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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
EMERALD PLANET HOLDINGS LIMITED**

THE ACQUISITION

On 12 November 2020 (after trading hours), the Purchaser and the Vendors entered into the Acquisition Agreement, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire the entire issued share capital of the Target Company at a consideration of HK\$224 million which will be settled by allotment and issuance of the Consideration Shares to the Vendors under general mandate at the Issue Price of HK\$1.60 per Consideration Share.

The Target Group is principally engaged in production and sale of high-purity iron in the PRC. Upon Completion, the Target Group will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5%, but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company, and is subject to reporting and announcement requirements, but exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

As Completion of the Acquisition is subject to the fulfillment of the respective Conditions set out in the Acquisition Agreement, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

ACQUISITION AGREEMENT

Date

12 November 2020 (after trading hours)

Parties

Vendor(s): Mr. Lu Zhanfeng
Mr. Lu Zhizhuang
China Huijing
China Xinhui
China Quanfeng (each, a “Vendor”, together the “Vendors”)

Purchaser: The Company

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners are Independent Third Parties.

Consideration

Pursuant to the Acquisition Agreement, the Vendors conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of the Target Company at a consideration of HK\$224 million which will be settled by allotment and issuance of the Consideration Shares to the Vendors.

Basis of determination of the Consideration

The Consideration was determined after arm’s length negotiation between the Purchaser and the Vendors, having regard to (i) the financial position and the prospects and potential of the business of Benxi Yuqilin; and (ii) the Valuation of approximately RMB334.72 million (equivalent to approximately HK\$385.97 million) with consideration of synergies between the Company and the Target Group, as at the valuation date of 31 August 2020 prepared by the Independent Valuer based on discounted cash flow method. For details on the assumptions made in the Valuation, please refer to the section headed “*Compliance with Rule 14.61 of the Listing Rules*” in this announcement.

The Issue Price of HK\$1.60 per Consideration Share is determined after arm's length negotiation between the Company and the Vendors, with reference to the 30 days average closing price of the Shares before the date of the Acquisition Agreement. The Issue Price represents a premium of approximately 1.27% over the average closing price of HK\$1.58 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day.

The Board considered that the Issue Price is fair and reasonable and is in the interest of the Shareholders as a whole.

Profit Commitment

Among the total liabilities of the Target Group, the debt owned by the Target Group to Beijing Zhuguan is RMB153.197 million, among which RMB100 million will be served as the guarantee for the Profit Commitment ("**Guarantee Debt**").

The Vendors have jointly undertaken to the Company that the audited consolidated net profit attributable to the equity holders of Benxi Yuqilin for the year ending 31 December 2021 (the "**Initial Profit Commitment Period**") shall be equal to or no less than RMB50 million. Details of the settlement arrangements of the Guarantee Debt are set out below:

- (a) if the Profit Commitment can be fulfilled during the Initial Profit Commitment Period, the Target Group shall be obliged to settle the Guarantee Debt in full;
- (b) if the Profit Commitment cannot be fulfilled during the Initial Profit Commitment Period, the Purchaser also has the right (the "**Right of Extension**") to extend the Initial Profit Commitment Period to for the two years ending 31 December 2022 (the "**Extended Profit Commitment Period**"):
 - (i) if the Purchaser chooses not to exercise the Right of Extension, the Target Group shall be responsible for the settlement of the Guarantee Debt in the amount as adjusted down by the Shortfall in Profit Commitment, while the Vendors shall be responsible for the settlement of the residual of the Guarantee Debt (the "**Residual Guarantee Debt**") which is in the same amount as the Shortfall in Profit Commitment; or
 - (ii) if the Purchaser chooses to exercise the Right of Extension, the Profit Commitment will be adjusted to an amount equal to or not less than RMB100 million in aggregate for the two years ending 31 December 2022 (the "**Adjusted Profit Commitment**").

