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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  
IN RELATION TO LEASING OF LAND AND PLANTS BY  
LIAONING GREEN BUILDING MATERIALS**

After the establishment of the project in August 2017, the feasibility study on the Company's project of foamed ceramics has been completed and its production site has been selected. On 13 December 2017, Liaoning Green Building Materials, a wholly-owned subsidiary of the Company, entered into the Leasing Agreement with Fushun D.R.I., pursuant to which, Liaoning Green Building Materials shall lease from Fushun D.R.I. the land and plants located in Shenfu New District, Liaoning Province, the PRC for a term of twenty years.

Fushun D.R.I. is indirectly owned by Mr. Yang Jiye, the chairman and executive Director of the Company, and therefore is an associate of Mr. Yang. Pursuant to Chapter 14A of the Listing Rules, Fushun D.R.I. is a connected person of the Company and its transaction with Liaoning Green Building Materials constitutes a continuing connected transaction for the Company.

Pursuant to Rule 14A.76 of the Listing Rules, as the highest applicable percentage ratio relating to the annual caps for the continuing connected transactions under the Leasing Agreement exceeds 0.1% but less than 5%, the Leasing Agreement and the transaction contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the term of validity under the Leasing Agreement is longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Independent Financial Adviser has issued its independent opinion, (i) explaining why the Leasing Agreement requires a longer period than three years; and (ii) confirming it is normal business practice for leasing agreements of this type to be of such duration.

After the establishment of the project in August 2017, the feasibility study on the Company's project of foamed ceramics (the "**Project**") has been completed and its production site has been selected. On 13 December 2017, Liaoning Green Building Materials, a wholly-owned subsidiary of the Company, entered into the Leasing Agreement with Fushun D.R.I., pursuant to which, Liaoning Green Building Materials shall lease from Fushun D.R.I. the land and plants located in Shenfu New District, Liaoning Province, the PRC for a term of twenty years from 1 January 2018 to 31 December 2037.

## **I. PRINCIPAL TERMS OF THE LEASING AGREEMENT**

Principal terms of the Leasing Agreement are set out as follows:

- Parties: (a) Fushun D.R.I., as the lessor; and  
(b) Liaoning Green Building Materials, as the lessee.
- Date: 13 December 2017
- Properties to be leased: The leased land has a gross floor area of approximately 66,666 square metres, and the leased plants have a gross floor area of approximately 26,643 square metres.
- Lease term: For a term of twenty years from 1 January 2018 to 31 December 2037.
- Rentals and pricing principles: The annual rental shall be RMB2.29 million (exclusive of VAT), totalling RMB45.80 million. The rentals are determined based on the market price at the place where the leased properties are located and the construction and installation costs of plants and upon negotiation between the parties concerned. The specific pricing principles are as follows:
- (1) The rental of the buildings and constructions. Based on the construction and installation costs and relevant taxations of approximately RMB25.80 million in relation to the buildings and constructions, which shall be amortised over the lease term of twenty years, the annual rental of the buildings and constructions shall be equivalent to RMB1.29 million.

- (2) The land rental. According to the evaluation made by FS Boyuan Real-estate Valuation Co., Ltd.\* (撫順市博元房地產估價有限責任公司), the annual rental for the land owned by Fushun D.R.I. shall be RMB15 per square metre. Accordingly, the annual rental for the leased land with a gross floor area of 66,666 square metres shall be RMB1 million, and the aggregate land rental payable shall be RMB20 million which is calculated based on the lease term of twenty years.
- (3) The aggregate annual rentals for the buildings and constructions as well as the land shall be RMB2.29 million.

Upon signing of the Leasing Agreement, Liaoning Green Building Materials shall prepay a portion of the rental in an amount of RMB25.80 million by installments according to the progress of the Project and shall, within the lease term, pay RMB1 million (exclusive of VAT) to Fushun D.R.I. every year. Liaoning Green Building Materials will pay the rentals with its own funds.

