copper busbar with market value of not less than RMB20 million during the term of the Guarantee. In the event that the market value of the security falls below RMB20 million at any time during the term of the Guarantee, the Borrower shall provide additional security to meet the shortfall upon request by the Wuhu Subsidiary.

REASONS FOR AND BENEFITS OF THE RENEWAL AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in bentonite mining, production and sales of drilling mud and pelletising clay.

As disclosed in the annual report of the Company for the year ended 31 December 2019, the iron and steel industry in the PRC was still overcasted by overcapacity and measures adopted to address overcapacity and rising costs continued to exert adverse impact on sales of pelletising clay of the Group. While the Group has enhanced major customers' satisfaction through improved quality management, resulting in an increase in sales of drilling mud and pelletising clay, given the adverse impact of the novel coronavirus (COVID-19) pandemic on the global economy and across all industries, the Group's business performance in this sector and the market condition in the PRC have inevitably been affected. The investments of the Group in the energy industry and infrastructure construction also continue to face uncertainty as prices for the oil and gas market continued to fluctuate in these turbulent times.

The Board considers that the provision of Guarantee in favour of the Borrower will better utilise the Group's cash with reasonable return (i.e. the guarantee fee from the Borrower together with the normal bank deposit interest income). As at the date of this announcement, the annual guarantee fee under the 2019 Agreement in the amount of RMB1.2 million has been duly received by the Group.

Before entering into the Renewal Agreement, the Group has re-assessed the latest financial conditions of the Borrower in that the Borrower recorded a net profit after tax of approximately RMB2.6 million for the year ended 31 December 2019 and a net asset value of about RMB103.8 million as at 30 June 2020. Timely payments of the annual guarantee fee under the 2019 Agreement were made by the Borrower to the Group according to the prescribed payment schedule and there was no default on the part of the Borrower with the lending bank. Further, the debt ratio of the Borrower is not high and its inventory liquidity is considerably strong. With the security provided by the Borrower, being the main products of the Borrower, the Directors consider that its financial exposure has been secured.

As the Company has a decent understanding of the background of the Borrower and has established a good track record with the Borrower by now, the Directors are of the view that the renewal of the provision of the Guarantee with the Borrower would continue to provide an efficient and cost-effective way to utilise the Group's cash to secure reasonable return for the Company and its Shareholders as a whole.

In view of the foregoing and the satisfactory credit status and short-term solvency of the Borrower, the Board considers that the guarantee fee from the Borrower together with the normal bank deposit interest income under the Renewal Agreement could generate a stable source of revenue for the Group. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the use of the renewed loan by the Borrower with the lending bank is for working capital purpose.

The Directors consider that the terms and conditions of the Renewal Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Guarantee is more than 5% but less than 25%, the Guarantee constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2018 Agreement”	the back-to-back guarantee agreement dated 30 July 2018 and entered into between the Wuhu Subsidiary and the Borrower, details of which were set out in the announcement of the Company dated 30 July 2018
“2019 Agreement”	the back-to-back guarantee agreement dated 29 July 2019 and entered into between the Wuhu Subsidiary and the Borrower to renew the 2018 Agreement, details of which were set out in the announcement of the Company dated 29 July 2019
“Board”	the board of Directors
“Borrower”	Wuhu Haiyuan Copper Industrial Co., Ltd.* (蕪湖市海源銅業有限責任公司), a company established in the PRC and an Independent Third Party

“Company”	HangKan Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8331)
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Guarantee”	the financial guarantee to the Borrower for procuring it to obtain the loan provided by the lending bank with principal amount of RMB19 million (equivalent to approximately HK\$21.1 million) by means of the Wuhu Subsidiary entering into a guarantee contract for the pledge of its deposit in the sum of RMB20 million (equivalent to approximately HK\$22.2 million) with the lending bank
“Hong Kong”	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(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons
“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
“Renewal Agreement”	the back-to-back guarantee agreement dated 24 July 2020 and entered into between the Wuhu Subsidiary and the Borrower in relation to the Guarantee
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Wuhu Subsidiary”	Wuhu Feishang Non-metal Material Co., Limited* (蕪湖飛尚非金屬材料有限公司), a wholly-owned subsidiary of the Company established in the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *the English names are not official names but are provided for identification purpose only*

In this announcement, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.11 for illustration purpose only.

By Order of the Board
HangKan Group Limited
SU Chun Xiang
Executive Director

24 July 2020

As at the date of this announcement, the Board comprises (i) two executive Directors, namely Mr. SU Chun Xiang and Mr. PANG Ho Yin; and (ii) three independent non-executive Directors, namely Mr. LEE Ming Tung, Mr. CHOW Chi Hang Tony and Mr. ZHANG Kun.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the day of its publication. This announcement will also be published on the Company’s website at www.ourhkg.com.