If the Adjusted Profit Commitment is fulfilled, the Target Group shall be responsible for the settlement of the Residual Guarantee Debt. If the Adjusted Profit Commitment is not fulfilled by the end of the Extended Profit Commitment Period, the Target Group shall be absolved from its obligation to settle the Residual Guarantee Debt and the Vendors shall be responsible for the settlement of the Residual Guarantee Debt.

Consideration Shares

An aggregate of 140,000,000 Consideration Shares will be allotted and issued to the Vendors by the Company upon Completion at the Issue Price of HK\$1.60 per Consideration Share in accordance with their respective proportion held in the Target Company, of which 61,600,000 Consideration Shares will be allotted and issued to Mr. Lu Zhanfeng, 36,400,000 Consideration Shares will be allotted and issued to Mr. Lu Zhizhuang, 14,000,000 Consideration Shares will be allotted and issued to China Huijing, 14,000,000 Consideration Shares will be allotted and issued to China Xinhui and 14,000,000 Consideration Shares will be allotted and issued to China Quanfeng.

The Issue Price of HK\$1.60 per Consideration Share represents:–

- (a) an approximate 1.27% premium to approximately HK\$1.58, being the average closing price of the Shares for the last 30 consecutive trading days up to and including the Last Trading Day;
- (b) an approximate 0.62% discount to approximately HK\$1.61, being the average closing price of the Shares for the last 5 consecutive trading days up to and including the Last Trading Day; and
- (c) an approximate 2.56% premium to approximately HK\$1.56, being the closing price of the Shares on 12 November 2020, being the date of the Acquisition Agreement.

The Consideration Shares will be issued pursuant to the general mandate granted by the Shareholders to the Directors pursuant to the resolution of the Shareholders passed at the annual general meeting of the Company held on 28 May 2020 (the “AGM”) subject to the limit up to 20% of the total nominal amount of the share capital of the Company in issue on the date of passing the resolution at the AGM (that is, up to 364,000,000 Shares). As at the date of this announcement, no Share has been issued pursuant to the general mandate and the issue of the Consideration Shares will not require any approval from the Shareholders. The Company had not conducted any equity fund raising activities in the twelve months immediately preceding the date of this announcement.

The number of Consideration Shares represents approximately 7.69% of the total issued share capital of the Company as at the date of this announcement and assuming no further Shares shall be issued, approximately 7.14% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

Lock-up period of the Consideration Shares

The Consideration Shares issued by the Company to Vendors shall be subject to the following lock-up period during which each of the Vendors cannot by way of any means (whether conditional or unconditional, direct or indirect or in other natures) transfer, dispose of or create any encumbrance on any of their respective locked-up Shares unless with the prior written consent from the Purchaser:

- (a) as to one-third of the aggregate number of Consideration Shares allotted and issued to each of the Vendors ending on the expiry of 12 months upon Completion;

- (b) as to the second one-third of the aggregate number of Consideration Shares allotted and issued to each of the Vendors ending on the expiry of 24 months upon Completion; and
- (c) as to the remaining one-third of the aggregate number of Consideration Shares allotted and issued to each of the Vendors ending on the expiry of 36 months upon Completion.

The Consideration Shares held by the Vendors that are yet to be released during the said lock-up period would serve as guarantee for Vendors' performance of the Acquisition Agreement and assumption of any potential debt thereof under the Acquisition Agreement.

The Consideration Shares, credited as fully paid when allotted and issued, will rank pari passu in all respects among themselves and with all the Shares in issue as at the date of the allotment and issuance of the Consideration Shares. Holders of such Consideration Shares shall be entitled to receive all future dividends and distributions that are declared after the date of the allotment and issuance of the Consideration Shares.

