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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Hanking Holdings Limited, you should hand this circular together with the accompanying form of proxy at once to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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
DISPOSAL OF EQUITY INTERESTS IN HANKING (INDONESIA)
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

東方融資(香港)有限公司
ORIENT CAPITAL (HONG KONG) LIMITED

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from Orient Capital (Hong Kong) Limited is set out on pages 15 to 26 of this circular.

A notice convening the EGM to be held at Conference Room, 22nd Floor, No.227, Qingnian Street, Shenhe District, Shenyang, the PRC on Friday, 24 August 2018 at 9:00 a.m. is set out on pages 34 to 35 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Company (www.hankingmining.com) and of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

6 August 2018

TABLE OF CONTENT

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	13
LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED	15
APPENDIX I – GENERAL INFORMATION	27
NOTICE OF EGM	34

DEFINITIONS

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

“Aoni Mining”	Fushun Hanking Aoni Mining Limited* (撫順罕王傲牛礦業股份有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors
“BVI”	British Virgin Islands
“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 Main Board of the Stock Exchange under the stock code 03788
“Completion Date”	the fifteenth business day after the resolution in respect of the consummation of the transactions contemplated under the Share Sale and Purchase Agreement being duly approved by the Independent Shareholders at the EGM, or certain other date that both the purchaser and the vendor may agree on in written
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Yang, Ms. Yang, China Hanking (BVI) Limited, Bisney Success Limited, Best Excellence Limited and Tuochuan Capital Limited
“Dalian Huaren”	Dalian Huaren Trading Co., Ltd.* (大連華仁貿易有限公司), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Equity to Tuochuan Capital Limited by the Company pursuant to the Share Sale and Purchase Agreement
“EGM”	the extraordinary general meeting to be convened and held on 24 August 2018, the notice of which is set out on pages 34 to 35 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approving the Share Sale and Purchase Agreement and the transactions contemplated thereunder

DEFINITIONS

“Evergreen Mining”	Evergreen Mining Limited, a company incorporated in the BVI on 23 November 2012 with limited liability, an indirect wholly-owned subsidiary of Hanking Group
“Fushun Deshan”	Fushun Deshan Trading Co., Ltd.* (撫順德山貿易有限公司), a company established in the PRC with limited liability
“Fushun Hanking D.R.I.”	Fushun Hanking D.R.I. Co., Ltd.* (撫順罕王直接還原鐵有限公司), a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hanking (Indonesia)”	Hanking (Indonesia) Mining Limited, a company incorporated in the BVI on 23 November 2012 with limited liability which was known as Northeastern Lion before 27 March 2013. As at the Latest Practicable Date, it was held as to 70% and 30% by the Company and Evergreen Mining respectively, of which Evergreen Mining is an indirect wholly-owned subsidiary of Hanking Group
“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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“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, which will be formed to advise the Independent Shareholders as to the Share Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Orient Capital”	Orient Capital (Hong Kong) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, and has been appointed as the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Share Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders excluding Ms. Yang and Mr. Yang and their respective associates

DEFINITIONS

“KKU”	PT Karyatama Konawe Utara, a company duly incorporated in Indonesia
“KP”	PT Konutara Prima, a company duly incorporated in Indonesia
“KS”	PT Konutara Sejati, a company duly incorporated in Indonesia
“Latest Practicable Date”	31 July 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 with limited liability and a wholly-owned subsidiary of the Company
“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
“Northeastern Lion”	Northeastern Lion Limited, a company incorporated in the BVI with limited liability, whose company name was changed to Hanking (Indonesia) on 27 March 2013
“PRC”	the People’s Republic of China
“Project Companies”	KP, KS and KKU
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Share Sale and Purchase Agreement”	the share sale and purchase agreement dated 5 July 2018 entered into among the Company (as the vendor), Tuochuan Capital Limited (as the purchaser) and Mr. Yang (as the guarantor) in relation to the Disposal
“Shengtai Properties”	Shenyang Shengtai Properties Management Co., Ltd* (瀋陽盛泰物業管理有限公司), a limited liability company established in the PRC

DEFINITIONS

“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), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target Equity”	70% equity interests of Hanking (Indonesia)
“%”	per cent

* For identification purpose only.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Yang Jiye
Mr. Zheng Xuezhi
Dr. Qiu Yumin
Mr. Xia Zhuo

Non-executive Director:

Mr. Kenneth Jue Lee

Independent non-executive Directors:

Mr. Wang Ping
Dr. Wang Anjian
Mr. Ma Qingshan

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters in the PRC:

22nd Floor, Hanking Tower
No. 227, Qingnian Street
Shenhe District
Shenyang 110016
Liaoning Province
PRC

Principal Place of Business in Hong Kong:

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

6 August 2018

Dear Shareholders,

DISCLOSEABLE AND CONNECTED TRANSACTION
DISPOSAL OF EQUITY INTERESTS IN HANKING (INDONESIA)
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the circular of the Company dated 15 February 2013 in relation to, among others, the discloseable and connected transaction under the share purchase agreement of the Company dated 20 December 2012, pursuant to which, the Company acquired 70% equity interest in Northeastern Lion (which is known as Hanking (Indonesia) after 27 March 2013) from Evergreen Mining at a consideration of RMB311.8 million. The acquisition was approved by the Shareholders at the extraordinary general meeting held on 4 March 2013. Reference is also made to the announcement of the Company dated 5 July 2018 in relation to, among others, the discloseable and connected transaction of the Company relating to the disposal of the equity interests in Hanking (Indonesia). The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Share Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation and advice of the Independent Board Committee; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders together with a notice convening the EGM.

SHARE SALE AND PURCHASE AGREEMENT

On 5 July 2018, the Company entered into the Share Sale and Purchase Agreement with Tuochuan Capital Limited and Mr. Yang, pursuant to which the Company has agreed to sell, and Tuochuan Capital Limited has agreed to purchase, the Target Equity for a total consideration of RMB350,000,000.

