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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: 3788)

Financial adviser to the Company



**MEMORANDUM OF UNDERSTANDING RELATING
TO A POSSIBLE ACQUISITION**

The Board is pleased to announce that on 3 July 2015 (after trading hours), the Company entered into the Memorandum of Understanding with the Vendors in relation to the Possible Acquisition.

As the Memorandum of Understanding may or may not lead to the entering into of the Formal SPA and the Possible Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares. In the event that the Possible Acquisition materializes, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

This announcement is made by the Company pursuant to the disclosure obligation under the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Future Ordinance (Cap. 571, Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

The Board is pleased to announce that on 3 July 2015 (after trading hours), the Company entered into the Memorandum of Understanding with the Vendors in relation to the Possible Acquisition. After signing of the Memorandum of Understanding, the parties thereto shall enter into good faith negotiations for the Formal SPA and other documentation and matters relating to the Possible Acquisition and the provisions of the Memorandum of Understanding shall form the basis for the preparation of the said documents.

THE MEMORANDUM OF UNDERSTANDING

Date:

3 July 2015 (after trading hours)

Parties:

- (i) Company as the purchaser; and
- (ii) the registered shareholders (the “**Vendors**”) of the Target Company.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendors and their ultimate beneficial owners are third parties independent of the Company and their connected persons and not connected persons of the Company.

Asset to be acquired

Pursuant to the Memorandum of Understanding, the Company intends to acquire and the Vendors intend to sell the Target Shares and the Shareholder’s Loan. The Target Company is a company incorporated in the Republic of Indonesia. As at the date of this announcement, the Target Company owns and operates a nickel mining project in Southeast Sulawesi, Indonesia (the “**Mining Project**”) and holds all the necessary approvals, licenses, permits and certificates for operating its mining business in the Republic of Indonesia.

Consideration

Pursuant to the Memorandum of Understanding, the consideration for the Possible Acquisition shall be US\$38.00 million (equivalent to approximately HK\$296.40 million) and is payable by the Company to the Vendors in the following manner:

- (i) an amount of US\$1.90 million (equivalent to approximately HK\$14.82 million) (the “**Deposit**”) shall be payable by the Company to an account designated by the Vendors as a non-refundable deposit and partial payment of the consideration of the Possible Acquisition within 5 days from the date of the Memorandum of Understanding;
- (ii) an amount of US\$1.90 million (equivalent to approximately HK\$14.82 million) shall be payable by the Company to an account designated by the Vendors as a further non-refundable deposit and partial payment of the consideration of the Possible Acquisition on the day of signing of the Formal SPA;
- (iii) an amount of US\$32.30 million (equivalent to approximately HK\$251.94 million) shall be payable by the Company to the Vendors on the completion date of the Possible Acquisition; and

- (iv) an amount of US\$1.90 million (equivalent to approximately HK\$14.82 million) shall be payable by the Company to a mutually agreeable escrow agent on the completion date of the Possible Acquisition as retention monies, which shall be released in full to the Vendors within 12 months from the completion date of the Possible Acquisition subject to any claim of the Company for the recovery of damages for, among other things, breach of representations and warranties provided by the Vendors in the Formal SPA.

If the Formal SPA cannot be signed due to certain reasons as mentioned in the Memorandum of Understanding by the end of the Term (as defined below), the Vendors shall forthwith return the Deposit in full to the Company. Save and except for such reasons as mentioned in the Memorandum of Understanding, if the Formal SPA cannot be signed by the end of the Term, the Deposit shall be retained by the Vendors, who shall act reasonably and in good faith, in full.

Conditions precedent

Completion of the Possible Acquisition is conditional upon, amongst other things, the fulfillment of the following conditions precedent:

- (i) the Company has completed due diligence (including but not limited to financial, legal and management aspects) and satisfied with the results, such due diligence to be completed prior to signing of the Formal SPA;
- (ii) the Company has obtained all necessary consents and approvals in relation to the Possible Acquisition in accordance with the Listing Rules and other applicable laws and regulations;
- (iii) the Vendors and the Target Company have obtained all necessary consents and approvals in relation to the transfer of the Target Shares;
- (iv) all representations and warranties provided by the Vendors and all information provided by the Vendors in relation to the Target Company, the Target Shares and the Mining Project as at the date given and as at the date of Formal SPA is true, accurate and not misleading in all material aspects;
- (v) there are no material adverse changes to the Target Company, the Target Shares and the Mining Project; and
- (vi) signing of an agreement, which provides the Vendors (or their designated affiliates) the option to purchase in cash (and at actual cost) up to a 5% equity stake in the Company's envisaged RKEF Project, which option is exercisable at any time prior to completion of construction of the facilities for the RKEF Project.

