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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)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE SALE OF SHARES IN HANKING AUSTRALIA

THE SALE OF SHARES

Reference is made to the inside information announcement made by the Company on 25 July 2016 regarding the possible disposal of certain gold mining business by the Company.

On 15 February 2017 (after trading hours), following a global competitive sale process, the Company and the Other Vendors entered into a binding Share Sale Agreement with the Purchaser (Shandong Tianye Group Bid Co Pty Ltd) and the Guarantor (Shandong Tianye Real Estate Development Group Co., Ltd., the ultimate holding company of the Purchaser), pursuant to which the Company and the Other Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 100% of the shares in Hanking Australia at a Purchase Price based on an agreed Enterprise Value of AUD330 million. Hanking Australia holds the Company's gold mining business and assets located in Australia. The Guarantor is the founder and controlling shareholder of Shandong Tyan Home Co., Ltd. (山東天業恒基股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600807, which has a market capitalization of approximately AUD2.332¹ billion with two gold mining operations in Australia).

IMPLICATIONS OF THE LISTING RULES

As the highest applicable percentage ratio for the Sale of Shares is more than 75%, the Sale of Shares constitutes a very substantial disposal for the Company under Rule 14.08 of the Listing

¹ The market capitalization of Shandong Tyan Home Co., Ltd. is based on a RMB:AUD exchange rate of 0.1900 as at 14 February 2017 according to Bloomberg and it has been in a trading halt since 21 November 2016.

Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no shareholder of the Company is required to abstain from voting to approve the ordinary resolution at the EGM in respect of the Share Sale Agreement and the transactions contemplated thereunder.

A circular containing, amongst other matters, further details of the Sale of Shares and the notice of the EGM will be dispatched to the Shareholders on or before 8 March 2017 and in compliance with the Listing Rules.

INTRODUCTION

Reference is made to the inside information announcement made by the Company on 25 July 2016 regarding the possible disposal of certain gold mining business by the Company.

On 15 February 2017 (after trading hours), following a global competitive sale process, the Company and the Other Vendors entered into the Share Sale Agreement with the Purchaser and the Guarantor, pursuant to which the Company and the Other Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 100% of the shares in Hanking Australia, at the Purchase Price based on an agreed Enterprise Value of AUD330 million. A summary of the major terms of the Share Sale Agreement are set out below.

THE SALE OF SHARES

The Share Sale Agreement

Date

15 February 2017 (after trading hours)

Parties

The Vendors: the Company and the Other Vendors

The Purchaser: Shandong Tianye Group Bid Co Pty Ltd

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (i) the Purchaser and its ultimate holding company (the Guarantor) are Independent Third Parties; and (ii) the Purchaser is a newly incorporated company established in Australia for the purposes of acquiring all the shares in Hanking Australia and is expected to otherwise be principally engaged in investment holdings and is a subsidiary of the Guarantor.

The Guarantor: Shandong Tianye Real Estate Development Group Co., Ltd. (山東天業房地產開發集團有限公司) was established in PRC and is principally engaged in real estate, mining, finance and venture capital businesses, being the ultimate holding company of the Purchaser. It is the largest and controlling shareholder of Shandong Tyan Home Co., Ltd. (山東天業恒基股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600807), holding approximately 29.45% of the equity. Shandong Tyan Home Co., Ltd. is a diversified multi-national conglomerate with interests in property, property development, mining and energy with a market capitalization of approximately AUD2.332 billion and currently has two gold mining operations in Australia.

Sale and Purchase

Each Vendor agrees to sell to the Purchaser and the Purchaser agrees to buy from each Vendor those shares of Hanking Australia held by the Vendors on the Completion Date:

- (i) for that Vendor's respective proportion of the Purchase Price;
- (ii) free from encumbrances;
- (iii) with all rights, including dividend and voting rights, attached or accrued to them on or after the Completion Date; and
- (iv) subject to the Share Sale Agreement.

Purchase Price and Payment Terms

The Purchase Price reflects the aggregate cash price payable for the Shares based on the Enterprise Value of AUD330 million on a cash and debt free basis, subject to relevant post completion working capital adjustment set out in the Share Sale Agreement.

The Purchase Price is determined based on the agreed Enterprise Value of AUD330 million, less the amount of any intra-group and external debt of Hanking Australia and its subsidiaries at Completion, and subject to a post Completion working capital adjustment.

The Purchaser will fund the repayment of any intra-group debt between the Company and Hanking Australia and its subsidiaries from the Purchase Price, and may elect to either fund the repayment of external debt, or alternatively complete the share acquisition with that external debt. Hanking Australia currently has external debt of approximately USD24 million and intra-group debt of approximately USD36 million. Assuming these debt levels remain in place at Completion, the

Purchase Price would be equal to approximately AUD252 million² (subject to a post-Completion working capital adjustment), and under such circumstance the Company will also be repaid USD36 million from the Purchaser to settle the intra-group debt.

The Purchaser has paid a deposit of an amount equal to AUD16 million (the “**Deposit**”) to a bank account nominated by the Company in accordance with the Share Sale Agreement. The Deposit will be forfeited by the Purchaser in certain circumstances if the Sale of Share does not complete.

