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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 AND CONNECTED TRANSACTION  
CONTINUING CONNECTED TRANSACTION**

**THE SHARE PURCHASE AGREEMENT**

The Board announces that on 20 December 2012, the Company entered into the Share Purchase Agreement with Evergreen Mining and Aoni HK, pursuant to which the Company has agreed to acquire, and Evergreen Mining has agreed to sell, the Target Shares for a total consideration by foreign currency in an amount equivalent to RMB311.8 million.

Evergreen Mining is an indirectly wholly-owned subsidiary of Hanking Group, which is in turn owned as to 60.67% by Ms. Yang and 28.29% by Mr. Yang, each a non-executive Director and a Controlling Shareholder. As such, Evergreen Mining is an associate of both Ms. Yang and Mr. Yang and is therefore a connected person of the Company. Under Chapter 14A of the Listing Rules, the transactions contemplated under the Share Purchase Agreement constitute a connected transaction of the Company.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Northeastern Lion Acquisition exceeds 5% but is less than 25%, the Northeastern Lion Acquisition constitutes (i) a discloseable transaction for the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be held to consider and if thought fit, to approve the Share Purchase Agreement and the transactions contemplated thereunder. The Controlling Shareholders and their associates will abstain from voting on the resolution approving the Share Purchase Agreement.

The Company has appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Purchase Agreement is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to how they should vote in respect of the Share Purchase Agreement at the EGM. The Independent Board Committee comprising all independent non-executive Directors, will be established to advise the Independent Shareholders as to whether the Share Purchase Agreement is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they should vote in respect of the Northeastern Lion Acquisition, after taking into account the recommendations of the independent financial adviser appointed by the Company.

A circular containing, among others, (i) further information regarding the Share Purchase Agreement; (ii) a letter from the independent financial adviser appointed by the Company; (iii) the recommendation from the Independent Board Committee; (iv) a Competent Person's Report prepared in accordance with the requirements of Chapter 18 of the Listing Rules; (v) a Valuation Report in compliance with the relevant requirements of Chapter 18 of the Listing Rules; and (vi) the notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable and is currently expected to be despatched on or before 15 January 2013.

#### **THE SALE AND PURCHASE CONTRACT OF INDONESIAN LATERITE NICKEL ORE**

The Board announces that on 20 December 2012, the Group entered into the Sale and Purchase Contract of Indonesian Laterite Nickel Ore with Harvest Globe, pursuant to which the Group has agreed to purchase and Harvest Globe has agreed to sell laterite nickel ore for a term of three years, commencing from 1 January 2013 to 31 December 2015.

Harvest Globe is a non wholly-owned subsidiary of Denway Development and an indirectly non wholly-owned subsidiary of Northeastern Lion. After the completion of Northeastern Lion Acquisition, Northeastern Lion will become a non wholly-owned subsidiary of the Company, of which 70% equity interest will be held by the Company and the remaining 30% equity interest will be held by Evergreen Mining. As stated above, Evergreen Mining is a connected person of the Company. Therefore, Northeastern Lion is a connected person of the Company under Rule 14A.11(5) of the Listing Rules and Harvest Globe is also a connected person of the Company under Rule 14A.11(6) of the Listing Rules. Accordingly, the transactions contemplated under the Sale and Purchase Contract of Indonesian Laterite Nickel Ore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Contract of Indonesian Laterite Nickel Ore is more than 0.1% but less than 5%, the continuing connected transactions are subject to the reporting and announcement requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## I. THE SHARE PURCHASE AGREEMENT