Undertakings by the lessor

- (1) Where Fushun D.R.I. intends to transfer the leased properties to any third party within the lease term, Liaoning Green Building Materials shall enjoy the preemptive right to purchase such properties under the same conditions.
- (2) Upon expiration of the lease term, Liaoning Green Building Materials shall enjoy the preemptive right to lease such properties under the same lease conditions.
- (3) Fushun D.R.I. has undertaken not to lease the land and plants to any third party within the lease term, nor to create any charge or other forms of security upon such land and plants. Within a year after the Leasing Agreement takes effect, Fushun D.R.I. shall pledge the ownership certificates of the plants erected on the leased land to Liaoning Green Building Materials.

## II. ANNUAL CAPS AND BASIS

The Company has not entered into a similar leasing agreement with Fushun D.R.I. before in relation to the land and plants under the Leasing Agreement. The annual caps of the continuing connected transaction under the Leasing Agreement for the twenty years from 2018 to 2037 are set out as follows:

**For the year ending 31 December (RMB: ten thousand)**

Leasing of land and plants by Liaoning Green Building Materials from Fushun D.R.I.	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	229	229	229	229	229
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
	229	229	229	229	229
	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
	229	229	229	229	229
	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>	<b>2037</b>
	229	229	229	229	229

The above-mentioned annual caps for the rentals are determined based on the market price at the place where the leased properties are located and upon negotiation between the parties concerned.

## III. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTION

The land and plants leased by Liaoning Green Building Materials under the Leasing Agreement shall be used for production of green building materials such as foamed ceramics. The raw materials for the foamed ceramics mainly consist of wastes and slags, which could achieve low energy consumption and low pollution during its production process. The products could satisfy the various requirements of all kinds of prefabricated constructions, which thus can be used as a new wall materials to entirely replace the existing wall materials in the domestic market and have huge market potential. As the Project falls within the category of priority industries under the national “13th Five-Year” development plan, it shall enjoy support from favorable government policies for the industry. Furthermore, given the production raw materials of the Project are mainly industrial solid wastes, the development of the Project shall facilitate the utilization of the existing iron tailings produced by Maogong Mine of the Company, achieving the reuse of resources to tap on resource value. Therefore, the management of the Company (the “**Management**”) believes that the Project shall have tremendous and sustainable development potential. The land and plants leased under the Leasing Agreement are approximately nine

kilometers away from Maogong Mine with convenient transportation and extensive infrastructures including water and electricity supplies, which shall facilitate the synergies between Maogong Mine and the Project to the maximum extent.

Through the long-term leasing agreement and prepayment of certain rental, Liaoning Green Building Materials has been granted long-term use right for a term of twenty years. According to the provisions of the Leasing Agreement, Liaoning Green Building Materials shall enjoy the preemptive right to lease such land and plants upon expiration of the lease term. Furthermore, Fushun D.R.I. has undertaken not to lease any of the land and plants to any third party during the lease term, nor to create any charge or other forms of security upon such land and plants, so as to ensure the stability of the production facilities for the Project, which shall in turn promote the sustainable development of the Project.

#### **IV. OPINION OF THE INDEPENDENT FINANCIAL ADVISER**

Since the term of validity under the Leasing Agreement is longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company shall appoint an independent financial adviser to explain why the Leasing Agreement requires a longer period and to confirm whether it is the normal business practice for the agreements of this type to be of such duration. For this purpose, the Company has engaged Orient Capital (Hong Kong) Limited (“**Orient Capital**”) as the Independent Financial Adviser.