Effect of the Issue of the Consideration Shares on the shareholding structure of the Company

Assuming there is no acquisition and/or disposal of Shares, no exercise of share options from the date of this announcement to the date of Completion and that no further Shares will be issued or repurchased, the following table shows the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion:

Name of Shareholders	As at the date of this announcement		Immediately upon Completion	
	<i>No. of Shares held</i>	<i>Approximate percentage of total issued Shares</i>	<i>No. of Shares held</i>	<i>Approximate percentage of total issued Shares</i>
Ms. Yang Min	206,025,000	11.32%	206,025,000	10.51%
Mr. Yang Jiye <i>(Note 1)</i>	1,114,061,666	61.21%	1,114,061,666	56.84%
Mr. Xia Zhuo <i>(Note 2)</i>	19,190,589	1.05%	19,190,589	0.98%
Mr. Zheng Xuezhi <i>(Note 3)</i>	2,452,000	0.13%	2,452,000	0.13%
Vendors	0	0%	140,000,000	7.14%
Other Public Shareholders	478,270,745	26.28%	478,270,745	24.40%
Total	1,820,000,000	100%	1,960,000,000	100%

Notes:

1. Mr. Yang Jiye is an executive Director.
2. Mr. Xia Zhuo is a non-executive Director.

3. Mr. Zheng Xuezhi is an executive Director.

Conditions precedent

Completion is conditional upon all of the following Conditions being fulfilled:

- (i) the Purchaser being satisfied with the results of the legal and financial due diligence review on the Target Group conducted in relation to the Acquisition contemplated under the Acquisition Agreement;
- (ii) all other internal or external approvals for the Acquisition having been obtained (including but not limited to the board or shareholders' approval);
- (iii) the completion of the procedures for the equity change registration of the Target Company and execution of necessary documents to necessitate the equity change registration;
- (iv) all the representations, undertakings, confirmation and warranties given by the Vendors under the Acquisition Agreement in respect of the Acquisition remaining true, accurate and complete and are not misleading; and
- (v) the Company having obtained the approval granted by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Completion

Completion shall take place upon the confirmation by the Vendors and the Purchaser in writing that all the Conditions are satisfied.

Non-compete Undertaking

Pursuant to the terms of the Acquisition Agreement, the Vendors have each given an undertaking to the Purchaser that they shall not engage in any business similar to that of the Target Group for three years from the date of Completion except with the permission of the Purchaser.

INFORMATION OF THE COMPANY

The Company

The Company is an investment holding company. The Group is a fast-growing international mining and metals group of companies, mainly engaging in exploitation, mining, processing and smelting of iron, gold and other strategic metals and marketing of products as well as development of mineral resources.

INFORMATION OF THE VENDORS

Mr. Lu Zhanfeng

An independent third party Canadian resident who holds 44% of the Target Company.

Mr. Lu Zhizhuang

An independent third party Canadian resident who holds 26% of the Target Company.

China Huijing

A company incorporated in the BVI with limited liability which is wholly owned by Ms. Zhang Jing, an independent third party; one of the Vendors which owns 10% of the Target Company. Its principal business is investment holding.

China Xinhui

A company incorporated in the BVI with limited liability which is wholly owned by Mr. Liu Xinhui, an independent third party; one of the Vendors which owns 10% of the Target Company. Its principal business is investment holding.

China Quanfeng

A company incorporated in the BVI with limited liability which is wholly owned by Mr. Tian Quanfeng, an independent third party; one of the Vendors which owns 10% of the Target Company. Its principal business is investment holding.

INFORMATION ON THE TARGET GROUP

Target Company

A company incorporated in the BVI with limited liability on 15 October 2019, which is owned by the Vendors. As at the date of this announcement, the Target Company is owned as to 44%, 26%, 10%, 10% and 10% by Mr. Lu Zhanfeng, Mr. Lu Zhizhuang, China Huijing, China Xinhui and China Quanfeng respectively. The Target Company is an investment holding company. The Target Group is principally engaged in production and sale of high-purity iron in the PRC.

Yuqilin Industry

A company incorporated in Hong Kong with limited liability on 23 June 2020 that is wholly owned by the Target Company. Its principal business is investment holding.