SHARE SALE AND PURCHASE AGREEMENT

Date	5 July 2018
Parties	(i) the Company, as the vendor of the Target Equity (ii) Tuochuan Capital Limited, which is a wholly-owned subsidiary of Mr. Yang as at the Latest Practicable Date, as the purchaser of the Target Equity (iii) Mr. Yang, as the guarantor of Tuochuan Capital Limited
Subject of the Disposal	the Target Equity
Consideration for the Disposal	RMB350,000,000 or an equivalent amount in foreign currency. The consideration will be settled entirely by cash.

LETTER FROM THE BOARD

Payment Schedule

The vendor and the purchaser have irrevocably agreed that the purchaser may at its discretion pay the purchase price by cash in one lump sum to the vendor within twelve months after the Completion Date on the condition that the purchaser shall send a notification regarding the payment date to the vendor at least three business days prior to the payment.

The vendor and the purchaser have agreed that the purchaser shall also pay the interest accrued on the purchase price from the Completion Date to the payment date at the interest rate of 5.6% annually at the same time when it pays the purchase price to the vendor on the payment date.

Conditions Precedent

Completion shall be conditional upon the fulfilment of the following conditions:

- (1) the passing by the Independent Shareholders at the EGM of the resolution required under the Listing Rules to approve the transactions contemplated under the Share Sale and Purchase Agreement;
- (2) all necessary consents, authorisations and approvals relating to the conclusion of the Share Sale and Purchase Agreement and its performance having been obtained by the Company on or before the Completion Date;
- (3) all representations, undertakings and warranties given by the Company under the Share Sale and Purchase Agreement are and shall remain true, accurate, correct, complete and not misleading in all material respects up to the Completion Date; and
- (4) 99% equity interests of Fushun Hanking Ginseng & Iron Trading Company Limited* (撫順罕王人參鐵貿易有限公司) held by Tuochuan (Hong Kong) Limited, a wholly-owned subsidiary of the purchaser, having been pledged to the vendor.

Detail of Guarantee

In order to guarantee the performance of its obligations under the Share Sale and Purchase Agreement by the purchaser, the purchaser and the guarantor have provided the following guarantees to the vendor:

- (1) the purchaser shall procure Tuochuan (Hong Kong) Limited to pledge the 99% equity interests of Fushun Hanking Ginseng & Iron Trading Company Limited held by it to the vendor; and
- (2) the guarantor shall provide personal guarantee to the vendor.

LETTER FROM THE BOARD

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 Sale and Purchase Agreement being duly approved by the Independent Shareholders at the EGM, or certain other date that both the purchaser and the vendor may agree on in written.

Basis of Consideration

The consideration of the Disposal was arrived at among the parties to the Share Sale and Purchase Agreement after taking into account, among others, (1) the equity interest of Hanking (Indonesia) held by the Company at the benchmark day, the net asset value of Hanking (Indonesia) attributable to the Company, netting of minority interests, being RMB208,614,000; and (2) the mineral resources, operating results and future prospect of Hanking (Indonesia).

Financial Information of Hanking (Indonesia)

Hanking (Indonesia) is a company incorporated in the BVI with limited liability and is a non wholly-owned subsidiary of the Company which is engaged in investment holding.

Based on the audited combined management account prepared by Hanking (Indonesia) in accordance with IFRS, the net losses before and after taxation and extraordinary items for the two financial years ended 31 December 2016 and 2017 were as follows:

	Financial year ended 31 December 2016 <i>(approx. RMB million)</i>	Financial year ended 31 December 2017 <i>(approx. RMB million)</i>
Audited loss before taxation and extraordinary items	24.96	29.07
Audited loss after taxation and extraordinary items	24.27	26.94

Based on the unaudited combined management account prepared by Hanking (Indonesia) in accordance with IFRS, the total asset value and the net asset value as at 31 March 2018 were approximately RMB852,046,000 and RMB392,285,000 respectively. The net asset value of Hanking (Indonesia) attributable to the Company, netting of minority interests, was RMB208,614,000.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that the Company will record a premium of approximately RMB131,386,000 as a result of the Disposal. As the purchaser of the transaction is a Controlling Shareholder of the Company, this transaction constitutes business combination under common control, thus the difference between the sale price and the profit attributable to the Company (i.e. the above-mentioned premium arising from the Disposal) shall be credited to capital surplus. Accordingly, the Company will not record any profit or loss as

LETTER FROM THE BOARD

a result of the Disposal. Upon completion of the Disposal, Hanking (Indonesia) will cease to be a non wholly-owned subsidiary of the Company and the financial results of Hanking (Indonesia) will not be consolidated into the accounts of the Company.

Approximately 50% of the proceeds from the Disposal will be used for the development (including exploration, environment protection and pre-feasibility study) of the gold mine project of Primary Gold Limited (a gold mining company in Australia recently acquired by the Company) and the rest 50% will be used for the proposed acquisitions between the Company and identified potential sellers, which are still under negotiation. The Company will make further announcement pursuant to the Listing Rules in due course. If the proposed acquisition could not be materialized, such proceeds will be used to supplement the general working capital of the Company (such as expenses for underground mining and purchase of raw materials).

INFORMATION REGARDING THE PARTIES INVOLVED

The Company

The Company is an investment holding company. The Company is a fast-growing international mining and metals group of companies, mainly engaging in exploitation, mining, processing and sales of mineral resources. The principal operations of the Company is precious metals which is supplemented by nickel and other strategic metals.

Tuochuan Capital Limited

Tuochuan Capital Limited is a company established in the BVI and is principally engaged in investment holding.

