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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 TRANSACTIONS -**

**(1) AMENDMENT AGREEMENT TO THE NEW BENXI IRON  
PROCESSING SERVICE AGREEMENT;**

**AND**

**(2) PURCHASE FRAMEWORK AGREEMENT**

**(1) AMENDMENT AGREEMENT TO THE NEW BENXI IRON PROCESSING  
SERVICE AGREEMENT**

On 28 May 2015 (after trading hours), Benxi Mining entered into the Amendment Agreement with Benxi Iron Processing. Under the Amendment Agreement, Benxi Iron Processing and Benxi Mining agreed that the iron ore processing fee payable by Benxi Mining of RMB21.5 per ton of iron ores (tax exclusive) shall be revised to RMB19.0 per ton of iron ores (tax exclusive), with effect from 1 January 2015. All the other terms of the New Benxi Iron Processing Service Agreement, including term of the agreement and proposed annual caps, remain the same.

**(2) PURCHASE FRAMEWORK AGREEMENT**

On 28 May 2015 (after trading hours), Benxi Iron Processing entered into the Purchase Framework Agreement with Aoniu Mining Group. Pursuant to the Purchase Framework Agreement, Aoniu Mining Group agreed to sell and Benxi Iron Processing agreed to purchase the idle equipment, spare parts and raw materials of Aoniu Mining which are derived from continuing mining technology improvement, with effect from 28 May 2015 (i.e. the date on which the Purchase Framework Agreement takes effect) to 31 December 2017.

## **Listing Rules Implications**

Benxi Iron Processing is a wholly-owned subsidiary of Hanking Group, which is majority owned by Ms. Yang (the chairlady of the Board, an executive Director and the Controlling Shareholder of the Company) and Mr. Yang (an executive Director and a substantial shareholder of the Company). Mr. Yang is the son of Ms. Yang. As at the date of this announcement, each of Ms. Yang and Mr. Yang holds approximately 60.67% and approximately 28.89%, respectively of the equity interests in Hanking Group. Aoniu Mining Group is directly/indirectly wholly-owned by the Company. Accordingly, the transactions between Benxi Iron Processing and Aoniu Mining Group will constitute continuing connected transactions for the Company under the Listing Rules. Each of Ms. Yang and Mr. Yang is required to abstain and has abstained from voting on the resolutions of the Board approving the continuing connected transactions contemplated under the Purchase Framework Agreement.

As all the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the Annual Caps are less than 5%, the transactions under the Purchase Framework Agreement constitute exempt continuing connected transactions under Rule 14A.76(2)(a) of the Listing Rules and are subject to the reporting, announcement and annual review requirements, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will re-comply with the applicable Listing Rules in the event that any of the proposed annual caps for the two years ending 31 December 2015 and 31 December 2016 under the New Benxi Iron Processing Service Agreement as amended by the Amendment Agreement or any of the Annual Caps is exceeded or when there is a material change to the terms of the New Benxi Iron Processing Service Agreement as amended by the Amendment Agreement or the Purchase Framework Agreement pursuant to Rule 14A.54 of the Listing Rules.

## **1. AMENDMENT AGREEMENT TO THE NEW BENXI IRON PROCESSING SERVICE AGREEMENT**

### **Background and reasons for the Amendment Agreement**

Reference is made to the announcement of the Company dated 15 October 2013 in which the Company disclosed, among other things, the continuing connected transactions between Benxi Mining and Benxi Iron Processing in relation to the New Benxi Iron Processing Service Agreement. Pursuant to the New Benxi Iron Processing Service Agreement, Benxi Iron Processing agreed to process the iron ores provided by Benxi Mining, and deliver the iron ore concentrates produced to Benxi Mining.

On 28 May 2015 (after trading hours), Benxi Mining entered into the Amendment Agreement with Benxi Iron Processing. Under the Amendment Agreement, Benxi Iron Processing and Benxi Mining agreed that the iron ore processing fee payable by Benxi Mining of RMB21.5 per

ton of iron ores (tax exclusive) shall be revised to RMB19.0 per ton of iron ores (tax exclusive), with effect from 1 January 2015. All the other terms of the New Benxi Iron Processing Service Agreement, including term of the agreement and proposed annual caps, remain the same.