Beijing Yuqilin Technology

A company incorporated in the PRC with limited liability on 8 July 2020 that is wholly owned by Yuqilin Industry. Its principal business is investment holding.

Benxi Yuqilin

A company incorporated in the PRC with limited liability on 22 November 2018 that is wholly owned by Beijing Yuqilin Technology. It is principally engaged in the production and sale of high-purity iron. In July 2020, it commenced trial production for test run purposes.

The Target Group had no commercial operation prior to 27 July 2020. Based on the information provided by the Vendors, set out below is a summary of certain financial information of the Target Group for the period from 27 July 2020 to 31 August 2020 prepared based on International Financial Reporting Standards:

**For the period from 27 July 2020
to 31 August 2020**
(Unaudited)

RMB'000

Revenue	17,974
Loss before tax	(8,207)
Loss after tax	(6,155)*

(Income tax credit of RMB2,052,000 was recognized.)*

RMB'000

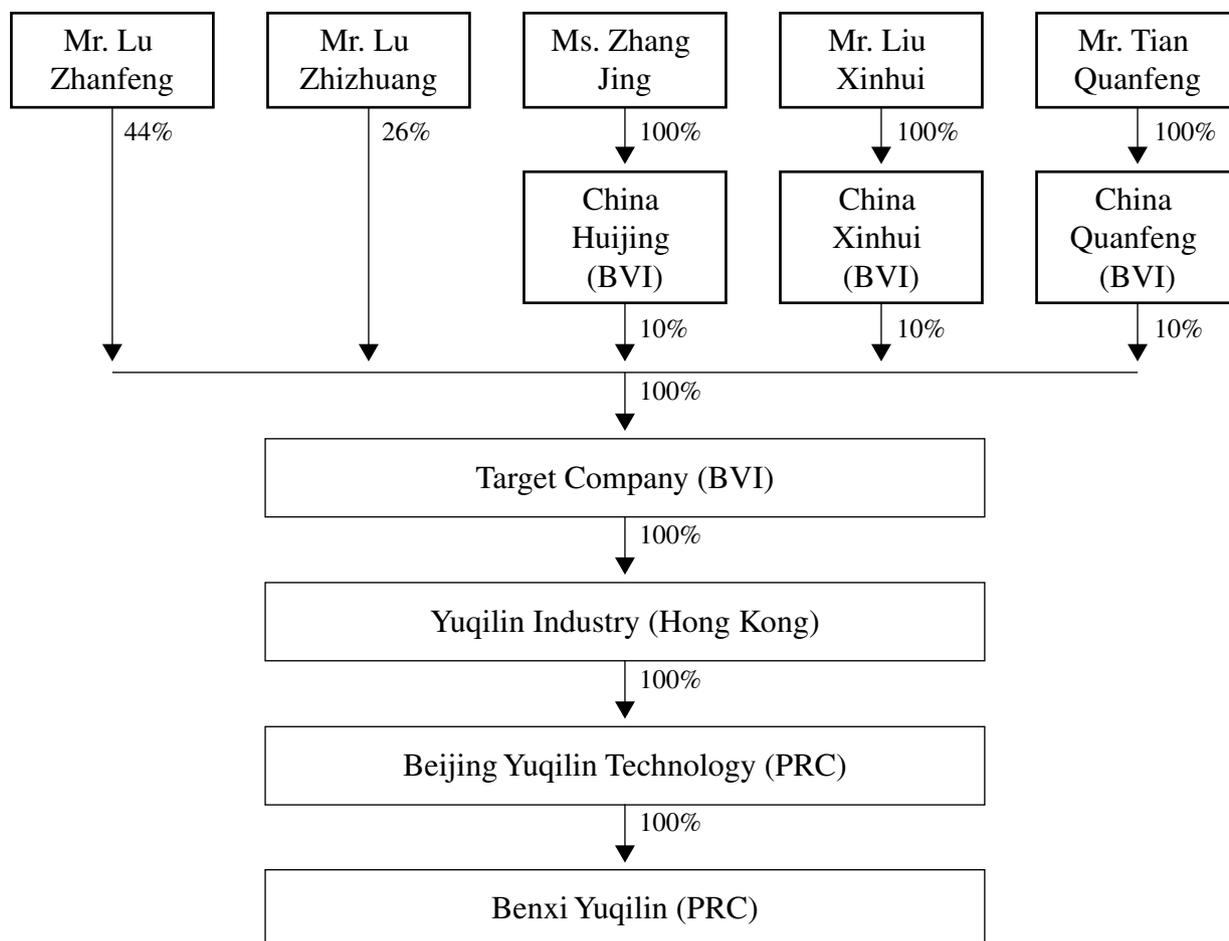
As at 31 August 2020
(Unaudited)