Hanking (Indonesia)

Hanking (Indonesia), which was known as Northeastern Lion before the change of company name, is a company established in the BVI and is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company owns a laterite nickel mine located in North Konawe Regency, South East Sulawesi Province, Indonesia through the Project Companies, engaging in exploration, mining, smelting and marketing. Affected by policy prohibiting raw ore export promulgated by the Indonesia government, mining and export activities of its nickel business were suspended in 2014 and the Company's focus was shifted to construction of the Hanking – BMS Industrial Park, where the nickel resource is located, so as to lay foundation to accelerate construction of the smelting facilities at the mine site. In 2015, fundamental work such as geological exploration and construction of roads and plants for BMS Industrial Park was completed. In August 2017, in light of the demands for nickel ore in Indonesia, the Company resumed its production in nickel business, producing aggregate approximately 259 thousand metric tons, and selling approximately 223 thousand metric tons of nickel ore in Indonesia. However, Hanking (Indonesia) remained in a loss-making position with losses of RMB39.6 million, RMB24.3 million and RMB26.9 million for the year 2015, 2016 and 2017 respectively, resulting in increase in its debt level as no cash flow was generated from its operation

LETTER FROM THE BOARD

activity. The management of the Group holds the view that the disposal of Hanking (Indonesia) will help to improve the profitability of existing asset portfolio and optimize the assets and liabilities structure of the Company.

As the Company intends to develop or acquire mineral projects in other countries and regions, the management of the Group believes that the cash inflow from the disposal of Hanking (Indonesia) will provide financial support for the construction and acquisition of existing and potential mineral projects.

In addition, due to the constant changes in laws and regulatory requirements in Indonesia, the Company, after over five years' attempt, did not find any better solution other than disposal of the Target Equity, though it was advised when acquiring the Target Equity in 2013 that there were counter-measures and risk mitigation practices (including but not limited to listing in Indonesian Stock Exchange) for the Company to comply with the Indonesia law as a foreign shareholder notwithstanding foreign investment was restricted in mining companies in Indonesia. Moreover, given the fact that the total foreign equity in the three Project Companies of Hanking (Indonesia), i.e. KP, KS and K KU, currently amounts to 83.5% which exceeds the foreign equity ceiling of 49% for mining companies in their tenth year after commencement of production as stipulated by the Indonesia law, the deadline for the Company's disposal of Target Equity is November 2019 (being the tenth year after the commencement of production of Hanking (Indonesia) since November 2009). The Company has approached to, and negotiated with several independent third parties but did not enter into any final agreement with those potential purchasers, therefore, the management of the Group is of the opinion that the disposal of equity interests in Hanking (Indonesia) to the Controlling Shareholder is in the best interest of the Company and its Shareholders as a whole and will entirely eliminate such legal risk exposure.

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 Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implication

Tuochuan Capital Limited is a wholly-owned subsidiary of Mr. Yang. As such, Tuochuan Capital Limited is an associate of Mr. Yang and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Share Sale and Purchase Agreement constitute a connected transaction 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 Disposal exceeds 5% but is less than 25%, the Disposal constitutes: (i) a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company which is subject to the reporting, announcement 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 Share Sale and Purchase Agreement and the transactions contemplated thereunder in which he and/or his associates are materially interested in.

LETTER FROM THE BOARD

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 Share Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Share Sale and Purchase Agreement and the transactions contemplated thereunder, after taking into account the recommendations of the Independent Financial Adviser.

EGM

A notice of the EGM to be held at Conference Room, 22nd Floor, No.227, Qingnian Street, Shenhe District, Shenyang, the PRC on 24 August 2018 at 9:00 a.m. at which the relevant resolutions will be proposed to approve the Share Sale and Purchase Agreement and the transactions contemplated thereunder is set out on pages 34 to 35. Mr. Yang, Ms. Yang and their respective associates will abstain from voting on the resolution approving the Share Sale and Purchase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Ms. Yang and Mr. Yang held 519,845,166 shares and 800,241,500 shares of the Company respectively, representing approximately 28.41% and 43.73% of the existing issued share capital of the Company respectively. Save as disclosed above, none of the other Shareholders is required to abstain from voting on the resolution regarding the Share Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A proxy form for use at the EGM is enclosed. Such form of proxy is also published on the websites of the Company (www.hankingmining.com) and of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers that though the entering into of the Share Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Share Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable, and the Share Sale and Purchase Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Share Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Your attention is drawn to the letter from the Independent Board Committee to the Shareholders set out on pages 13 to 14 of this circular.

LETTER FROM THE BOARD

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Monday, 20 August 2018 to Friday, 24 August 2018 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company as at 4:30 p.m. on Friday, 17 August 2018 are entitled to attend and vote at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders:



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)

6 August 2018

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF EQUITY INTERESTS IN HANKING (INDONESIA)

We refer to the circular of the Company (the “**Circular**”) dated 6 August 2018 and despatched to the Shareholders which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Share Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” of the Circular. Orient Capital has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons Orient Capital has taken into consideration in rendering its advice, are set out in the section headed “Letter from Orient Capital (Hong Kong) Limited” of the Circular. Your attention is also drawn to the additional information set out in the Circular. Having taken into account the terms of the Share Sale and Purchase Agreement and the advice of Orient Capital, we are of the opinion that though the entering into of the Share Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Share Sale and Purchase Agreement are on normal commercial terms, and are fair and reasonable, and the transactions contemplated under the Share Sale and Purchase Agreement are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Share Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan

Independent non-executive Directors

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

The following is the text of the letter of advice from Orient Capital (Hong Kong) Limited to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of incorporation in this circular.