Non legally-binding effect

Save for the clauses regarding, among other things, the consideration of the Possible Acquisition, exclusivity, confidentiality and governing law of the Memorandum of Understanding, the terms of the Memorandum of Understanding do not constitute legally-binding obligation in respect of the Possible Acquisition. The Possible Acquisition will be subject to the execution and completion of the Formal SPA.

Term

If the Formal SPA is not entered into or a further agreement cannot be reached between the Vendors and the Company within six weeks from the date of signing the Memorandum of Understanding (both dates inclusive) (or such other date as the Company and the Vendors may agree) (the “**Term**”), the Memorandum of Understanding shall cease and determine save for the consideration of the Possible Acquisition, confidentiality and governing law of the Memorandum of Understanding.

Exclusivity

The Vendors agrees to grant an exclusive right to the Company under which, during the Term, the Vendors shall not, on its own or through any third parties, discuss or negotiate with any third party on matters relating to the Target Company (including its business and assets), the Target Shares and the Mining Project.

REASONS FOR AND BENEFIT OF THE POSSIBLE ACQUISITION

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 addition, the Ministry of Energy and Mineral Resources of the Republic of Indonesia formulated the Regulation of the Minister of Energy and Mineral Resources No. 1 of 2014 on the increase of added value of mineral through processing and refining activities in Indonesia, which imposes timing and quantitative restrictions on export of extracted mineral products as well as the minimum standards on refining and purification in Indonesia. The Group is one of the largest independent privately-owned iron ore concentrates producer in the Northeastern PRC. The primary business operations of the Group in the PRC include iron ore exploration, mining, processing and selling and the product of the Group is iron ore concentrates and gold ore. The Group also engaged in exploration, mining and selling of laterite nickel ores in Indonesia as well as exploration, mining and processing of gold ores in Australia. The Company believes that the Possible Acquisition will supplement the Group’s existing smelting projects operated under its entity, namely PT Hanking Makmur Nickel Smelt, help to drive the Group’s market share, significantly increase its strategic competitiveness in the nickel market and considerably strengthen the Group’s competitive advantages. In addition, the Possible Acquisition enables the Group to have full control of the Target Company in terms of business operation and management, and to enjoy 100% of the financial results of the Target Company.

After taking into consideration of the above, the Board considers that the entering into of the Memorandum of Understanding is in the interests of the Company and the Shareholders as a whole.

GENERAL

As the Memorandum of Understanding may or may not lead to the entering into of the Formal SPA and the Possible Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares. In the event that the Possible Acquisition materializes, it may constitute a notifiable transaction for the Company under the Listing Rules. Further announcement(s) will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Hanking Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Formal SPA”	the formal legally-binding sale and purchase agreement to be entered into between the Company and the Vendors
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

“Memorandum of Understanding”	the non-legally binding (save for certain provisions relating to the consideration of the Possible Acquisition, exclusivity, confidentiality and governing law of the Memorandum of Understanding) memorandum of understanding dated 3 July 2015 entered into between the Company and the Vendors in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition of the Target Shares and the Shareholder’s Loans by the Company
“RKEF”	Rotary Kiln-Electric Furnace
“RKEF Project”	phase two project regarding construction of RKEF nickel smelter of up to 20,000 tons
“Share(s)”	ordinary share(s) in the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loans”	the entire outstanding shareholder’s loans due to the Vendors and their affiliates by the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	a company incorporated in the Republic of Indonesia with limited liability, the entire issued share capital is owned by Vendors
“Target Shares”	100% of the entire issued share capital of the Target Company, which are held by the Vendors
“US\$”	US dollar(s), the lawful currency of the United States of America
%	per cent.

For the purpose of this announcement and illustration only, amounts denominated in US\$ have been translated into HK\$ at an exchange rate of US\$1:HK\$7.8. No representation is made that any amounts in US\$ and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates.

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

Shenyang, the PRC, 3 July 2015

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