Total assets	210,968
Total liabilities	217,123
Net liabilities	(6,155)

Upon Completion, the Target Group will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

SHAREHOLDING STRUCTURE OF THE TARGET GROUP

As at the date of this announcement, the corporate structure of the Target Group held by the Vendors is as follows:



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is a fast-growing international mining and metals group of companies, mainly engaging in exploitation, mining, processing and smelting of iron, gold and other strategic metals and marketing of products as well as development of mineral resources. In 2019, the Company acquired a high-purity iron plant from its controlling shareholders under which it has undergone technological improvement with its annual production capacity increasing from 560 thousand metric tons to 660 thousand metric tons accordingly.

Based on the approval document issued by the local government and the technical assessment by the technical team of the Group, the Target Group has an approved annual production capacity of 250 thousand metric tons of high-purity iron. The acquisition of the Target Group will allow the Group to expand its annual production capacity of high-purity iron in an efficient manner as no approval of additional production capacity of high-purity iron and steel smelting by the government is expected in the foreseeable future based on the Company's understanding towards the current regulations. Strategically, with the Group's existing reputation in the production of high-purity iron, market

expertise and professional team, the Company believes the operation of the Target Group will create synergistic effects with the Group, thereby further unleash the value of the Group. As the Target Group has not yet commenced commercial production since its incorporation, it incurred a net loss of RMB6,155,000 during the period from 27 July 2020 to 31 August 2020 with net liabilities of RMB6,155,000 as of 31 August 2020. However, as mentioned above, the Directors believe that synergistic effects created after the acquisition of the Target Group will help the Group quickly expand its operation and enhance its market shares. The Directors had based on, among others, the lack of foreseeable new production capacity permission by the government, a profit forecast incorporating the expected synergy estimated by the Company adopted by the Independent Valuer and the Valuation of approximately RMB334.72 million (equivalent to approximately HK\$385.97 million) of the Target Company when negotiating the terms of the Acquisition Agreement and determining the Consideration. Given the Consideration is at a reasonable discount to the Valuation, the Directors considered that the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Acquisition Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

COMPLIANCE WITH RULE 14.61 OF THE LISTING RULES

As the Valuation is based on the discounted cash flow method, it constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, Rule 14.60A and Rule 14.62 of the Listing Rules are applicable.

Pursuant to Rule 14.60A, the following are details of the bases and principal assumptions, including commercial assumptions, upon which the Valuation is based:

General Assumptions

- (i) There will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation;
- (ii) The long-term inflation rate, interest rates and currency exchange rate will not differ materially from those presently prevailing;
- (iii) The Target Group will retain sufficient management and technical personnel to maintain their ongoing operations;
- (iv) There will be no major business disruptions through diseases, international crisis, industrial disputes, industrial accidents or severe weather conditions that will significantly affect the existing business;

- (v) The business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render the Target Group defaulted against its outstanding commitment or obligations;
- (vi) The Target Group's business is unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements. All applicable laws and regulations were and will be complied with;
- (vii) The potential bad debt will not significantly affect the value of the Target Group;
- (viii) The Target Group will remain free from claims and litigation against the business or its customers that will have a material impact on value;