### 1. Summary

Date	20 December 2012
Parties	(i) the Company, as the purchaser of the Target Shares  (ii) Evergreen Mining, which is an indirectly wholly-owned subsidiary of Hanking Group as at the date of this announcement, as the vendor of the Target Shares  (iii) Aoniu HK, as the guarantor of Evergreen Mining
Subject of the Northeastern Lion Acquisition	the Target Shares
Consideration for the Northeastern Lion Acquisition	Foreign currency in an amount equivalent to RMB311.8 million. The consideration will be settled entirely by cash funded by internal resources of the Company
Payment Schedule	At the Completion Date, the purchaser shall pay a lump sum in foreign currency in an amount equivalent to RMB45.0 million to the vendor. The purchaser is entitled to make such amount directly to Northeastern Lion as the vendor's initial capital increase  The purchaser may at its discretion pay up the outstanding consideration (in one lump sum or by instalments) to the vendor during the thirty six months after the Completion Date on the condition that the purchaser shall send a notification to the vendor at least three business days prior to each payment. The purchaser is entitled to make such subsequent payments directly to Northeastern Lion as the vendor's subsequent capital increase.

## Conditions Precedent

- Conditions precedent to be fulfilled by the vendor:
  - (1) the vendor shall make sure that Northeastern Lion convenes a board meeting on which all resolutions as follows shall be passed:
    - (i) to appoint director(s) nominated by the purchaser;
    - (ii) to approve the resignation of certain director(s) as requested by the purchaser;
    - (iii) to change the signatory of all of the bank accounts owned by Northeastern Lion as proposed by the purchaser; and
    - (iv) to transfer the Target Shares to the purchaser, add the purchaser into the share register of Northeastern Lion as a shareholder, destroy the current share certificates of the Target Shares, affix a seal on the new share certificate with the purchaser's name and deliver the new share certificates to the purchaser;
  - (2) from the signing date of Share Purchase Agreement to the Completion Date, the vendor shall not take any action that may 1) result in any material adverse change to the status of Northeastern Lion, City Globe, Denway Development, KP, KS and KKU, 2) affect the normal and ordinary operation of Northeastern Lion, City Globe, Denway Development, KP, KS and KKU, or 3) result in the non-compliance of Northeastern Lion, City Globe, Denway Development, KP, KS and KKU with all applicable laws in any material aspect;
  - (3) the vendor shall provide a copy of the board resolution of the vendor which approved the Share Purchase Agreement and the transactions contemplated thereunder, certified by a director of the vendor;

- (4) the vendor shall provide the relevant documents of Northeastern Lion including the minutes book, the statutory books and the registers, and the accounting book, as well as any of its official seals;
  - (5) the vendor shall provide an executed share transfer instrument in favour of the purchaser or its nominee (as the case may be); and
  - (6) the vendor shall provide the share certificates and register of shareholders evidencing that the purchaser or its nominee (as the case may be) is the owner of the Target Shares.
- Conditions precedent to be fulfilled by the purchaser:

the purchaser shall comply with the requirements under Chapter 14A of the Listing Rules, including reporting, publishing announcement and obtaining Independent Shareholders' approval with respect to the Northeastern Lion Acquisition at the EGM.

#### Detail of Guarantee

The guarantor and the vendor jointly and severally represent and warrant to the purchaser that all warranties provided by the vendor are true, accurate and not misleading. The warranties provided by the vendor include but are not limited to the followings:

- (1) the corporate status and good standing of the vendor, Northeastern Lion, City Globe, Denway Development, KP, KS and KKU;
- (2) the mining rights, assets and contracts in which Northeastern Lion, City Globe, Denway Development, KP, KS and KKU are interested;
- (3) the compliance with local laws and regulations in respect of environmental protection, tax and others in BVI, Hong Kong and Indonesia, respectively by Northeastern Lion, City Globe, Denway Development, KP, KS and KKU; and

- (4) the truthfulness, completeness and accuracy of information contained in the disclosure schedule provided by the vendor as attached to the Share Purchase Agreement.

Completion Date

The Completion Date refers to the fifteenth business day after the resolution in respect of the consummation of the transactions contemplated under the Share Purchase Agreement be duly approved by the Independent Shareholders at the EGM, or certain other date that both the purchaser and the vendor may agree on.

