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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)

**CONTINUING CONNECTED TRANSACTION –
SUPPLEMENTAL AGREEMENT TO THE IRON ORE CONCENTRATES
SALE AGREEMENT**

Reference is made to the announcements of the Company dated 22 November 2016 and 23 December 2016 and the circular of the Company dated 7 December 2016 in relation to, among others, the non-exempt continuing connected transactions of the Company under the New Agreement. The Group intends to enter into the Supplemental Agreement in modification of the original terms of the New Agreement.

As Fushun D.R.I. and Dalian Huaren are connected persons of the Company, the transactions contemplated under the Supplemental Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio relating to the proposed annual caps for the continuing connected transactions under the Supplemental Agreement exceeds 25%, the continuing connected transactions under the Supplemental Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019) at the EGM.

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019). The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the

Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019), after taking into account the recommendations of the Independent Financial Adviser.

The Company will hold the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019). A circular including, among other information, (i) a letter from the Board containing further details of the Supplemental Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

BACKGROUND

Reference is made to the announcements of the Company dated 22 November 2016 and 23 December 2016 and the circular of the Company dated 7 December 2016 in relation to, among others, the non-exempt continuing connected transactions of the Company under the New Agreement pursuant to which the Company, through its subsidiaries, including but not limited to STSU, agreed to provide iron ore concentrates to Fushun D.R.I. through Dalian Huaren and Fushun Deshan as Fushun D.R.I.'s agents for a term of three years commencing from 1 January 2017. The Group intends to enter into the Supplemental Agreement in modification of the original terms of the New Agreement.

SUPPLEMENTAL AGREEMENT TO THE IRON ORE CONCENTRATES SALE AGREEMENT

Date

26 September 2017

Parties

- (1) STSU;
- (2) Fushun D.R.I.;
- (3) Dalian Huaren; and
- (4) Fushun Deshan.

Subject matter

The parties agreed to make the following changes to the original terms of the New Agreement:

Revised annual caps

The proposed annual caps for the continuing connected transactions under the New Agreement for each of the three years ending 31 December 2017, 2018 and 2019 are to be revised from RMB345 million, RMB345 million and RMB345 million respectively to RMB484 million, RMB484 million and RMB484 million respectively.

Revised pricing policy

Pursuant to the Supplemental Agreement, the pricing policy will be revised to: in determining the selling price of each batch of iron ore concentrates, the parties shall take into account of the selling price at which STSU and/or its subsidiaries sold iron ore concentrates to Fushun New Steel (an Independent Third Party) or other similar Independent Third Party, at that time period. In such case, the transportation costs will be borne by STSU and/or its subsidiaries.

Condition

The Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2019) are conditional on the approval by the Independent Shareholders at the EGM.

Historical figures

The historical transaction figures between the Group and Fushun D.R.I. are as follows:

Year ended 31 December			Six months ended
2014	2015	2016	30 June 2017
(RMB million)	(RMB million)	(RMB million)	(RMB million)
227	230	236	187

Annual caps

The proposed annual caps for the continuing connected transactions under the Supplemental Agreement for each of the three years ending 31 December 2017, 2018 and 2019 are RMB484 million, RMB484 million and RMB484 million respectively.

Basis of caps

The proposed annual caps are determined on the basis of the following elements from 2017 to 2019:

- (i) expected production volume of iron ore concentrates by Maogong Mine;
- (ii) expected demand for iron ore concentrates by Fushun D.R.I.; and

(iii) estimated selling price of iron ore concentrates with reference to the Company's previous selling price.

INFORMATION ON THE GROUP AND THE CONNECTED PERSONS

The Company is an investing holding company. The Company is a fast-growing international mining and metals group that focuses on finding, mining, processing and marketing the earth's mineral resources. The Company focuses on precious metals coupled with nickel and other strategic metals.

STSU, a company established as a sino-foreign joint venture in the PRC on 10 March 1995, which subsequently became a wholly foreign owned enterprise on 18 January 2011, is an indirect wholly-owned subsidiary of the Company, and is mainly engaged in the distribution of iron ore concentrate.

Fushun D.R.I., a company established in the PRC on 20 August 2002 and 88.25% interest of which is indirectly owned by Mr. Yang, is principally engaged in casting of high purity pig iron and ductile pig iron.

Dalian Huaren, a company established in the PRC on 26 May 2011 and a wholly-owned subsidiary of Hanking Group, is mainly engaged in the provision of procurement agency services and whose business scope include steel, coal, coke, iron ore concentrates, and the sale of mining equipment and accessories.

Fushun Deshan is the agent of Fushun D.R.I. and is mainly engaged in the distribution of iron ore concentrate.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

Iron ore business remains the principal business and sales income stream of the Group, notwithstanding that the Group diversified into the nickel ore business and gold business in the first half of 2013. In the six months ended 30 June 2017, the revenue of iron ore business was approximately RMB541 million, representing 100% of the total revenue of the Group.

The Group intends to continue the transactions under the New Agreement after modification of its original terms by the Supplemental Agreement. The Directors consider that it is beneficial to the Group by entering into the Supplemental Agreement to update the annual caps and pricing terms.

Since September 2012 and 2014 respectively, Dalian Huaren and Fushun Deshan have acted as the unified procurement platforms appointed by Fushun D.R.I. responsible for procuring iron ore concentrates from the Group. The iron ore concentrates procured by Dalian Huaren and Fushun Deshan were delivered to Fushun D.R.I.. On the other hand, STSU has sold iron ore concentrates as the Group's unified sales platforms of iron ore concentrates. The supply of a larger volume of iron ore concentrates to Fushun D.R.I. at market price enables the Group to broaden the revenue from a stable customer. The entering into of the Supplemental Agreement is thus considered in line with the Group's business and in the interests of the Company and the Shareholders as a whole.