Specific Assumptions

- (i) The historical statements of financial positions and operating position of the Target Group that the Independent Valuer used in valuation has been recorded correctly;
- (ii) The Target Group can reach the expected production capacity from 2021 after the technical assessment and overhaul in 2020 and blast furnace replacement in 2024, and the quality of the products can be the same as the current high-purity iron products of the Company;
- (iii) The financial forecast of the Target Company adopted in the Valuation can be achieved for the whole forecast period, in particular the timely completion of the manufacturing capacity expansion within the budgeted cost and the subsequent increase in production and sale at the projected margin;
- (iv) All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates would be officially obtained and renewable upon expiry;
- (v) No approval of additional production capacity of high-purity iron and steel smelting by the government is expected in the foreseeable future based on the Company's understanding towards the current regulations; and
- (vi) The Target Group will reach stable operation after 2026 with a long-term growth rate of 3% which is the expected China long-term inflation rate into perpetuity.

Pursuant to Rule 14.62 of the Listing Rules, the Board has reviewed the bases and assumptions upon which the Valuation is based and is of the view that the profit forecast has been made after due and careful enquiry. Deloitte Touche Tohmatsu, the Reporting Accountants of the Company, has performed an assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants to obtain

reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions. The Reporting Accountants reported that the discounted future estimated cash flows, so far as the calculations concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions. Letters from the Reporting Accountants and the Board are included in Appendix I and Appendix II to this announcement, respectively.

The following sets out the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Savills Valuation and Professional Services Limited	An independent professional valuer

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Reporting Accountants and the Independent Valuer is a third party independent of the Group and is not a connected person of the Group.

As at the date of this announcement, neither the Reporting Accountants nor the Independent Valuer has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

The Reporting Accountants have consented to the inclusion of the independent assurance report in this announcement, and the references to its name in the form and context in which they are included. The Reporting Accountants and the Independent Valuer each has given and has not withdrawn its respective consent to the publication of this announcement with inclusion of its opinion and advice and reference to its name in the form and context in which it respectively appears.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5%, but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company, and is subject to reporting and announcement requirements, but exempted from shareholders' approval requirement under Chapter 14 of the Listing Rules.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

As Completion is subject to the fulfillment of the respective Conditions set out in the Acquisition Agreement, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company from the Vendors pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 12 November 2020 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Beijing Yuqilin Technology”	Beijing Yuqilin Technology Company Limited* (北京玉麒麟科技有限公司), a wholly-owned subsidiary of Yuqilin Industry
“Beijing Zhuguan”	Beijing Zhuguan Technology Company Limited* (北京主冠科技有限公司), a creditor of Benxi Yuqilin. It is controlled by Mr. Lu Zhanfeng, one of the Vendors
“Benxi Yuqilin”	Benxi Yuqilin New Materials Company Limited* (本溪玉麒麟新材料有限公司), a wholly-owned subsidiary of Beijing Yuqilin Technology
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“China Huijing”	China Huijing Holding Limited, a company incorporated in the BVI with limited liability which is wholly owned by Ms. Zhang Jing (張靜), an independent third party; one of the Vendors which owns 10% of the Target Company as at the date of this announcement
“China Xinhui”	China Xinhui Holding Limited, a company incorporated in the BVI with limited liability which is wholly owned by Mr. Liu Xinhui (劉昕輝), an independent third party; one of the Vendors which owns 10% of the Target Company as at the date of this announcement
“China Quanfeng”	China Quanfeng Holding Limited, a company incorporated in the BVI with limited liability which is wholly owned by Mr. Tian Quanfeng (田全豐), an independent third party; one of the Vendors which owns 10% of the Target Company as at the date of this announcement