東方融資(香港)有限公司
ORIENT CAPITAL (HONG KONG) LIMITED

Orient Capital (Hong Kong) Limited,
Rooms 1, 1A, 6-8, 27/F &
Rooms 2803-07, 28/F Wing On House,
71 Des Voeux Road Central, Central
Hong Kong

6 August 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
DISPOSAL OF 70% EQUITY INTEREST IN
HANKING (INDONESIA) MINING LIMITED**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with respects to the disposal of 70% equity interest in Hanking (Indonesia) Mining Limited (the “**Disposal**”), details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the Circular to the Shareholders dated 6 August 2018 (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise. We recommend the Independent Board Committee to advise the Independent Shareholders to read this Circular carefully before they decide to vote for or against the Share Sale and Purchase Agreement and the transactions contemplated thereunder.

As set out in the Letter from the Board, the Company entered into the Share Sale and Purchase Agreement with Tuochuan Capital Limited and Mr. Yang (as the guarantor) on 5 July 2018, pursuant to which the Company has agreed to sell, and Tuochuan Capital Limited has agreed to purchase, the Target Equity for a total consideration of RMB350,000,000. Approximately 50% of the proceeds from the Disposal will be used for the development (including exploration, environment protection and pre-feasibility study) of the gold mine project of Primary Gold Limited (a gold mining company in Australia recently acquired by the Company) and the rest 50% will be used for the proposed acquisitions between the Company and identified potential sellers, which are still under negotiation. The Company will make further announcement pursuant to the Listing Rules in due course. If the proposed acquisition could not be materialized, such proceeds will be used to supplement the general working capital of the Company (such as expenses for underground mining and purchase of raw materials).

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes: (i) a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company which is subject to the reporting, announcement 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 Share Sale and Purchase Agreement and the transactions contemplated thereunder in which he and/or his associates are materially interested in.

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

In this regard, the Independent Board Committee, comprising all independent non-executive directors of the Company, has been established to advise the Independent Shareholders as to whether the Share Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Company regarding the Company, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Company and Tuochuan Capital Limited and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

Orient Capital (Hong Kong) Limited is a licensed corporation to carry out regulated activities of advising on corporate finance under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). Orient Capital and its affiliates, whose ordinary business involves the trading of, dealing in and the holding of securities, may be involved in the trading of, dealing in, and the holding of the securities of the Company for client accounts.

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

During the past two years, Orient Capital (Hong Kong) Limited has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to three continuing connected transactions as detailed in the Company's circulars dated 7 December 2016, 14 November 2017 and 13 December 2017 respectively. The past engagements were limited to providing independent advisory services to the independent board committee and independent shareholders of the Company pursuant to the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the terms of the Disposal in giving our recommendation to the Independent Board Committee and the Independent Shareholders are set out below:

I. Background of parties in the Disposal

1. *Principal activities and business of the Company*

According to the Letter from the Board, the Company is a fast-growing international mining and metals group of companies, mainly engaging in exploitation, mining, processing and sales of mineral resources. The principal operations of the Company is precious metals which is supplemented by nickel and other strategic metals.

Set out below is a summary of the Company's financial information for the 3 years ended 31 December in 2015, 2016 and 2017 respectively as extracted from the annual report of the Group for the year ended 31 December 2015, 2016 and 2017 (the "Annual Report"):

	For the year ended 31 December (audited)		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	927,219	812,217	1,091,034
Gross profit	205,760	238,500	499,885
Profit/(Loss) attributable to Owners of the Company	(381,596)	(207,408)	877,163
Non-controlling interests	(20,082)	(6,469)	(12,176)

For the year of 2017, revenue from the Company's continuing operations was approximately RMB1,091,034,000, representing an increase of approximately RMB278,817,000 or 34.33% over the corresponding period of last year, mainly due to (i) an increase of RMB144/metric ton in the selling price of iron ore concentrates over the corresponding period of last year, resulting in an increase in revenue of approximately RMB253,626,000; and (ii) the commencement of sales in nickel business from November 2017, achieving revenue of approximately RMB35,271,000.

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

For the year of 2017, gross profit of the Company's continuing operations was approximately RMB499,885,000, representing an increase of approximately RMB261,385,000 or 109.60% over the corresponding period of last year. As compared to the corresponding period of 2016, gross profit margin of the Company's continuing operations increased from 29.36% to 45.82% in 2017.

2. *Principal activities and business of the Hanking (Indonesia)*

Hanking (Indonesia) is a company incorporated in the BVI with limited liability and is a non wholly-owned subsidiary of the Company which is engaged in investment holding.

Based on the audited combined management account prepared by Hanking (Indonesia) in accordance with IFRS, the net loss before and after taxation and extraordinary items for the two financial years ended 31 December 2016 and 2017 were as follows:

	Financial year ended 31 December 2016 <i>(approx. RMB million)</i>	Financial year ended 31 December 2017 <i>(approx. RMB million)</i>
Audited loss before taxation and extraordinary items	24.96	29.07
Audited loss after taxation and extraordinary items	24.27	26.94

Based on the unaudited combined management account prepared by Hanking (Indonesia) in accordance with IFRS, the total asset value and the net asset value as at 31 March 2018 were approximately RMB852,046,000 and RMB392,285,000 respectively. The net asset value of Hanking (Indonesia) attributable to the Company, netting of minority interests, was RMB208,614,000.

3. *Principal activities and business of Tuochuan Capital Limited*

Tuochuan Capital Limited is a company established in the BVI and is principally engaged in investment holding.