With respect to the Supplemental Agreement, the Directors (excluding Mr. Yang who is required to abstain from voting and the independent non-executive Directors whose views will be formed after obtaining the advice of the Independent Financial Adviser) consider that:

- (i) the terms and conditions have been negotiated among the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (ii) the proposed annual caps for transactions contemplated thereunder for the three years ending 31 December 2017, 2018 and 2019 are fair and reasonable; and
- (iii) the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement:

- (i) Fushun D.R.I. is indirectly owned by Mr. Yang and hence a connected person of the Company;
- (ii) Dalian Huaren is a wholly-owned subsidiary of Hanking Group, and hence a connected person of the Company; and
- (iii) Fushun Deshan is the agent of Fushun D.R.I..

Accordingly, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio relating to the proposed annual caps for the continuing connected transactions under the Supplemental Agreement exceeds 25%, the continuing connected transactions under the Supplemental Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019) at the EGM.

At the relevant Board meeting, Mr. Yang has abstained from voting on the resolutions approving the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019) in which he and/or his associates are materially interested in.

At the EGM, Ms. Yang and Mr. Yang as well as their associates will abstain from voting on the resolutions approving the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019). As at the date of this announcement, Ms. Yang and Mr. Yang respectively held 599,845,166 shares

and 720,241,500 Shares, representing approximately 32.78% and 39.36% of the existing issued share capital of the Company respectively. To the best knowledge, information and belief of the Directors, none of the persons (excluding Ms. Yang and Mr. Yang and their respective associates) who are required to abstain from voting at the EGM is holding any Shares as at the date of this announcement.

GENERAL

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019). The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019), after taking into account the recommendations of the Independent Financial Adviser.

The Company will hold the EGM to approve the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019). A circular including, among other information, (i) a letter from the Board containing further details of the Supplemental Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders within 15 business days from the date of this announcement.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Hanking Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholders”	has the meaning ascribed in the Listing Rules and unless the context requires otherwise, refers to Mr. Yang, Ms. Yang, China Hanking (BVI) Limited, Bisney Success Limited, Best Excellence Limited and Tuochuan Capital Limited
“Dalian Huaren”	Dalian Huaren Trade Co., Ltd.* (大連華仁貿易有限公司), which is more particularly described in the section headed “Information on the Group and the connected persons” in this announcement

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened for, among other matters, approving the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019)
“Fushun D.R.I.”	Fushun Hanking D.R.I. Co., Ltd.* (撫順直接還原鐵有限公司), which is more particularly described in the section headed “Information on the Group and the connected persons” in this announcement
“Fushun Deshan”	Fushun Deshan Trading Co., Ltd.* (撫順德山貿易有限公司), which is more particularly described in the section headed “Information on the Group and the connected persons” in this announcement
“Fushun New Steel”	Fushun New Steel Limited Liability Co., Ltd* (撫順新鋼鐵有限責任公司), a company established in the PRC on 12 October 2005, mainly engaged in iron and steel smelting, rolling and processing, which is an Independent Third Party
“Group”	the Company and its subsidiaries
“Hanking Group”	Hanking Group Co., Limited* (罕王實業集團有限公司), a company established in the PRC on 4 April 1996, whose shares are held by Ms. Yang (88.96%) and other individuals. Hanking Group is a holding company controlled by a controlling shareholder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019)

“Independent Financial Adviser”	Oriental Capital (Hong Kong) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under SFO, and is the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Supplemental Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2017, 2018 and 2019)
“Independent Shareholders”	Shareholders excluding Ms. Yang and Mr. Yang and their respective associates
“Independent Third Party(ies)”	a third party(ies) which is/are independent of and not connected with any connected person of the Company and not otherwise a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Maogong Mine”	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
“Maogong Mining”	Fushun Hanking Maogong Mining Co., Ltd.* (撫順罕王毛公鐵礦有限公司), a company established in the PRC on 31 March 1997 and an indirect wholly-owned subsidiary of the Company. It is mainly engaged in iron ore mining and processing
“Mr. Yang”	Mr. Yang Jiye, the chairman, an executive Director and the controlling shareholder of the Company. He is the son of Ms. Yang
“Ms. Yang”	Ms. Yang Min, a controlling shareholder of the Company and the mother of Mr. Yang
“New Agreement”	the sale agreement dated 22 November 2016 and entered into between STSU, Fushun D.R.I., Dalian Huaren and Fushun Deshan, pursuant to which STSU agrees that STSU and/or its subsidiaries shall provide iron ore concentrates to Fushun D.R.I. through Dalian Huaren and Fushun Deshan as Fushun D.R.I.’s agents for a term of three years commencing from 1 January 2017
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STSU”	Shenyang Toyo Steel Utility Co., Ltd.* (瀋陽東洋煉鋼公用設施有限公司), which is more particularly described in the section headed “Information on the Group and the connected persons” in this announcement
“Supplemental Agreement”	the supplemental agreement dated 26 September 2017 and entered into between STSU, Fushun D.R.I., Dalian Huaren and Fushun Deshan to modify the original terms of the New Agreement
“%”	per cent

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

Shenyang, the PRC, 26 September 2017

As at the date of this announcement, the executive directors of the Company are Mr. Yang Jiye, Dr. Pan Guocheng, Mr. Zheng Xuezhong, Dr. Qiu Yumin and Mr. Xia Zhuo; the non-executive director of the Company is Mr. Kenneth Jue Lee; and the independent non-executive directors of the Company are Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan.

* *For identification purposes only*