**2. Basis of Consideration**

The consideration of the Northeastern Lion Acquisition was arrived at based on normal commercial terms after arm's length negotiation between the parties to the Share Purchase Agreement, after taking into account, among others, (i) the prospect of the nickel ore industry; (ii) the volume and quality of the existing nickel resources possessed by the Project Companies; (iii) the historical costs contributed by Hanking Group to the Project Companies; and (iv) other relevant factors (e.g. the rights and obligations of Northeastern Lion to be assumed by the Group after the completion of the Northeastern Lion Acquisition).

### **3. Information Regarding the Northeastern Lion**

#### **3.1. *The business of Northeastern Lion***

Northeastern Lion was established in the BVI on 23 November 2012. It holds 100% equity interest in City Globe and Denway Development, respectively. City Globe holds 75% equity interest in KP, and Denway Development holds 75% equity interest in KS and K KU respectively. As at 30 September 2012, there are outstanding shareholder loans with a total amount of approximately RMB139 million due from City Globe and Denway Development to Hanking Group.

KP was duly established in Indonesia in January 2008 with a registered capital of Rp27,600,000,000 (approximately HK\$22,148,216.5, pursuant to an exchange rate of HK\$1=Rp1,246.15), which was held as to 75% by City Globe, 16.5% by PT Wira Perdana Konawe, and the remaining 8.5% by PT Sinindo Mining. KP holds a Production Operation IUP for nickel covering an area of 2,827 hectares with an initial term of 20 years ending on 11 March 2031 and may be extended for twice, each for a period of ten years.

KS was duly established in Indonesia in May 2008 with a registered capital of Rp66,800,000,000 (approximately HK\$53,605,103.7, pursuant to an exchange rate of HK\$1=Rp1,246.15), which was held as to 75% by Denway Development, 16.5% by PT Wira Perdana Konawe, and the remaining 8.5% by PT Sinindo Mining. KS holds a Production Operation IUP for nickel covering an area of 1,923 hectares with an initial term of 20 years ending on 22 December 2029 and may be extended for twice, each for a period of ten years.

K KU was duly established in Indonesia in January 2008 with a registered capital of Rp66,800,000,000 (approximately HK\$53,605,103.7, pursuant to an exchange rate of HK\$1=Rp1,246.15), which was held as to 75% by Denway Development, 16.5% by PT Wira Perdana Konawe, and the remaining 8.5% by PT Sinindo Mining. K KU holds a Production Operation IUP for nickel covering an area of 3,119 hectares with an initial term of 20 years ending on 14 December 2029 and may be extended for twice, each for a period of ten years.

PT Wira Perdana Konawe and PT Sinindo Mining are both independent third parties to the Company as at the date of this announcement.

According to the articles of associations of KS, KP and K KU respectively, the purposes and objectives of KS, KP and K KU are to engage in nickel ore mining businesses. To achieve such purposes and objectives, they can carry out the activities in nickel ore mining including general survey, exploration, feasibility study, construction, mining, processing and refinery as well as transportation and sales and other related business activities.

### 3.2. Financial Information

As at the date of this announcement, KP and KKU have not commenced business since their respective incorporation, and they have not yet generated any revenue or profit. KS has started to operate since April 2012.

Based on the unaudited combined management account prepared by Northeastern Lion in accordance with IFRS, the net loss before and after taxation and extraordinary items for the two financial years ended 31 December 2010 and 31 December 2011 were as follows:

	<b>Financial year ended 31 December 2010</b> <i>(approx. RMB million)</i>	<b>Financial year ended 31 December 2011</b> <i>(approx. RMB million)</i>
Unaudited loss before taxation and extraordinary items	9.17	25.65
Unaudited loss after taxation and extraordinary items	9.17	25.65

Based on the unaudited combined management account prepared by Northeastern Lion in accordance with IFRS, the total asset value and the net asset value as at 30 September 2012 were approximately RMB591,042,769 and RMB253,393,974, respectively. In order to furnish the Independent Shareholders and the Independent Board Committee with an additional reference for the fairness and reasonableness of the Northeastern Lion Acquisition, the Company has engaged an independent valuer who is in the process of preparing a Valuation Report on the equity interest of Northeastern Lion. The details of the Valuation Report will be included in the circular, which is expected to be despatched to the Shareholders as soon as practicable and is currently expected to be despatched on or before 15 January 2013.