II. **Reasons and Benefit of the Disposal**

According to the Letter from the Board, the Company owns a laterite nickel mine located in North Konawe Regency, South East Sulawesi Province, Indonesia through the Project Companies, engaging in exploration, mining, smelting and marketing. Affected by policy prohibiting raw ore export promulgated by the Indonesia government, mining and export activities of its nickel business were suspended in 2014 and the Company's focus was shifted to construction of the Hanking – BMS Industrial Park, where the nickel resource is located, so as to lay foundation to accelerate construction of the smelting facilities at the mine site. In 2015, fundamental work such as geological exploration and construction of roads and plants for BMS Industrial Park was completed. In August 2017, in light of the demands for nickel ore in Indonesia, the Company resumed its production in nickel business, producing aggregate approximately 259 thousand metric tons, and selling approximately 223 thousand metric tons of nickel ore in Indonesia. However, Hanking (Indonesia) remained in a loss-making position with losses of RMB39.6 million, RMB24.3 million and

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

RMB26.9 million for the year 2015, 2016 and 2017 respectively, resulting in increase in its debt level as no cash flow was generated from its operation activity. The management of the Company holds the view that the Disposal will help to improve the profitability of existing asset portfolio and optimize the assets and liabilities structure of the Company.

As the Company intends to develop or acquire mineral projects in other countries and regions, the management of the Company believes that the cash inflow from the Disposal will provide financial support for the construction and acquisition of existing and potential mineral projects.

In addition, due to the constant changes in laws and regulatory requirements in Indonesia, the Company, after over five years' attempt, did not find any better solution other than disposal of the Target Equity, though it was advised when acquiring the Target Equity in 2013 that there were counter-measures and risk mitigation practices (including but not limited to listing in Indonesian Stock Exchange) for the Company to comply with the Indonesia law as a foreign shareholder notwithstanding foreign investment was restricted in mining companies in Indonesia. Moreover, given the fact that the total foreign equity in the three Project Companies of Hanking (Indonesia), i.e. KP, KS and K KU, currently amounts to 83.5% which exceeds the foreign equity ceiling of 49% for mining companies in their tenth year after commencement of production as stipulated by the Indonesia law, the deadline for the Company's disposal of Target Equity is November 2019 (being the tenth year after the commencement of production of Hanking (Indonesia) since November 2009). The Company has approached to, and negotiated with several independent third parties but did not enter into any final agreement with those potential purchasers, therefore, the management of the Group is of the opinion that the disposal of equity interests in Hanking (Indonesia) to the Controlling Shareholder is in the best interest of the Company and its Shareholders as a whole and will entirely eliminate such legal risk exposure.

Our View

Based on our review on the annual reports of the Company from 2013-2017, we noted that policies of mining production and export sales varied from time to time in Indonesia.

According to the annual reports of the Company from 2013-2017, in order to implement the Law on Mineral and Coal Mining (No. 4 of 2009, Laws of Indonesia), Indonesian government authorities promulgated a regulation on 13 January 2014, pursuant to which all holders of mining production operation licenses shall undertake mineral processing and refining within the territory of Indonesia in order to export a certain amount of products. In accordance with the Government Regulation, the North Konawe Regency laterite nickel mine project suspended nickel production. Affected by policy, the company's focus shifted to the construction of the Hanking-BMS Industrial Park, where the nickel resource is located, so as to lay foundation to accelerate construction of the smelting facilities at the mine site.

In 2016, the Company has taken into account, among others, (i) with the easing of restrictions on raw ore export by the Indonesia government, it became increasingly likely that a green light would be granted for the export of low grade nickel ore; (ii) nickel price bottomed out following a declining trend in 2015, with its annual growth rate ranking among the best of base metals in 2016; (iii) On 12 January 2014, the Ministry of Energy and Mineral Resources (the "MEMR") of Indonesia issued a Minister of MEMR Regulation (No. 1 of 2015) to increase domestic minerals' additional value

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

through domestic processing and refining, which imposed restrictions on export of extracted mineral products including from nickel mines in Indonesia. Since then, production from the nickel project has been suspended. A number of companies in Indonesia began to operate nickel smelting plants to process nickel products in Indonesia. The rapid expansion of production capacity of nickel smelting has stimulated the demand for local nickel ore in Indonesia. In view of the above, the Company had entered into cooperation agreements for joint exploration and marketing with two local mining companies in Indonesia, and was scheduled to commence mining production and ore sales in the first half of 2017.

The Company resumed mining of laterite nickel ore in August 2017 and started to deliver laterite nickel ore to the customers in October 2017. KS and KKU joined hand with independent third parties to develop nickel resources in accordance with the cooperation agreements entered into among them. In 2017, the nickel business produced in aggregate approximately 259 thousand metric tons, and sold approximately 223 thousand metric tons of nickel ore.

As advised by the Company's Indonesia lawyer, the regulation promulgated by Indonesian government including (i) The MEMR 7/2012, which has the effect of banning exports of raw ore from 6 May 2012; (ii) The MEMR 11/2012 and MEMR 20/2012, which regulate 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 till 12 January 2014; (iii) Regulation promulgated on 13 January 2014 by Indonesian government, which says that all holders of mining production operation licenses shall undertake mineral processing and refining within the territory of Indonesia in order to export a certain amount of products.

As advised by the Directors, due to the abovementioned export limitation and unpredictable and historical variation of export related policies, the Directors are of the view that potential interests to be derived from Project Companies are very limited.

The Article 112 of the Mining Law of Indonesia and the Government Regulation No. 23 of 2010 on Minerals and Coal Mining Business ("**GR23/2010**") related to the divestment requirements (as defined below) in Indonesia regarding foreign shareholding in companies holding IUPs in Indonesia, which says 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. In 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**").

As confirmed by the Indonesia lawyer of the Company, the above mentioned laws and regulations are still valid up to the Latest Practicable Date. Pursuant to the frequent changes and uncertainties of open-up of government policies related to the export ban of raw ores and Divestment Requirements, we concur with the view of the Directors that the Disposal will significantly mitigate the potential political risk related to the export ban of raw ores and Divestment Requirements.

