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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

ACQUISITION OF 100% EQUITY INTEREST IN FUSHUN SHANGMA

THE EQUITY TRANSFER AGREEMENT

The Board announces that on 3 July 2012, Aoni Mining, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Shenyang Toyo and Fushun Shangma pursuant to which Aoni Mining has agreed to acquire, and Shenyang Toyo has agreed to sell, an aggregate of 100% equity interest in Fushun Shangma for a total consideration of RMB100 million. Upon completion of the Fushun Shangma Acquisition, Fushun Shangma will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Shenyang Toyo is a subsidiary of Hanking Group, which is in turn owned as to 60.67% by Ms. Yang and 28.29% by Mr. Yang, each a non-executive Director and one of the Controlling Shareholders. As such, Shenyang Toyo is an associate of both Ms. Yang and Mr. Yang and is therefore a connected person of the Company.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Fushun Shangma Acquisition exceed 5% but are all less than 25% and Shenyang Toyo is a connected person of the Company, the Fushun Shangma Acquisition constitutes (i) a discloseable transaction for the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

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

GENERAL

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

A circular containing, *inter alia*, (i) further information regarding the Equity Transfer 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 will be despatched to the Shareholders as soon as practicable within 15 business days after the date of publication of this announcement.

THE EQUITY TRANSFER AGREEMENT

Date	3 July 2012
Parties	(i) Aoni Mining, as the purchaser of 100% equity interest in Fushun Shangma (ii) Shenyang Toyo, as the vendor of 100% equity interest in Fushun Shangma, which is a subsidiary of Hanking Group (iii) Fushun Shangma, the target company under the Equity Transfer Agreement

Subject of the Fushun Shangma Acquisition

100% equity interest in Fushun Shangma

Consideration for the Fushun Shangma Acquisition

RMB100 million

The consideration will be settled entirely by cash funded by part of the proceeds from the Company's initial public offering and internal resources of the Group.

Payment Schedule

The consideration for the Fushun Shangma Acquisition will be paid in the following manner:

- (i) the first installment of RMB50 million, representing 50% of the consideration, to be paid within five working days after the Completion Date;
- (ii) the second installment of RMB30 million, representing 30% of the consideration, to be paid within twenty working days after the Completion Date; and
- (iii) the balance of the consideration of RMB20 million, representing 20% of the consideration, to be paid within sixty working days after the Completion Date.

Conditions Precedent

The completion of the Fushun Shangma Acquisition is conditional upon, among others, the following conditions being fulfilled:

- (i) the Equity Transfer Agreement and the transactions contemplated thereunder being approved by the Independent Shareholders;
- (ii) Aoniu Mining being satisfied with the results of due diligence review on Fushun Shangma;
- (iii) the acquisition of all the assets of Shangma Iron Mine by Fushun Shangma being completed and all necessary consents, approvals and filings acceptable to Aoniu Mining as provided under the Equity Transfer Agreement being obtained and completed (as the case may be);
- (iv) the quantity of the iron ore reserves in Shangma Mine, of which Fushun Shangma has obtained mining rights, being verified by the Ministry of Land and Resources of the PRC and such filing documents being obtained; and
- (v) no material adverse change to the assets and operation conditions of Fushun Shangma as set out in the Equity Transfer Agreement.

Aoniu Mining may waive in writing any of the above conditions precedent (save for item (i)).

Completion

The Completion shall take place on the day when all of the conditions precedents have been satisfied or when Aoni Mining has waived in writing the conditions precedent (as the case may be).

Shenyang Toyo and Fushun Shangma should assist Aoni Mining to complete the business registration procedures in respect of the transfer of the 100% equity interest in Fushun Shangma to Aoni Mining within five working days after the Completion Date.

BASIS OF CONSIDERATION

The consideration of the Fushun Shangma Acquisition was arrived at after arm's length negotiation between the parties to the Equity Transfer Agreement, after taking into account, among others, (i) the prospect of the iron ore industry; (ii) the existing size and quality of Fushun Shangma's assets; and (iii) the historical output and cost of Shangma Mine.

INFORMATION REGARDING FUSHUN SHANGMA

The business of Fushun Shangma

As disclosed in the prospectus of the Company dated 20 September 2011, Shangma Iron Mine was treated as excluded business because the timing of obtaining the land use right certificates and the building ownership certificates for the Shangma Mine (which was previously operated by Shangma Iron Mine and has already been transferred to Fushun Shangma in May 2012) and its mine processing plants was uncertain and the Controlling Shareholders have granted to the Company a pre-emptive right to purchase the interest in Shangma Iron Mine pursuant to a non-competition undertaking dated 16 June 2011. Shangma Iron Mine is a sole-proprietorship enterprise wholly owned and controlled by Mr. Yang primarily engaging in the business of iron ore mining and the processing and sales of iron ore concentrates. However, the Company was advised by its PRC legal adviser that the interest in Shangma Iron Mine cannot be directly transferred to the Company as Shangma Iron Mine is a sole proprietorship enterprise.