### 3.3. Other Information

In 2009, Hanking Group acquired 75% equity interest in the Project Companies from independent third parties respectively with a total consideration of RMB320 million. As at 30 September 2012, RMB228 million has been paid with an outstanding amount of RMB92 million. Further, Hanking Group is required to make a maximum contribution of RMB680 million on behalf of the other shareholders of the Project Companies in the event of capital increase going forward. The capital increase will be subject to the needs of the Project Companies. As at 30 September 2012, RMB30 million has already been contributed by Hanking Group on behalf of the other shareholders of the Project Companies.



For the purpose of and in connection with the Northeastern Lion Acquisition, Hanking Group, two independent third parties to the Company and Denway Development entered into a novation agreement on 25 November 2012, pursuant to which Hanking Group transferred by novation to Denway Development all of its rights, liabilities, duties and obligations under and in respect of each of the Old Agreements (as appropriate).

For the purpose of and in connection with the Northeastern Lion Acquisition, Hanking Group, two independent third parties to the Company and City Globe entered into a novation agreement on 25 November 2012, pursuant to which Hanking Group transferred by novation to City Globe all of its rights, liabilities, duties and obligations under and in respect of each of the Old Agreements (as appropriate).

#### **4. Reasons for and Benefits of the Northeastern Lion Acquisition**

Taking into account that the Company has the strategy of diversifying mining resources and internationalization, the Northeastern Lion Acquisition will be beneficial to the Company's expansion strategy into nickel mines business. Nickel is widely used in the field of consumable, military, transportation, aerospace, marine industry and construction industries. Many countries, including the PRC, have considered nickel as a strategic resource. Due to the importance of nickel, the Company considers the Northeastern Lion Acquisition as a strategic investment.

Given that the nickel resources involving in the Northeastern Lion Acquisition are rich (the measured and indicated nickel resources and the inferred nickel resources of the Project Companies reached approximately 3.75 million tonnes and 1.04 million tonnes respectively) and a nickel smelter with annual production capacity of 40,000 tonnes will be completed by the end of 2016, it is a precious opportunity for the Company to enter into the market of nickel, which will help the Company to diversify mining resources, expand the business scope and enlarge the scale as well as become an international mining company.

One of the Project Companies, KS, has commenced mining, selling laterite nickel and will gradually expand its mining capacity. Meanwhile, the Company also acquired a laterite nickel ore smelter as well as a base for staff training and continuing improvement of the alchemical technique for laterite nickel ore in the PRC. In addition, the Company possesses an alchemical technique for laterite nickel mining and metallurgy, which can be applied in Indonesia and has economic feasibility. The Directors believe that the Northeastern Lion Acquisition will provide the Company with a precise opportunity to invest in the overseas mining business with comparatively low risk. The Company believes that the Northeastern Lion Acquisition will be complementary to the Company's existing business and will further enhance the Group's mineral resources and operations as a whole.

Based on the foregoing, the Directors (other than the independent non-executive Directors who will express their views after receiving advice from the independent financial adviser appointed by the Company) are of the view that the transactions contemplated under the Share Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## 5. Indonesia Regulation

### 5.1 Divestment Requirements

There are Divestment Requirements (as defined below) in Indonesia regarding foreign shareholding in companies holding IUPs in Indonesia. In accordance with Article 112 of the Mining Law of Indonesia and the Government Regulation No. 23 of 2010 on Minerals and Coal Mining Business (“**GR23/2010**”), a company holding an IUP in Indonesia is required to reduce its shareholding by foreign investors to no more than 80% within a period of five years after the issue of IUP. On February 2012, Government Regulation No. 24 of 2012 (“**GR24/2012**”) was issued which further requires in companies holding IUPs in Indonesia the foreign shareholders to progressively divest their shareholding from the 6th to the 10th year of the issue of IUP, to the effect that the foreign shareholding in companies holding IUPs in Indonesia has to be reduced to no more than 49% at the expiry of the 10th anniversary after the issue of relevant IUPs (collectively the “**Divestment Requirements**”).<sup>1</sup> According to the Divestment Requirements, foreign shareholdings to be divested must be offered to certain Indonesia entities, public and private, as appropriate.