Benxi Iron Processing and Benxi Mining agreed to revise the iron ore processing fee payable by Benxi Mining mainly due to the decrease in raw material costs (e.g. steel balls and liners etc.) of Benxi Iron Processing. Benxi Mining has a continuous demand for iron ore processing services provided by Benxi Iron Processing under the New Benxi Iron Processing Service Agreement. The entering into of the Amendment Agreement allows Benxi Mining to enjoy lower production costs which are on terms that are in the commercial interests of the Group.

Pursuant to the New Benxi Iron Processing Service Agreement, the proposed annual caps for the continuing connected transactions contemplated thereunder for each of the three years ending 31 December 2014, 2015 and 2016 is RMB35.0 million, RMB35.0 million and RMB35.0 million, respectively. Despite the iron ore processing fee per ton of iron ores has been revised downward, the proposed annual caps for the two years ending 31 December 2015 and 31 December 2016 remain unchanged, taking into account the actual transaction amount of RMB28,045,000 for the year ended 31 December 2014 and the expected iron ore output of Benxi Mining for each of the year ending 31 December 2015 and 31 December 2016 of not exceeding 1,842,000 tons per annum.

The Directors (including the independent non-executive Directors) are of the view that the Amendment Agreement is on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will re-comply with the applicable Listing Rules in the event that any of the proposed annual caps for the two years ending 31 December 2015 and 31 December 2016 is exceeded or when there is a material change to the terms of the New Benxi Iron Processing Service Agreement as amended by the Amendment Agreement pursuant to Rule 14A.54 of the Listing Rules.

## **2. PURCHASE FRAMEWORK AGREEMENT**

Principal terms of the Purchase Framework Agreement are set out as follows:

**Date:**

28 May 2015 (after trading hours)

**Parties:**

Aoniu Mining Group and Benxi Iron Processing

**Term:**

From 28 May 2015 (i.e. the date on which the Purchase Framework Agreement takes effect) to 31 December 2017.

**Nature of the transaction:**

Aoniu Mining Group agreed to sell and Benxi Iron Processing agreed to purchase the idle equipment, spare parts and raw materials of Aoniu Mining which are derived from continuing mining technology improvement. During the term of the Purchase Framework Agreement, both parties agree that they may enter into further individual purchase agreement(s) from time to time upon and subject to such terms and conditions as may be agreed between both parties, in each case to be negotiated on a case-by-case and arm's length basis and on normal commercial terms.

**Price determination:**

The price charged under the Purchase Framework Agreement by Aoniu Mining Group shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and on the following principles:

- (i) For idle equipment and spare parts: by reference to the book value of relevant category/type of equipment and spare parts; and
- (ii) For idle raw materials: by reference to the historical purchase cost of raw materials by Aoniu Mining Group.

**Delivery:**

Aoniu Mining Group shall be responsible to arrange for the delivery of idle equipment, spare parts and raw materials at its own expenses.

**Payment terms:**

For each delivery under the Purchase Framework Agreement, Benxi Iron Processing shall pay immediately following the form and substance of the delivery are fully acceptable to Benxi Iron Processing.

## Termination:

The Purchase Framework Agreement shall terminate upon the occurrence of among other things, (i) consent by both parties to terminate the agreement; (ii) breach of the agreement by either party on material default on quality, quantities and specifications, which is not remedied within 10 days upon request by the non-defaulting party; and (iii) the agreement being declared invalid by the court or other competent authority.