In light of the abovementioned technical deficiency and to facilitate the transfer of the interest in Shangma Iron Mine to the Company, Fushun Shangma has acted as a platform for the restructuring of Shangma Iron Mine's assets and completed the acquisition of all the assets of Shangma Iron Mine in May 2012. Furthermore, Shangma Iron Mine has also obtained the land use right certificates and the building ownership certificates for both of the mine processing plants of the Shangma Mine.

Fushun Shangma was established in the PRC in March 2009. It is primarily engaged in the business of iron ore mining and the processing and sales of iron ore concentrates and currently owns the Shangma Mine, which was previously operated by Shangma Iron Mine, with a filed amount of iron ore reserves of over 12 million tons as at 31 May 2012. As confirmed by Fushun County Land and Resources Bureau, Fushun Shangma, being one of the experimenting enterprises in Fushun County, is in the process of applying to undertake mining activities at the Shangma Mine on a temporary land use basis.

When the “Proposal for Experiment on the Reform of Mining Land Use Right” of Fushun County is approved in future, it is expected that Fushun Shangma will be able to undertake mining activities at the Shangma Mine on a temporary land use basis in accordance with the relevant laws and regulations.

Financial Information

Fushun Shangma and Shangma Iron Mine

Fushun Shangma had not commenced business since its incorporation until 31 May 2012 and it has not yet generated any revenue or profit as at the date hereof. The registered capital of Fushun Shangma is RMB 5 million which has been fully paid up. Fushun Shangma has acquired all the assets of Shangma Iron Mine in May 2012 for a consideration of RMB205 million, the sum of which has not yet been paid.

Based on the unaudited accounts of Shangma Iron Mine prepared in accordance with PRC GAAP, the profits of Shangma Iron Mine for the two financial years ended 31 December 2010 and 31 December 2011 were as follows:

	Financial year ended 31 December 2010 <i>(approx. RMB million)</i>	Financial year ended 31 December 2011 <i>(approx. RMB million)</i>
Unaudited profit before taxation and extraordinary items	55.61	125.12
Unaudited profit after taxation and extraordinary items	55.61	125.12

Based on the unaudited combined management account of Fushun Shangma prepared in accordance with PRC GAAP, the total asset value and the net asset value of Fushun Shangma as at 31 May 2012 were approximately RMB214 million and RMB5 million, respectively.

REASONS FOR AND BENEFITS OF THE FUSHUN SHANGMA ACQUISITION

1. The Fushun Shangma Acquisition will be beneficial to the expansion of the Group’s iron exploration business

The Shangma Mine is situated at the centre of the iron ore metallogenic belt in Fushun and is just located mid-way between the Aoni iron ore mine and Xingzhou iron ore mine of the Group. It can act as a hub of the Aoni iron ore mine and Xingzhou iron ore mine. These three iron ore mines should be consolidated and undergo system planning from the perspective of the sustainable development of the Group’s iron exploration business.

The Ministry of Land and Resources of the PRC is promoting a new strategy in mine exploration based on the geology of the mine, which emphasizes the exploration preparation work. The Fushun authorities are in the process of formulating a planned area which can satisfy the conditions for such exploration preparation work. The consolidation of the Shangma Mine with the Aoniui iron ore mine and Xingzhou iron ore mine of the Group can help creating a complete exploration area from Aoniui to Xingzhou, which will help the Group to expand its development in iron ore exploration.

A map showing the location of the Shangma Mine, the Aoniui iron ore mine and the Xingzhou iron ore mine of the Group is set out below:



2. The Fushun Shangma Acquisition will increase the iron ore reserves of the Group

Being the largest independent privately-owned iron ore concentrate producer in Northeastern China, it is always the interest of the Group to explore opportunities to expand its iron ore reserves. The Shangma Mine has considerable iron ore reserves. The approved filing certificates of iron ore reserves in relation to the Shangma Mine issued by the Liaoning Provincial Department of Land & Resources have been obtained in 2009 and 2010 and the filed iron ore resource of the Shangma Mine was over 12 million tons as at 31 May 2012. Furthermore, additional resources of the Shangma Mine have been explored. The approved filing certificate of such new iron ore resources is expected to be obtained from the Liaoning Provincial Department of Land & Resources in future. It is expected that the Fushun Shangma Acquisition, if proceeding to completion, will increase the iron ore reserves of the Group.