As at the date of this announcement, 16.5% equity interest of KP, KS and K KU is held by Indonesian shareholders respectively. Considering the issue dates of their IUPs, the foreign shareholdings in KP, KS and K KU have to be reduced from 83.5% to no more than 80% by 11 March 2016, 22 December 2014 and 14 December 2014, respectively. According to the shareholders agreement entered into by City Globe and other shareholders of KP, and the shareholders agreement entered into by Denway Development and other shareholders of KS and K KU, in the event that GR23/2010 takes effect and applies to the Project Companies, the shareholders of the Project Companies other than City Globe and Denway Development would have to reduce their foreign shareholding in the Project Companies before the reduction by City Globe and Denway Development. In the case of KP, KS and K KU, after the completion of the Northeastern Lion Acquisition, the Company will not have to divest its shareholding until at least March 2017, December 2015 and December 2015

<sup>1</sup> *As advised by the Company’s Indonesia legal advisers, the Divestment Requirements are evolving and there are uncertainties in terms of interpretation. The calculation of the period for reduction of foreign shareholding may be by reference to the commencement of production by companies holding IUPs which is normally later than the timing of issue of IUPs.*

respectively. In light of the above, the Company is of the view that the Divestment Requirements will not have material adverse effect on the Northeastern Lion Acquisition.

Under the Company Law, the required quorum for holding a general meeting of shareholders of an Indonesian-incorporated company is the shareholders representing at least 50% of the total number of shares that carry voting rights at such meeting. The number of votes required to pass an ordinary resolution at a general meeting of shareholders of an Indonesian-incorporated company is 50% or more of the votes cast at the meeting. The quorum requirement and voting thresholds can be amended by including higher thresholds in the articles of association of an Indonesian-incorporated company, in the meanwhile some higher thresholds are required under the Company Law for certain matters in specific circumstances. In the event that the interest of the Company in the Project Companies may fall below 50% due to the Divestment Requirements, the Company may procure the Project Companies to amend their respective articles of association to set higher thresholds for quorum requirement and voting thresholds with an aim to providing more protection to minority shareholders.

As advised by the Company's Indonesia legal advisers, companies listed on the Indonesian Stock Exchange which have foreign shareholders are not currently required to comply with the Divestment Requirements. In correspondence to the development of the Project Companies, the Company might consider the listing plan of the Project Companies on the Indonesian Stock Exchange in due course. Meanwhile, as at the date of this announcement, no definitive plan has been formed in relation to the above. An announcement may be published as soon as practicable should there be any further update in this regard.

## **5.2 *Recent export ban in relation to raw ores***

As advised by the Company's Indonesia legal advisers, the Government policy of encouraging further value-adding to mineral exports has been in existence for some time in Indonesia and is reflected in a series of laws and regulations since 1990s. The Regulation of the Minister of Energy and Mineral Resources No. 7 of 2012 on the Value Added Enhancement of Minerals Through Mineral Processing and Purification Activities (the "MEMR7/2012") has the effect of banning exports of raw ore from 6 May 2012. The provision banning exports of raw ore from 6 May 2012 has now been amended by a new provision which says that raw ore can be exported after the IUP holder becomes a "Registered Mining Product Exporter". This registration will only apply for companies holding IUPs until 12 January 2014. Once the IUP holder has become a Registered Mining Product Exporter, it is still necessary to obtain a further recommendation from the Directorate General of Minerals and Coal (the "Per-

**Shipment Recommendation**”) and an export approval from the Department of Trade for that shipment (the “**Mining Product Export Approval**”) for each proposed shipment of mineral ores.