## THE PROPOSED ANNUAL CAPS AND DETERMINATION

The proposed annual caps for the transactions contemplated under the Purchase Framework Agreement for each of the three years ending 31 December 2015, 2016 and 2017 are set out below:

	Year ending 31 December		
	2015	2016	2017
	(RMB million)	(RMB million)	(RMB million)
Proposed annual cap for the year (tax exclusive)	4.0	4.0	4.0

It is expected that the maximum aggregate annual purchase price payable by Benxi Iron Processing to Aoni Mining Group under the Purchase Framework Agreement shall not exceed RMB4.0 million, RMB4.0 million and RMB4.0 million for each of the three years ending 31 December 2015, 2016 and 2017, respectively (the “**Annual Caps**”). Such annual aggregate transaction amounts are estimated based on (i) the agreed pricing of idle equipment and spare parts, as well as idle raw materials pursuant to the Purchase Framework Agreement by referencing to the book value of relevant category/type of equipment and spare parts and the historical purchase cost of raw materials by Aoni Mining Group, respectively; (ii) the quantities/volumes of idle equipment, spare parts and raw materials according to the stock-take carried out by Aoni Mining Group as of 30 April 2015; (iii) the expected quantities/volumes of idle equipment, spare parts and raw materials which correspond with the anticipated stock-take to be carried out by Aoni Mining Group for the period between 1 May 2015 to 31 December 2015 and for each of the two years ending 31 December 2016 and 31 December 2017; and (iv) the anticipated demand of the idle equipment, spare parts and raw materials from Benxi Iron Processing.

On the basis of the above factors, the Directors (including the independent non-executive Directors) are of the view that the proposed annual caps for the transactions under the Purchase Framework Agreement are fair and reasonable.

## REASONS FOR AND BENEFITS OF THE PURCHASE FRAMEWORK AGREEMENT

In 2014, the Group saw the market downturn as an opportunity to carry out a special efficiency assessment and profitability analysis on each open-pit mining area in respect of various practical problems occurring in the course of open-pit mining. The Group adjusted its production layout on the

principle of “efficiency first”, which effectively improved the production output structure. Meanwhile, the Group adjusted the discretion of investment to projects with high efficiency in terms of output-to-input ratio, concentrating on the processing technological transformation projects of mine. As a result of the continuing mining technology improvement, some of the existing equipment, spare parts and raw materials will no longer be applicable and be used by Aoni Mining Group and therefore, have become idle. The entering into of the Purchase Framework Agreement allows Aoni Mining Group to dispose its idle assets and better utilize its resources, and at the same time to increase the overall utilization rate of the equipment and avoid wastage of surplus of production capacity.

Furthermore, given the close geographical proximity of the respective operations of each of the Aoni Mining Group and Benxi Iron Processing within Benxi City, the PRC, the Purchase Framework Agreement will enable the Aoni Mining Group to secure a cost effective, timely and enhance the transportation efficiency for the idle equipment, spare parts and raw materials to Benxi Iron Processing for its iron ore processing business.

The transactions contemplated under the Purchase Framework Agreement will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) consider that the Purchase Framework Agreement and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group, and have been negotiated on an arm’s length basis between the Aoni Mining Group and Benxi Iron Processing on normal commercial terms. The Board believes that the terms of the Purchase Framework Agreement (including the Annual Caps) are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP, THE AONI MINING GROUP AND BENXI IRON PROCESSING**

The Group is one of the largest independent privately-owned iron ore concentrates producer in the Northeastern PRC. The primary business operations of the Group in the PRC include iron ore exploration, mining, processing and selling and the product of the Group is iron ore concentrates and gold dore. The Group also engaged in exploration, mining and selling of laterite nickel ores in Indonesia as well as exploration, mining and processing of gold ores in Australia.

The Aoni Mining Group is principally engaged in the sale of iron ore mining products.

Benxi Iron Processing is principally engaged in the iron ore processing business.

## **LISTING RULES IMPLICATIONS**

Benxi Iron Processing is a wholly-owned subsidiary of Hanking Group, which is majority owned by Ms. Yang (the chairlady of the Board, an executive Director and the Controlling Shareholder of the Company) and Mr. Yang (an executive Director and a substantial shareholder of the Company). Mr. Yang is the son of Ms. Yang. As at the date of this announcement, each of Ms. Yang and Mr. Yang holds approximately 60.67% and approximately 28.89%, respectively of the equity interests in

Hanking Group. Aoniu Mining Group is indirectly wholly-owned by the Company. Accordingly, the transactions between Benxi Iron Processing and Aoniu Mining Group will constitute continuing connected transactions for the Company under the Listing Rules. Each of Ms. Yang and Mr. Yang is required to abstain and has abstained from voting on the resolutions of the Board approving the continuing connected transactions contemplated under the Purchase Framework Agreement.