3. The Fushun Shangma Acquisition will be beneficial to the expansion of the Group's operation capacity

The Shangma Mine is relatively mature and has two mine processing plants with a total capacity of processing 1.42 million tons of iron ore and producing 300,000 to 400,000 tons of iron ore concentrates (depending on the grades of the iron ore) per annum. The actual amount of iron ore concentrates produced by Shangma Iron Mine was approximately 286,100 tons in 2011, which was equivalent to approximately 22.8% of the total iron ore concentrates production of the Group in the same year. It is expected that the Fushun Shangma Acquisition, if proceeding to completion, will improve the Group's operation capacity and revenue.

For the reasons set out above, the Group entered into the Equity Transfer Agreement for the acquisition of Fushun Shangma.

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

INFORMATION REGARDING THE PARTIES INVOLVED

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

Aoniu Mining is a company established in the PRC and is a wholly-owned subsidiary of the Company principally engaged in the iron ore mining and processing.

Shenyang Toyo is a company established in the PRC and is principally engaged in the business of production and sale of special steel.

LISTING RULES IMPLICATIONS

Shenyang Toyo is a subsidiary of Hanking Group, which is in turn owned as to 60.67% by Ms. Yang and 28.29% by Mr. Yang, each a non-executive Director and one of the Controlling Shareholders. As such, Shenyang Toyo is an associate of both Ms. Yang and Mr. Yang and is therefore a connected person of the Company. Accordingly, the Fushun Shangma Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Fushun Shangma Acquisition exceed 5% but are all less than 25% and Shenyang Toyo is a connected person of the Company, the Fushun Shangma Acquisition constitutes (i) a discloseable transaction for the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

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GENERAL

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A circular containing, *inter alia*, (i) further information regarding the Equity Transfer 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 will be despatched to the Shareholders as soon as practicable within 15 business days after the date of publication of this announcement.

DEFINITIONS

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

“Aoniu Mining”	撫順罕王傲牛礦業股份有限公司 (Fushun Hanking Aoniu Mining Limited*), 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 of the Company
“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”	the completion of the Fushun Shangma Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the date upon which the Completion takes place in accordance with the terms and conditions of the Equity Transfer Agreement
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	the controlling shareholders of the Company, namely Mr. Yang, Ms. Yang, China Hanking (BVI) Limited, Bisney Success Limited and Best Excellence Limited
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the Equity Transfer Agreement dated 3 July 2012 entered into among Shenyang Toyo (as vendor), Aoniu Mining (as purchaser) and Fushun Shangma (as the target company) in relation to the Fushun Shangma Acquisition
“Fushun Shangma”	撫順罕王上馬礦業有限公司 (Fushun Hanking Shangma Mining Company Limited*), a company established in the PRC with limited liability

“Fushun Shangma Acquisition”	the acquisition of the 100% equity interest in Fushun Shangma from Shenyang Toyo by Aoni Mining pursuant to the Equity Transfer Agreement
“Group”	the Company and its subsidiaries
“Hanking Group”	Hanking Group Co., Limited (罕王實業集團有限公司), a company established in the PRC on 4 April 1996, which is controlled by Ms. Yang and Mr. Yang
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising Mr. Chen Yuchuan, Mr. Wang Ping, Mr. Johnson Chi-King Fu and Mr. Wang Anjian, being the independent non-executive Directors, which was formed to advise the Independent Shareholders in relation to the Equity Transfer Agreement
“Independent Shareholders”	the shareholders of the Company other than the Controlling Shareholders and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Yang”	Mr. Yang Jiye (楊繼野), a non-executive Director and one of the Controlling Shareholders
“Ms. Yang”	Ms. Yang Min (楊敏), the chairlady of the Board, a non-executive Director and one of the Controlling Shareholders
“PRC”	the People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, the Macau Special Administration of the People’s Republic of China and Taiwan
“PRC GAAP”	generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Shangma Iron Mine”	Fushun Hanking Shangma Iron Mine (撫順罕王上馬鐵礦), a company established in the PRC on 23 October 2000 and wholly-owned by Mr. Yang
“Shangma Mine”	the iron ore mine in Shangma owned by Fushun Shangma, which was previously owned by Shangma Iron Mine
“Shareholder(s)”	the shareholder(s) of the Company

“Shenyang Toyo”	Shenyang Toyo Steel Company Limited (瀋陽東洋製鋼有限公司), a company established in the PRC on 3 December 1993 and a subsidiary of Hanking Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

* *For identification purpose only*

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

Shenyang, PRC, 3 July 2012

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