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

Considering Hanking (Indonesia) recorded losses of RMB39.6 million, RMB24.3 million and RMB26.9 million for the year 2015, 2016 and 2017 respectively. As advised by the Directors, the Company has been taking active steps to seek competent purchasers in public market. Given the Consideration for the Disposal and the urgency of the Divestment Requirements, the Company decided to conduct the Disposal with Tuochuan Capital Limited, which is a connected person of the Company to reduce the risk as explained above.

It is expected that the Company will record a premium of approximately RMB131,386,000 as a result of the Disposal. Approximately 50% of the proceeds from the Disposal will be used for the development (including exploration, environment protection and pre-feasibility study) of the gold mine project of Primary Gold Limited (a gold mining company in Australia recently acquired by the Company) and the rest 50% will be used for the proposed acquisitions between the Company and identified potential sellers, which are still under negotiation. The Company will make further announcement pursuant to the Listing Rules in due course. If the proposed acquisition could not be materialized, such proceeds will be used to supplement the general working capital of the Company (such as expenses for underground mining and purchase of raw materials).

Considering the above, we are of the view that the reasons behind the Disposal are sufficient and reasonable and in the interests of the Company and the Shareholders as a whole.

III. Principal terms of the Disposal

Parties	(i) the Company, as the vendor of the Target Equity (ii) Tuochuan Capital Limited, which is a wholly-owned subsidiary of Mr. Yang as at the Latest Practicable Date, as the purchaser of the Target Equity (iii) Mr. Yang, as the guarantor of Tuochuan Capital Limited
Subject of the Disposal	the Target Equity
Consideration for the Disposal	RMB350,000,000 or an equivalent amount in foreign currency. The consideration will be settled entirely by cash.
Payment Schedule	The vendor and the purchaser have irrevocably agreed that the purchaser may at its discretion pay the purchase price by cash in one lump sum to the vendor within twelve months after the Completion Date on the condition that the purchaser shall send a notification regarding the payment date to the vendor at least three business days prior to the payment.

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

The vendor and the purchaser have agreed that the purchaser shall pay the interest accrued on the purchase price from the Completion Date to the payment date at the interest rate of 5.6% annually at the same time when it pays the purchase price to the vendor on the payment date.

Conditions Precedent

Completion shall be conditional upon the fulfilment of the following conditions:

- (1) the passing by the Independent Shareholders at the EGM of the resolutions required under the Listing Rules to approve the transactions contemplated under the Share Sale and Purchase Agreement;
- (2) all necessary consents, authorisations and approvals relating to the conclusion of the Share Sale and Purchase Agreement and its performance having been obtained by the Company on or before the Completion Date;
- (3) all representations, undertakings and warranties given by the Company under the Share Sale and Purchase Agreement are and shall remain true, accurate, correct, complete and not misleading in all material respects up to the Completion Date; and
- (4) 99% equity interests of Fushun Hanking Ginseng & Iron Trading Company Limited* (撫順罕王人參鐵貿易有限公司) held by Tuochuan (Hong Kong) Limited, a wholly-owned subsidiary of the purchaser, having been pledged to the vendor.

Detail of Guarantee

In order to guarantee the performance of its obligations under the Share Sale and Purchase Agreement by the purchaser, the purchaser and the guarantor have provided the following guarantees to the vendor:

- (1) the purchaser shall procure Tuochuan (Hong Kong) Limited to pledge the 99% equity interests of Fushun Hanking Ginseng & Iron Trading Company Limited held by it to the vendor; and
- (2) the guarantor shall provide personal guarantee to the vendor.

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

IV. Basis of Consideration for the Disposal

The Consideration for the Disposal was arrived at between the parties to the Share Sale and Purchase Agreement after taking into account, among others, (1) the equity interest of Hanking (Indonesia) held by the Company at the benchmark day, the net asset value of Hanking (Indonesia) attributable to the Company, netting of minority interests, being RMB208,614,000; and (2) the mineral resources, operating results and future prospect of Hanking (Indonesia).

Our View

Pursuant to the Share Sale and Purchase Agreement, the Consideration for the Disposal of the 70% equity interest of Hanking (Indonesia) was determined based on arm's length negotiation between the Company and Tuochuan Capital Limited.

In accessing the fairness and reasonableness of the Consideration, we have considered the followings:

i) Historical Cost

According to the circular of the Company dated 15 February 2013, the consideration of purchase of Target Equity from Northeastern Lion Limited was RMB311.8 million. The difference between the Consideration of RMB350 million and the historical cost to the Company is approximately RMB38 million.

ii) Net Asset value of Target Equity

Based on the unaudited combined management account prepared by Hanking (Indonesia) in accordance with IFRS, the total asset value and the net asset value as at 31 March 2018 were approximately RMB852,046,000 and RMB392,285,000 respectively. The net asset value of Hanking (Indonesia) attributable to the Company, netting of minority interests, was RMB208,614,000, which is significantly lower than the Consideration of the Disposal of RMB350,000,000.

In light of the above and that the Consideration for the Disposal of approximately RMB350,000,000 represents a premium of approximately RMB131,386,000 as the result of Disposal.

iii) The mineral resources, operating results and future prospect of Hanking (Indonesia)

According to the Annual Report, the total resources amount and metal content in nickel of at 31 December 2017 for measured, indicated and inferred are 350,611.07 and 4,801.89 thousand metric tons, respectively. Through these several years operation of Hanking (Indonesia), such amount is less than the amount stated in the valuation report in the circular dated 15 February 2013.

We also noted the nickel project of the Company was in a loss-making position as a result of the ban on export sales. Hanking (Indonesia) recorded losses of RMB39.6 million, RMB24.3 million and RMB26.9 million for the year 2015, 2016 and 2017 respectively. Details please refer to "II. REASONS AND BENEFIT OF THE DISPOSAL" in this letter.

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

Based on abovementioned, we concur with the view of the Directors that the Consideration is 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.