As all the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the Annual Caps are less than 5%, the transactions under the Purchase Framework Agreement constitute exempt continuing connected transactions under Rule 14A.76(2)(a) of the Listing Rules and are subject to the reporting, announcement and annual review requirements, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will re-comply with the applicable Listing Rules in the event that any of the Annual Caps is exceeded or when there is a material change to the terms of the Purchase Framework Agreement pursuant to Rule 14A.54 of the Listing Rules.

## DEFINITIONS

“Amendment Agreement”	the amendment agreement to the New Benxi Iron Processing Service Agreement entered into between Benxi Mining and Benxi Iron Processing on 28 May 2015 (after trading hours), pursuant to which, Benxi Iron Processing agreed to revise the iron processing fee of approximately RMB21.5 per ton of iron ores (tax exclusive) to approximately RMB19.0 per ton of iron ores (tax exclusive), with effect from 1 January 2015, with all the other terms of the New Benxi Iron Processing Service Agreement, remain the same
“Aoniu Mining”	Fushun Hanking Aoniu Mining Limited (撫順罕王傲牛礦業股份有限公司), a company established in the PRC on 19 March 1998 and a wholly-owned subsidiary of the Company
“Aoniu Mining Group”	Aoniu Mining, together with certain of its subsidiaries, namely Benxi Mining, Maogong Mining, Fushun Shangma and Xingzhou Mining
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Benxi Iron Processing”	Benxi Hanking Iron Processing Co., Ltd. (本溪罕王鐵選有限公司), a company established in the PRC on 20 July 2010 and a wholly-owned subsidiary of Hanking Group
“Benxi Mining”	Benxi Hanking Mining Co., Ltd.* (本溪罕王礦業有限公司), a company established in the PRC on 15 March 2004 and an indirect wholly-owned subsidiary of the Company

“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 to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Yang, Ms. Yang, China Hanking (BVI) Limited, Bisney Success Limited and Best Excellence Limited
“Director(s)”	the director(s) of the Company
“Fushun Shangma”	Fushun Hanking Shangma Mining Company Limited (撫順罕王上馬礦業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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 (60.67%), Mr. Yang (28.29%) and other individuals. Hanking Group is a holding company controlled by the Controlling Shareholders
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“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
“Mr. Yang”	Mr. Yang Jiye, an executive Director and a substantial shareholder of the Company. He is the son of Ms. Yang
“Ms. Yang”	Ms. Yang Min, the chairlady of the Board, an executive Director and Controlling Shareholder of the Company. She is the mother of Mr. Yang

“New Benxi Iron Processing Service Agreement”	the processing service agreement dated 15 October 2013 entered into between Benxi Mining and Benxi Iron Processing, pursuant to which Benxi Iron Processing agreed to provide iron ore processing service to Benxi Mining for a term of three years commencing from 1 January 2014
“PRC”	the People’s Republic of China
“Purchase Framework Agreement”	the purchase framework agreement dated 28 May 2015 (after trading hours) entered into between Aoni Mining Group and Benxi Iron Processing, pursuant to which, Aoni Mining Group agreed to sell and Benxi Mining agreed to purchase the idle equipment, spare parts and raw materials with effect from 28 May 2015 until 31 December 2017
“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
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Xingzhou Mining”	Fushun Hanking Xingzhou Mining Limited (撫順罕王興洲礦業有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board  
**China Hanking Holdings Limited**  
**Yang Ming**  
*Chairlady and Executive Director*

Shenyang, the PRC, 29 May 2015

*As at the date of this announcement, the executive directors of the Company are Ms. Yang Min, Mr. Yang Jiye, Mr. Pan Guocheng, Mr. Zheng Xuezhi, Mr. Xia Zhuo and Mr. Qiu Yumin; the non-executive directors of the Company are Mr. Kenneth Jue Lee and Mr. Lan Fusheng; and the independent non-executive directors of the Company are Mr. Wang Ping, Mr. Wang Anjian, Mr. Jiang Zhouhua and Mr. Victor Yang.*

\* *For identification purposes only*