As advised by the Company’s Indonesia legal advisers, KS, KP and K KU have been confirmed as Registered Mining Product Exporters. Currently, the Mining Product Export Approval of KP and K KU have expired on 25 September 2012 and KS has obtained a new Mining Product Export Approval which is valid until 13 January 2013. As such, KP and K KU have to renew both the Per-Shipment Recommendation and the Mining Product Export Approval before each proposed shipment of mineral ores and KS has to renew its Mining Product Export Approval after its expiration.

To mitigate the uncertainty of further laws and regulations to be issued after 12 January 2014, the Project Companies have made plans to establish laterite nickel smelters in Indonesia to add values to laterite nickel to be produced by them and thus to meet the aforementioned requirements.

## **6. Listing Rules Implication**

Evergreen Mining is an indirectly wholly-owned subsidiary of Hanking Group, which is in turn owned as to 60.67% by Ms. Yang and 28.29% by Mr. Yang, each a non-executive Director and a the Controlling Shareholder. As such, Evergreen Mining is an associate of both Ms. Yang and Mr. Yang and is therefore a connected person of the Company. Under Chapter 14A of the Listing Rules, the transactions contemplated under the Share Purchase Agreement constitute a connected transaction of the Company.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Northeastern Lion Acquisition exceeds 5% but is less than 25%, the Northeastern Lion Acquisition constitutes (i) a discloseable transaction for the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **7. EGM**

The EGM will be held to consider and if thought fit, to approve the Share Purchase Agreement and the transactions contemplated thereunder. The Controlling Shareholders and their associates will abstain from voting on the resolution approving the Share Purchase Agreement.

**8. General**

The Company has appointed an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Purchase Agreement is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders as to how they should vote in respect of the Share Purchase Agreement at the EGM. The Independent Board Committee comprising all independent non-executive Directors, will be established to advise the Independent Shareholders as to whether the Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they should vote in respect of the Northeastern Lion Acquisition, after taking into account the recommendations of the independent financial adviser appointed by the Company.

A circular containing, among others, (i) further information regarding the Share Purchase Agreement; (ii) a letter from the independent financial adviser appointed by the Company; (iii) the recommendation from the Independent Board Committee; (iv) a Competent Person’s Report prepared in accordance with the requirements of Chapter 18 of the Listing Rules; (v) a Valuation Report in compliance with the relevant requirements of Chapter 18 of the Listing Rules; and (vi) the notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable and is expected to be despatched on or before 15 January 2013.

**II. THE SALE AND PURCHASE CONTRACT OF INDONESIAN LATERITE NICKEL ORE**

**1. Summary**

Date	20 December 2012
Parties	(i) the Group, as the purchaser (ii) Harvest Globe, as the seller
Sales of product	laterite nickel ore
Pricing basis	the price of laterite nickel ore supplied will be determined by reference to and in accordance with the market price
Term	• three years from 1 January 2013 to 31 December 2015

- may be terminated by the Group in the event that GR23/2010 takes effect and applies to the Project Companies

## 2. Description of the Transaction

The Group entered into the Sale and Purchase Contract of Indonesian Laterite Nickel Ore with Harvest Globe, pursuant to which the Group has agreed to purchase and Harvest Globe has agreed to sell laterite nickel ore for a term of three years, commencing from 1 January 2013 to 31 December 2015.

## 3. Proposed Annual Caps and Basis of Determination

There was no historical transaction of laterite nickel ore between Harvest Globe and the Group. The proposed annual caps are determined on (i) estimated demand in respect of nickel-iron production of the Group, (ii) estimated market demand for laterite nickel ore, (iii) estimated future business volume and growth of the Group, (iv) estimated future production capacity and business of the Harvest Globe, and (v) general economic outlook of the PRC and the Group's estimate on future nickel prices.

The table below sets out the proposed annual caps for the transactions under the Sale and Purchase Contract of Indonesian Laterite Nickel Ore:

	<b>Year ending 31 December 2013</b>	<b>Year ending 31 December 2014</b>	<b>Year ending 31 December 2015</b>
	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>
Purchase of laterite nickel from Harvest Globe by the Group	65	65	65

## 4. Payment

The consideration will be paid in cash by using the Group's internal funding.

