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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)

**INSIDE INFORMATION ANNOUNCEMENT
IN RESPECT OF RESUMPTION OF MINING PRODUCTION FROM
THE NICKEL ORE PROJECT IN INDONESIA**

This announcement is made by China Hanking Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

The Company owns a laterite nickel project located in North Konawe Regency, South East Sulawesi Province, Indonesia (the “**Nickel Project**”) with abundant nickel resources, which commenced exploration and trading of laterite nickel ore in 2013. On 12 January 2014, the Ministry of Energy and Mineral Resources (the “**ESDM**”) issued a Minister of ESDM Regulation (No. 1 of 2014) (the “**Regulation**”) to increase domestic mineral value 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.

Since the implementation of the Regulation, 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 board of directors of the Company (the “**Board**”) has decided to initiate the preparatory works to resume mining production from the Nickel Project since the first half of 2016. The Nickel Project team has since negotiated with a number of potential partners with the view of possible cooperation to make efficient use of the nickel resources from the Nickel Project.

(I) COOPERATION AGREEMENT

On 2 February 2017, PT. Konutara Sejati, a limited liability company incorporated in Indonesia and a subsidiary of the Company (“**KS**”), entered into a cooperation agreement (the “**Cooperation Agreement**”) with PT. Maha Bhakti Abadi (“**MBA**”), a limited liability company incorporated in Indonesia and an independent third party, pursuant to which KS has appointed MBA to manage nickel mining, production and trading of nickel commodities from part of KS’s nickel mining area of the Nickel Project (the “**Working Area**”).

Pursuant to the Cooperation Agreement, MBA is authorised to sell the nickel which is produced from the Working Area on behalf of KS and MBA shall share the profit generated from the sale of the nickel with KS.

MBA shall share the profit with KS in the following manner:

- (a) assuming that the selling price for nickel ore with nickel ore content of 2.00% is US\$32 per wet metric ton (“**WMT**”), then:
 - (i) for nickel ore content of 2.00% or above, MBA shall pay KS US\$4.5 per WMT;
 - (ii) for nickel ore content of 1.90% to 1.99%, MBA shall pay KS US\$3.5 per WMT; or
 - (iii) for nickel ore content of less than 1.90%, the profit sharing between MBA and KS shall be further discussed.
- (b) assuming that the selling price for nickel ore with nickel ore content of 2.00% is lower than US\$30 per WMT or higher than US\$32 per WMT, then the profit sharing between MBA and KS in relation to the price difference will be adjusted based on a 7:3 ratio.

The Cooperation Agreement shall remain in effect until March 2018 unless a party intends to extend the period notifies the other party in writing at least 30 days prior to the end of the term (the “**Working Period**”). MBA may be granted an extension of the Working Period for not more than five months due to weather conditions. MBA shall mine and sell at least 1,500,000 WMT of nickel ore containing 1.9% or above nickel during the Working Period.

MBA shall pay a deposit fund in the amount of US\$300,000 to KS (the “**Deposit Fund**”). The Deposit Fund shall be satisfied by MBA to KS in the following manner:

- (a) a sum of US\$200,000 shall be paid by MBA to KS within 3 working days upon signing of the Cooperation Agreement (the “**First Payment**”); and
- (b) a sum of US\$100,000 shall be paid by MBA to KS within 6 weeks subsequent to the First Payment.

KS shall refund the Deposit Fund to MBA within 3 working days upon the expiry of this Cooperation Agreement.

The directors of the Company confirmed that to the best of their knowledge, information and belief having made all reasonable enquiries, MBA is an independent third party of the Company and not a connected person (as defined under the Listing Rules) of the Company.

(II) SALE AND PURCHASE AGREEMENT OF NICKEL ORE

In addition, on 2 February 2017, KS, as seller entered into a sale and purchase agreement (“**S&P Agreement**”) with an independent third party as buyer (the “**Buyer**”) pursuant to which KS will sell 100,000 metric tons of nickel ore to the Buyer at a total consideration of (i) US\$1 million, in the event that the Buyer requires to utilise the port which is owned by an affiliate of KS (the “**Port**”) for transporting the nickel ore; or (ii) US\$ 900,000, in the event that the Buyer does not require to utilise the Port for transporting the nickel ore (the “**Consideration**”).

The Consideration shall be satisfied by the Buyer to KS in the following manner:

- (a) a sum of US\$350,000 shall be paid by the Buyer to KS within 3 days after signing of the S&P Agreement;
- (b) a sum of US\$150,000 shall be paid by the Buyer to KS within 3 weeks after signing of the S&P Agreement (the “**Second Payment**”);
- (c) a sum of US\$500,000 (in the event that the Buyer requires to utilise the Port) or a sum of US\$400,000 (in the event that KS does not require to utilise the Port) shall be paid by the Buyer to the KS within 2 months after the Second Payment.

The directors of the Company confirmed that to the best of their knowledge, information and belief having made all reasonable enquiries, the Buyer is an independent third party of the Company and not a connected person (as defined under the Listing Rules) of the Company.

Since 2012, there has been a rapid growth in the investment of laterite nickel smelting business. Apart from the local nickel mining companies, most newly established smelting plants are built by Chinese investors. The techniques used for smelting include the conventional method such as blast furnace, and also more modern architecture, such as RKEF. The capacity of the smelting plants for nickel ore processing is expected to reach tens of million tons in the coming years. These smelting plants already built or currently under construction are expected to stimulate the steady growth in demand for laterite nickel ore and thus bring more business development opportunities for the Company. The Nickel Project, which has approximately 4.48 million metric tons of nickel metal resources, comprises both large quantity high grade nickel resources, and significant amount of resources of low grade nickel with high iron contents, is expected to meet the long-term demand for both local and Chinese smelting plants with different technological architectures.

As the Working Area under the Cooperation Agreement only covers approximately 70 hectares out of the total mining area of approximately 5,042 hectares in the Nickel Project, the Company will continue to develop the remaining areas. The Board believe that the Nickel Project will become an important source of revenue and profit for the Company.

Dr. Pan Guocheng, the executive director, president and chief executive office of the Company said, “I am excited to have the Cooperation Agreement and S&P Agreement signed, marking a new era of our Nickel Project. Production of laterite nickel ores will soon be resumed after three years of maintenance and care. We will soon achieve revenues and cashflows from sale of laterite nickel ores. With the increasing capacity of the local smelting plants, the value of the super large-scale laterite nickel project located in North Konawe Regency, South East Sulawesi Province, Indonesia is expected to grow. The nickel business of the Company is expected to become a new area of earnings growth for the Company.”

IMPLICATIONS UNDER THE LISTING RULES

As none of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions under the S&P Agreement and the Cooperation Agreement respectively are more than 5%, each of the transactions does not constitute a notifiable transaction under Chapter 14 of the Listing Rules and therefore, is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

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

Shenyang, the PRC, 6 February 2017

As at the date of this announcement, the executive directors of the Company are Mr. Yang Jiye, Dr. Pan Guocheng, 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, Mr. Wang Anjian and Mr. Ma Qingshan.