“Company”	China Hanking Holdings Limited, 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 (Stock code: 3788)
“Completion”	completion of the Acquisition under the Acquisition Agreement
“Conditions”	conditions precedent set out in the Acquisition Agreement in relation to the Acquisition
“Consideration”	the consideration of HK\$224 million
“Consideration Shares”	140,000,000 new Shares to be allotted and issued by the Company to the Vendors pursuant to the terms under the Acquisition Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Independent Valuer”	Savills Valuation and Professional Services Limited, an independent valuer
“Issue Price”	the issue price of HK\$1.60 per Consideration Share pursuant to the Acquisition Agreement
“Last Trading Day”	being the last trading day leading up to the entering of the Acquisition Agreement, i.e. 11 November 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lu Zhanfeng”	Mr. Lu Zhanfeng, a Canadian natural person, one of the Vendors who owns 44% in the Target Company as at the date of this announcement

“Mr. Lu Zhizhuang”	Mr. Lu Zhizhuang, a Canadian natural person, one of the Vendors who owns 26% in the Target Company as at the date of this announcement
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Profit Commitment”	the Vendors jointly undertaken to the Company pursuant to the Acquisition Agreement that the audited consolidated net profit attributable to the equity holders of Benxi Yuqilin for the year ending 31 December 2021 shall be equal to or no less than RMB50 million
“Purchaser”	the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Reporting Accountants”	Deloitte Touche Tohmatsu, Certified Public Accountants
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shortfall in Profit Commitment”	being the difference between the Profit Commitment and the actual audited consolidated profit of Benxi Yuqilin during the Initial Profit Commitment Period
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Emerald Planet Holdings Limited
“Target Group”	Target Company together with a group of subsidiaries held by it
“Valuation”	the valuation of the entire equity interest in the Target Company prepared by the Independent Valuer on the basis of investment value in accordance with the investment valuation standards
“Vendor(s)”	Being Mr. Lu Zhanfeng, Mr. Lu Zhizhuang, China Huijing, China Xinhui and China Quanfeng
“Yuqilin Industry”	Yuqilin Industry Limited, a wholly-owned subsidiary of the Target Company

“%”

per cent

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

Shenyang, the PRC, 12 November 2020

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of HK\$1 = RMB0.86722. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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

If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.

* *For identification only.*

APPENDIX I – LETTER FROM THE REPORTING ACCOUNTANTS

12 November 2020

The Directors

China Hanking Holdings Limited

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN EMERALD PLANET HOLDINGS LIMITED

TO THE DIRECTORS OF CHINA HANKING HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Savills Valuation and Professional Services Limited dated 30 October 2020 of the entire equity interest in Emerald Planet Holdings Limited (the “**Target Company**”) as at 31 August 2020 (the “**Valuation**”) is based. The Target Company is a company incorporated in British Virgin Islands, together with its subsidiaries, whose principal business is production and sales of high-purity iron and sales of raw and leftover materials. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in an announcement dated 12 November 2020 to be issued by China Hanking Holdings Limited (the “**Company**”) in connection with the acquisition of the entire equity interest in the Target Company (the “**Announcement**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 November 2020

APPENDIX II – LETTER FROM THE BOARD

The Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

12 November 2020

Dear Sirs

Re: Discloseable transaction in relation to the acquisition of entire issued share capital of Emerald Planet Holdings Limited

We refer to the valuation report prepared by Savills Valuation and Professional Services Limited (the “**Independent Valuer**”) in relation to the valuation of Emerald Planet Holdings Limited, (the “**Target Company**”) as at 31 August 2020 (the “**Valuation**”), the valuation of which constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have discussed with the Independent Valuer and reviewed different aspects including the bases and assumption based upon which the Valuation has been prepared, and reviewed the valuation by the Independent Valuer for which the Independent Valuer is responsible. We have also considered the independent assurance report dated 12 November 2020 from our reporting accountants, Deloitte Touche Tohmatsu, regarding whether the discounted future estimated cash flow of the Target Company and the calculations thereof have been properly compiled, in all material respects, in accordance with the bases and assumptions as set out in the Valuation. On the basis of the foregoing, we are of the opinion that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board of Directors
China Hanking Holdings Limited
Yang Jiye
Chairman and executive Director