## 5. Reasons and Benefits

As one of the key expansion strategies of the Group is to diversify mining resources, the laterite nickel ore acquisition from Harvest Globe represents an opportunity for the Group to further expand its current business by engaging in nickel production and sale business. Taking into account of the particular internal and external business environment, especially relevant technicians of the Group have gained extensive knowledge and experience of



nickel production, the Group therefore intends to prudently follow the strategy of diversifying mining resources, and to flexibly seize the opportunity of developing quality mining resources including gold, nickel, and copper. The Group also believes that this strategy will further guarantee the healthy development of the Group.

Based on the foregoing, the Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Sale and Purchase Contract of Indonesia Laterite Nickel Ore are to be conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **6. Listing Rules Implications**

Harvest Globe is a non wholly-owned subsidiary of Denway Development and an indirectly non wholly-owned subsidiary of Northeastern Lion. After the completion of Northeastern Lion Acquisition, Northeastern Lion will become a non wholly-owned subsidiary of the Company, of which 70% equity interest will be held by the Company and the remaining 30% equity interest will be held by Evergreen Mining. As stated above, Evergreen Mining is a connected person of the Company. Therefore, Northeastern Lion is a connected person of the Company under Rule 14A.11(5) of the Listing Rules and Harvest Globe is also a connected person of the Company under Rule 14A.11(6) of the Listing Rules. Accordingly, the transactions contemplated under the Sale and Purchase Contract of Indonesian Laterite Nickel Ore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Sale and Purchase Contract of Indonesian Laterite Nickel Ore is more than 0.1% but less than 5%, the continuing connected transactions are subject to the reporting and announcement but are exempt from the Independent Shareholders' approval requirement requirements under Chapter 14A of the Listing Rules.

The Board has resolved and approved the Sale and Purchase Contract of Indonesia Laterite Nickel Ore and the transactions thereunder. Ms. Yang and Mr. Yang, being the connected Directors, has abstained from voting. Save as disclosed above, none of the Directors of the Company has any material interest in the Sale and Purchase Contract of Indonesia Laterite Nickel Ore and the transactions thereunder.

## **III. INFORMATION REGARDING THE PARTIES INVOLVED**

The Group is the largest independent privately-owned iron ore concentrate producer in Northeastern China, and its primary business operations include iron ore mining and the processing and sale of iron ore concentrates.

Evergreen Mining is a company established in the BVI and is principally engaged in investment holding.

Northeastern Lion is a company established in the BVI and is principally engaged in investment holding.

Aoniu HK is a limited liability company established in Hong Kong and is principally engaged in investment holding.

Harvest Globe is a limited liability company established in Hong Kong and is principally engaged in the business of nickel ore trade and investment.

#### IV. DEFINITIONS

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

“Aoniu HK”	Hanking Aoniu Investment (Hong Kong) Company Limited (罕王傲牛投資(香港)有限公司), a limited liability company incorporated in Hong Kong on 8 January 2010, a wholly-owned subsidiary of Hanking Group
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“BVI”	British Virgin Islands
“City Globe”	City Globe Limited, a limited liability company incorporated in Hong Kong and who holds 75% equity interests in KP
“Company”	China Hanking Holdings Limited (中國罕王控股有限公司), a company incorporated in the Cayman Islands with limited liability on 2 August 2010 and whose shares are listed on the Stock Exchange under the stock code 03788
“Company Law”	the Company law of Indonesia
“Competent Person’s Report”	has the meaning ascribed to it under the Listing Rules
“Completion Date”	the fifteenth business day after the EGM on which the resolution in respect of the Share Purchase Agreement and the transactions contemplated thereunder be duly passed, or certain other date that both the purchaser and the vendor agree on
“connected person”	has the meaning ascribed to it under the Listing Rules