V. Financial effects of the Disposal

1. Capital Surplus

It is expected that the Company will record a premium of approximately RMB131,386,000 as a result of the Disposal. As the purchaser of the transaction is a Controlling Shareholder of the Company, this transaction constitutes business combination under common control, thus the difference between the sale price and the profit attributable to the Company (i.e. the above-mentioned premium arising from the Disposal) shall be credited to capital surplus. Accordingly, the Company will not record any profit or loss as a result of the Disposal. Upon completion of the Disposal, Hanking (Indonesia) will cease to be a non wholly-owned subsidiary of the Company and the financial results of Hanking (Indonesia) will not be consolidated into the accounts of the Company.

2. Cash flow

Based on the 2017 Annual Report of the Company, the Company had net current asset of approximately RMB394.9 million and cash and cash equivalents of approximately RMB722.7 million as at 31 December 2017. The Consideration for the Disposal of RMB350 million will be settled entirely by cash, which will replenish the general working capital of the Company or for the construction and acquisition of existing and potential mineral projects.

3. Gearing ratio

The gearing ratio of the Company as at 31 December 2017 was approximately 64.35% which was calculated by dividing total liabilities of approximately RMB2,530.8 million by total assets of approximately RMB3,932.7 million. Upon completion of the Disposal, it is expected that the gearing ratio will decrease slightly to approximately 61.68%.

Our View

Based on the above analysis, the Disposal would have positive financial impact to the Company and we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

RECOMMENDATION

Having considered the above factors and reasons set out above, we are of the opinion that insofar as the Disposal is concerned, though the entering into of the Share Sale and Purchase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Share Sale and Purchase Agreement are on normal commercial terms, and are fair, reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to approve the Share Sale and Purchase Agreement and the Disposal at the EGM.

Yours faithfully,

For and on behalf of

Orient Capital (Hong Kong) Limited

Jiang Jun

Yang Peng

Managing Director

Associate Director

Investment Banking Department

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

(1) Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Jiye ¹	Founder of discretionary trust	494,360,500 (long positions)	27.01%
	Interest in controlled corporation	305,881,000 (long positions)	16.71%
Xia Zhuo ²	Interest in controlled corporation	19,130,589 (long positions)	1.05%
	Beneficial owner	60,000 (long positions)	Less than 0.01%
Zheng Xuezhi	Beneficial owner	2,452,000 (long positions)	0.13%

Notes:

1. Mr. Yang Jiye is the founder of management trust which holds the entire issued share capital of Bisney Success Limited and holds 100% interest in Tuochuan Capital Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 494,360,500 shares of the Company held by Bisney Success Limited and 305,881,000 shares of the Company held by Tuochuan Capital Limited.
2. Mr. Xia Zhuo holds 54.38% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,130,589 shares of the Company held by Splendour Ventures Limited. The accurate percentage of the 60,000 shares of the Company beneficially owned by Mr. Xia Zhuo is 0.00327869%.

(2) Interests in the shares of associated corporations of the Company:

Name of Director and Chief Executive	Name of Associated Corporation	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Qiu Yumin	Hanking Australia Investment Pty Ltd	Beneficial owner	3 (long positions)	3.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of the persons (other than the interests and short positions of the Directors or chief executive of the Company as disclosed above) in the shares and/or underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company are set out below:

Name of Shareholders	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Min ¹	Interest in controlled corporation	506,025,000 (long positions)	27.65%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
China Hanking (BVI) Limited	Beneficial owner	506,025,000 (long positions)	27.65%
Bisney Success Limited	Beneficial owner	494,360,500 ² (long positions)	27.01%
Le Fu Limited	Interest in controlled corporation	494,360,500 ² (long positions)	27.01%
UBS Nominees Limited	Nominee for the Trustee	494,360,500 ² (long positions)	27.01%
UBS Trustees (BVI) Limited	Trustee	494,360,500 ² (long positions)	27.01%
Tuochuan Capital Limited	Beneficial owner	305,881,000 (long positions)	16.71%
China Citic Bank Corporation Limited* (中信銀行股份有限公司)	Person having a security interest in Shares	280,000,000 (long positions)	15.30%
Xinfu Branch, Bank of Fushun Co., Ltd.* (撫順銀行股份有限公司 新撫支行)	Person having a security interest in Shares	500,000,000 (long positions)	27.32%

Notes:

- Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of management trust which holds the entire issued share capital of Best Excellence Limited. Thus Ms. Yang Min is deemed to have an interest in 506,025,000 Shares of the Company held by China Hanking (BVI) Limited and 13,820,166 Shares of the Company held by Best Excellence Limited.
- These 494,360,500 Shares belong to the same group of Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed in the paragraph headed “Competing interests” below, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, the Directors and their associates did not hold any interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of Directors	Positions in the Company	Positions
Xia Zhuo	Executive Director	director of Hanking Group

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or any conflict of interest which any such person has or may have with the Group other than those businesses to which the Directors and their respective associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service agreement between any Director or any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. DIRECTORS’ INTERESTS IN CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE AND ASSETS

a. Sales of Iron Ore Concentrates

Fushun Hanking D.R.I. is principally engaged in casting of high purity pig iron and ductile pig iron, 99% interest of which is indirectly owned by Mr. Yang Jiye. According to Chapter 14A of the Listing Rules, Fushun Hanking D.R.I. is a connected person of the Company. The Company concluded a procurement agreement with Fushun Hanking D.R.I. on 16 September 2011. According to the agreement, the Company will, through its subsidiaries, including Aoni Mining and STSU, provide iron ore concentrates to Fushun Hanking D.R.I. for a term of three years commencing from the listing date. On 15 October 2013, the Company entered into the New Iron Ore Concentrates Sale

Agreement with Fushun Hanking D.R.I. and Dalian Huaren (as an agent of Fushun Hanking D.R.I.) for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB480,000,000.

