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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)**

Reference is made to the announcement of the Company dated 20 December 2012 in relation to, among others, the entering into of the Share Purchase Agreement among the Company, Evergreen Mining and Hanking Aoniu Investment (Hong Kong) Company Limited for the acquisition of 70% equity interests in Northeastern Lion.

The Board announces that on 5 July 2018, the Company entered into the Share Sale and Purchase Agreement with Tuochuan Capital Limited and Mr. Yang (as the guarantor), 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. The proceeds from the Disposal will be used for the development of the gold mine project of Primary Gold Limited (a gold mining company in Australia recently acquired by the Company) and the development of other mineral projects as well as be used to supplement the working capital of the Company.

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

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.

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 respective associates will abstain from voting on the resolution approving the Share Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company has appointed Orient Capital (Hong Kong) Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Sale and Purchase Agreement is on normal commercial terms and 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; and to advise the Independent Shareholders as to how they should vote in respect of the Share Sale and 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 Sale and Purchase Agreement is on normal commercial terms and 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, and to advise the Independent Shareholders as to how they should vote in respect of the Disposal, 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 Sale and Purchase Agreement; (ii) a letter from the Independent Financial Adviser appointed by the Company; (iii) the recommendation from the Independent Board Committee; and (iv) 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 26 July 2018.

INTRODUCTION

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 date of this announcement, 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	<p>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.</p> <p>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.</p>
Conditions Precedent	<p>Completion shall be conditional upon the fulfilment of the following conditions:</p> <p>(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;</p>

- (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.

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; 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 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.

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. 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.

The proceeds from the Disposal will be used for the development of the gold mine project of Primary Gold Limited (a gold mining company in Australia recently acquired by the Company) and the development of other mineral projects as well as be used to supplement the working capital of the Company.

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

Given the constant changes in the laws relating to export of mineral products issued by the Indonesia government, 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, resulting in increase in its debt level as no cash flow was generated from its operation 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, given the increasing restriction on the foreign equity in mining companies under the Indonesia law and 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 management of the Group is of the opinion that the disposal of equity interests in Hanking (Indonesia) 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.

EGM

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 respective associates will abstain from voting on the resolution approving the Share Sale and Purchase Agreement and the transactions contemplated thereunder. As at the date of this announcement, 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.

GENERAL

The Company has appointed Orient Capital (Hong Kong) Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Share Sale and Purchase Agreement is on normal commercial terms and 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; and to advise the Independent Shareholders as to how they should vote in respect of the Share Sale and 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 Sale and Purchase Agreement is on normal commercial terms and 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, and to advise the Independent Shareholders as to how they should vote in respect of the Disposal, after taking into account the recommendations of the Independent Financial Adviser appointed by the Company.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) further information regarding the Share Sale and Purchase Agreement; (ii) a letter from the Independent Financial Adviser appointed by the Company; (iii) the recommendation from the Independent Board Committee; and (iv) 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 26 July 2018.

DEFINITION

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“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 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”	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
“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 of the Company to be convened and held to approve the Share Sale and Purchase Agreement and the transactions contemplated thereunder
“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
“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 date of this announcement, 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 with limited liability, 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 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”	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)”	the shareholders of the Company other than the Controlling Shareholders and their associates
“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
“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), one of the Controlling Shareholders

“Ms. Yang”	Ms. Yang Min (楊敏), one of the Controlling Shareholders
“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, which for the purposes of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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*

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

Shenyang, the PRC, 5 July 2018

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