“Controlling Shareholders”	the controlling shareholders of the Company, namely Mr. Yang, Ms. Yang, China Hanking (BVI) Limited, Bisney Success Limited and Best Excellence Limited
“Denway Development”	Denway Development Limited, a limited liability company incorporated in Hong Kong which is a wholly-owned subsidiary of Northeastern Lion and holds 75% equity interest of KS and KKU respectively
“Director(s)”	the director(s) of the Company
“Divestment Requirements”	as defined in the section headed “Divestment Requirement” of this announcement
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve the Share Purchase Agreement and the transactions contemplated thereunder
“Evergreen Mining”	Evergreen Mining Limited, a limited liability company incorporated in the BVI on 23 November 2012, an indirectly wholly-owned subsidiary of Hanking Group
“Exploration IUP”	mining business licenses allowing the holders to do general survey, exploration and feasibility study activities
“Government”	The governmental authorities of Indonesia
“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, which is controlled by Ms. Yang and Mr. Yang
“Harvest Globe”	Harvest Globe Limited, a limited liability company established in Hong Kong, a non wholly-owned subsidiary of Denway Development
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards

“Independent Board Committee”	a committee of the Board comprising Mr. Chen Yuchuan, Mr. Wang Ping, Mr. Johnson Chi-King Fu and Mr. Wang Anjian, being the independent non-executive Directors, which will be formed to advise the Independent Shareholders in relation to the Share Purchase Agreement
“Independent Shareholders”	the shareholders of the Company other than the Controlling Shareholders and their associates
“IUP”	mining business licenses in Indonesia, which can be divided into two stages: Exploration IUP (covering general survey, exploration and feasibility study activities) and Production Operation IUP (covering construction, mining, processing and refinery, and transportation and selling activities)
“KS”	PT Konutara Sejati, a company duly incorporated in Indonesia
“KP”	PT Konutara Prima, a company duly incorporated in Indonesia
“KKU”	PT Karyatama Konawe Utara, a company duly incorporated in Indonesia
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Yang”	Mr. Yang Jiye (楊繼野), a non-executive Director and one of the Controlling Shareholders
“Ms. Yang”	Ms. Yang Min (楊敏), the chairlady of the Board, a non-executive Director and one of the Controlling Shareholders
“Northeastern Lion”	Northeastern Lion Limited, a limited liability company incorporated in the BVI on 23 November 2012, which was a wholly-owned subsidiary of Evergreen Mining as at the date of this announcement
“Northeastern Lion Acquisition”	the acquisition of the Target Shares from Evergreen Mining by the Company pursuant to the Share Purchase Agreement

“Old Agreements”	the development cooperation agreement on project of laterite nickel mines at North Konawe Regency, South East Sulawesi Indonesia, supplement agreement of development cooperation agreement on project of laterite nickel mines at North Konawe Regency, South East Sulawesi Indonesia and supplement agreement I of development cooperation agreement on project of laterite nickel mines at North Konawe Regency, South East Sulawesi Indonesia, entered by Hanking Group and the independent third parties
“PRC”	the People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, the Macau Special Administration of the People’s Republic of China and Taiwan
“Production Operation IUP”	mining business licenses allowing the holders to do construction, mining, processing and refinery, and transportation and selling activities
“Project Companies”	KP, KS and K KU
“RMB”	Renminbi, the lawful currency of the PRC
“Rp”	the lawful currency of the Indonesia
“Sale and Purchase Contract of Indonesia Laterite Nickel Ore”	an agreement entered into between the Group and Harvest Globe on 20 December 2012, pursuant to which the Group agreed to purchase and Harvest Globe agreed to sell nickel with a term from 1 January 2013 to 31 December 2015
“Shareholder(s)”	the shareholder(s) of the Company
“Share Purchase Agreement”	the share purchase agreement dated 20 December 2012 entered into among Evergreen Mining (as vendor), the Company (as purchaser) and Aoniu HK (as guarantor) in relation to the Northeastern Lion Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target Shares”	70% equity interest of Northeastern Lion

“Valuation Report” has the meaning ascribed to it under the Listing Rules

“%” per cent

By order of the Board  
**China Hanking Holdings Limited**  
**Yang Min**  
*Chairlady and non-executive Director*

Shenyang, PRC, 20 December 2012

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