On 22 November 2016, the Company, through its subsidiaries, entered into the New Iron Ore Concentrates Sale Agreement with Fushun Hanking D.R.I., Dalian Huaren and Fushun Deshan (both are the agents of Fushun Hanking D.R.I.) for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. The annual transaction amount cap for each of the three years is RMB345,000,000.

On 26 September 2017 and 10 November 2017 respectively, the Company, through its subsidiaries, entered into the supplemental agreements with Fushun Hanking D.R.I., Dalian Huaren and Fushun Deshan to revise each annual transaction amount cap under the New Iron Ore Concentrates Sale Agreement dated 22 November 2016 to RMB484,000,000. The actual transaction amount of the continuing connected transaction for 2017 was RMB413,700,000.

b. Lease of Properties and Properties Management

Given the fact that 100% of interest in Shengtai Properties is indirectly held by the Controlling Shareholder, Shengtai Properties is a connected person of the Company in accordance with Chapter 14A of the Listing Rules. Aoniu Mining, STSU and Shengtai Properties concluded a lease agreement on 16 September 2011. According to the agreement, Aoniu Mining and STSU continued to lease office premises located at No. 227, Qingnian Street, Shenhe District, Shenyang City, Liaoning Province, with a leased area of approximately 3,193.8 m² from Shengtai Properties, leased advertising sites in the same building, and engaged Shengtai Properties to provide properties management service for a term of three years commencing from the listing date (i.e. 30 September 2011). On 15 October 2013, Aoniu Mining and STSU entered into a new lease agreement with Shengtai Properties for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB4,000,000. On 12 November 2016, STSU entered into a new lease agreement with Shengtai Properties for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. The annual transaction amount cap for each of the three years is RMB2,500,000. The actual transaction amount of the continuing connected transaction for 2017 was RMB1,894,000.

c. Lease of Land

In accordance with Chapter 14A of the Listing Rules, Hanking Group is a connected person of the Company. On 16 April 2017, Maogong Mining, a wholly-owned subsidiary of the Company, entered into a land lease agreement with Hanking Group, pursuant to which, Maogong Mining shall lease from Hanking Group the factory land of Jingjia Iron Factory with a total site area of approximately 164,342 m². The lease term is three years commencing from 1 May 2017 and ending on 30 April 2020. The annual rent amounts to RMB1,000,000 (tax inclusive), being the annual transaction amount cap of the continuing connected transaction. The actual transaction amount of the continuing connected transaction for 2017 was RMB526,000.

d. Lease of Land and Plants

On 13 December 2017, Liaoning Hanking Green Building Materials Co., Ltd., a wholly-owned subsidiary of the Company, entered into a leasing agreement (the “**Leasing Agreement**”) with Fushun Hanking D.R.I., pursuant to which, Liaoning Hanking Green Building Materials Co., Ltd. shall lease from Fushun Hanking D.R.I. the land and plants located in Shenfu New District, Liaoning Province, the PRC with a gross floor area of approximately 66,666 m² and approximately 26,643 m² respectively. The lease term is twenty years commencing from 1 January 2018 and ending on 31 December 2037. The annual rent amounts to RMB2.29 million (exclusive of value-added tax), being the annual transaction amount cap of the continuing connected transaction.

Save as disclosed above and save as the Share Sale and Purchase Agreement, details of which are set out in this circular, as at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interest in any assets which have been, since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Company or are proposed to be acquired or disposed of by or leased to any member of the Company; and (ii) any material interest in any contracts or arrangements entered into by any member of the Group, which were subsisted as at the Latest Practicable Date and were of significant in relation to the business.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest audited financial statements of the Company were made up.

8. EXPERT AND CONSENT

The following are the qualifications of the expert who had given opinion contained in this circular:

Name	Qualifications
Orient Capital (Hong Kong) Limited	A corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert above had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and had no interest, either direct or indirect, in any assets which had been since 31 December 2017 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and the reference to its name in the form and context in which it appears.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on the date of this circular and up to and including the date of the EGM:

- (a) the Share Sale and Purchase Agreement;
- (b) the letter from the Board, the text of which is set out on pages 5 to 12 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (d) the letter from Orient Capital, the text of which is set out on pages 15 to 26 of this circular;
and
- (e) the letter of consent referred to under the section headed “Expert and consent” in this appendix.

NOTICE OF EGM



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 DISPOSAL OF EQUITY INTERESTS IN HANKING (INDONESIA)

Notice is hereby given that an extraordinary general meeting (the “EGM”) of China Hanking Holdings Limited will be held at Conference Room, 22nd Floor, No.227, Qingnian Street, Shenhe District, Shenyang, the PRC on Friday, 24 August 2018 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following proposed ordinary resolution of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 6 August 2018.

ORDINARY RESOLUTIONS

THAT:

- “(a) the Share Sale and Purchase Agreement dated 5 July 2018 and entered into among the Company, Tuochuan Capital Limited and Mr. Yang Jiye (a copy of which is produced to the EGM marked “A” and signed by the Chairman of the EGM for purpose of identification) be and is hereby approved, confirmed and ratified; and
- (b) any one Director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Share Sale and Purchase Agreement, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Share Sale and Purchase Agreement and the transactions thereunder, and to agree with such variation, amendment or waiver as, in the opinion of such Director, in the interests of the Company and its shareholders as a whole.”

By order of the Board

China Hanking Holdings Limited

Yang Jiye

Chairman and executive Director

Shenyang, the PRC
6 August 2018

NOTICE OF EGM

Notes:

1. A Shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a Shareholder.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy must be deposited at the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof.
4. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
5. The transfer books and register of members of the Company will be closed from Monday, 20 August 2018 to Friday, 24 August 2018, both days inclusive, in order to determine the entitlement of Shareholders to attend the above meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 17 August 2018.