In arriving at its opinion as to the reasons that the term of the Leasing Agreement has to exceed three years, Orient Capital has discussed with the Management regarding the Leasing Agreement and has taken into account of the following:

- (1) The Management expects the Project to be a long-term business development of the Group since it falls within the category of priority industries under the national “13th Five-Year” development plan and has huge market potential;
- (2) Given the production raw materials of the Project are mainly industrial solid wastes, the development of the Project shall facilitate the utilization of the existing iron tailings produced by Maogong Mine, achieving the reuse of resources to tap on resource value. According to the Management, the life expectancy of Maogong Mine will be a longer period of production, for which a 20-year agreement will ensure the production needs of the Company’s new business operations will be satisfied;
- (3) The long-term stability of the Leasing Agreement will minimize the risks of future relocation costs upon expiry of the Leasing Agreement and prevents the cause of problems in production; and
- (4) The new plant is closer to Shenyang and the highway. The long-term agreement can ensure the continuous development and stability of the development of the Project.

In considering whether it is normal business practice for agreements of similar nature with the Leasing Agreement to have a term of such duration, Orient Capital has identified transactions entered into by companies listed on the Stock Exchange involving the leasing of properties, with duration of more than three years.

Taking into account of the above, Orient Capital confirms that the duration of the Leasing Agreement, which is longer than three years is required and it is normal business practice for the Leasing Agreement to be of such duration.

## **V. LISTING RULES IMPLICATIONS**

Fushun D.R.I. is indirectly owned by Mr. Yang Jiye, the chairman and executive Director of the Company, and therefore is an associate of Mr. Yang. Pursuant to Chapter 14A of the Listing Rules, Fushun D.R.I. is a connected person of the Company and its transaction with Liaoning Green Building Materials constitutes a connected transaction for the Company.

Pursuant to Rule 14A.76 of the Listing Rules, as the highest applicable percentage ratio relating to the annual caps for the continuing connected transactions under the Leasing Agreement exceeds 0.1% but less than 5%, the Leasing Agreement and the transaction contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the relevant Board meeting, Mr. Yang has abstained from voting on the resolution approving the signing of the Leasing Agreement and the transaction contemplated thereunder in which he and/or his associates are materially interested in. Saved as disclosed above, none of the Directors has any material interest in the transaction contemplated under the Leasing Agreement and therefore none of the other Directors has abstained from voting on such Board resolution.

The Board (including independent non-executive Directors) is of the view that the Leasing Agreement has been entered into on normal commercial terms in the ordinary course of business of the Company, and the terms of the Leasing Agreement and the annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **VI. GENERAL**

### **The Company**

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.

## **Fushun D.R.I.**

Fushun D.R.I., a company established in the PRC on 20 August 2002 and 99% interest of which is indirectly owned by Mr. Yang, is principally engaged in casting of high purity pig iron and ductile pig iron.

## **Liaoning Green Building Materials**

Liaoning Green Building Materials, a company established in the PRC on 10 October 2017 and is indirectly wholly-owned by the Company, is principally engaged in research and development, manufacture and sale of foamed ceramics and crystalised stone products and sale of new-typed wall materials.

## **VII. 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 shareholder(s)”	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
“Director(s)”	the director(s) of the Company
“Fushun D.R.I.”	Fushun Hanking D.R.I. Co., Ltd.* (撫順罕王直接還原鐵有限公司), which is more particularly described in the section headed “General” of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Financial Adviser”	Orient Capital (Hong Kong) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and is the independent financial adviser appointed for the purpose of advising the duration of the Leasing Agreement under Rule 14A.52
“Leasing Agreement”	the land and plants leasing agreement entered into between Liaoning Green Building Materials and Fushun D.R.I. on 13 December 2017
“Liaoning Green Building Materials”	Liaoning Hanking Green Building Materials Co., Ltd.* (遼寧罕王綠色建材有限公司), which is more particularly described in the section headed “General” of this announcement
“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 a 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
“PRC”	the People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan Region
“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
“%”	per cent

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

Shenyang, the PRC, 13 December 2017

*As at the date of this announcement, the executive Directors of the Company are Mr. Yang Jiye, Dr. Pan Guocheng, Mr. Zheng Xuezhi, 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*