The balance of the Purchase Price (that is, the Purchase Price, as calculated above, less the Deposit) will be paid at Completion (the “**Completion Payment**”) to the Vendors in their respective proportions, subject to the foreign resident capital gains withholding tax payments set out in the Share Sale Agreement.

The Purchase Price was negotiated and determined following a competitive sales process and an arm’s length negotiation between the Vendors and the Purchaser after taking into account of (i) the current and historical resources and reserves of Hanking Australia; (ii) the historical financial position and operation of Hanking Australia; (iii) the future prospects of Hanking Australia; and (iv) the significant increase in the value of the SXO Gold Mine after three years’ operation by the Company, mainly attributable to the following reasons:

1. since the Company’s acquisition of SXO Gold Mine in 2013 (the “**Acquisition**”), Hanking Australia has been carrying out exploration activities, and the SXO Gold Mine has achieved a substantial increase in its resources and reserves as illustrated below:

	Resources			Reserves		
	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (KOZ)	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (KOZ)
As at the time of Acquisition	20,596	3.6	2,405	0.0	0.0	0.0
As of 31 December 2016	34,720	4.1	4,570	8,740	3.4	960
Increase/Decrease	68.58%	13.89%	90.02%	N/A	N/A	N/A

2. at the time of Acquisition in 2013, the SXO Gold Mine was not producing and was on care and maintenance. Since then, Hanking Australia has invested approximately AUD136 million in the SXO Gold Mine and in February 2015, the SXO Gold Mine officially re-commenced production, and subsequently achieved commercial production in August 2015. For the year ended 31 December 2015, Hanking Australia sold 38,805 ounces of gold dore and recorded revenue of AUD60,037,000, and sold 64,232 ounces of gold dore in the first half of 2016; and

² Based on a AUD:USD exchange rate of 0.7648 on 14 February 2017.

3. the gold price in Australian Dollars increased since 2013. The gold price in Australian Dollar was approximately AUD1,400/ounce at the time of Acquisition in April 2013, and has increased to AUD1,603/ounce as at 14 February 2017, representing an increase of approximately 14.5%.

The Directors (including all independent non-executive Directors) are of the view that the Purchase Price is fair and reasonable.

Guarantee

The Guarantor unconditionally and irrevocably:

- (i) guarantees to the Vendors the due and punctual performance and observance by the Purchaser of all of the obligations contained in or implied under the Share Sale Agreement that must be performed and observed by the Purchaser (the “**Guarantee Obligation**”); and
- (ii) indemnifies and agrees to hold harmless the Vendors against any claim or liability suffered or incurred by the Vendors in relation to:
 - (a) any Guaranteed Obligation (or provision which would be or become a Guaranteed Obligation if enforceable, valid and not illegal) being or becoming unenforceable, invalid or illegal;
 - (b) the Purchaser failing, or being unable, to pay any amount or to perform any of its Guaranteed Obligations in accordance with the Share Sale Agreement; or
 - (c) any amount that the Purchaser is required to pay in respect of its Guaranteed Obligations under the Share Sale Agreement not being recoverable from the Purchaser, in each case, for any reason and whether or not the Vendors knew or ought to have known about those matters.

If the Purchaser does not pay any amount it is obliged to pay under the Guaranteed Obligations in accordance with the Share Sale Agreement, the Guarantor must pay that amount on demand as if it was the Purchaser. If the Purchaser does not perform any of the other Guaranteed Obligations under the Share Sale Agreement, the Guarantor must perform, or procure the performance of, those obligations (on demand by the Vendors) in accordance with the Share Sale Agreement.

The Guarantor waives any right it may have to require the Vendors to proceed against, or enforce any other rights or claim payment from, any other person before claiming from the Guarantor under the Share Sale Agreement.

The guarantee and indemnity extends to the present and future balance of all the money payable by the Purchaser in connection with the Share Sale Agreement; is not wholly or partially discharged by the payment of any amount payable by the Purchaser under the Share Sale Agreement or the settlement of any account by the Purchaser; and continues until all obligations of the Purchaser under the Share Sale Agreement have been completely fulfilled.

Conditions precedent

Completion is expected to occur on or before 21 April 2017 and is conditional upon, among others, the satisfaction or waiver (where permitted) of the following key conditions:

- (i) Either:
 - (a) the Purchaser receiving notice in writing from the Federal Treasurer or his or her agent to the effect that there are no objections under the Australian Government's foreign investment policy or under Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA) to the Purchaser acquiring all of the Shares in accordance with the Share Sale Agreement; or
 - (b) following notice of the terms of the Share Sale Agreement having been given by the Purchaser to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order (or if an interim order has been made, any further or final order) under the FATA because of the lapse of time;

As at the date of the Announcement, the Purchaser has obtained the written notice as referred to in (i)(a).

- (ii) The Shareholders approve the sale by the Company of its Shares under the Share Sale Agreement, as required by and in accordance with the Listing Rules;
- (iii) The Shandong Provincial Development and Reform Commission registering the proposed acquisition by the Purchaser of the Shares in accordance with the PRC Administrative Measures for Verification and Registration on Overseas Investment Projects (2014);
- (iv) The Shandong provincial counterpart of the PRC Ministry of Commerce registering the proposed acquisition by the Purchaser of the Shares in accordance with the PRC Administrative Measures for Outbound Investments (2014);
- (v) The Guarantor obtaining approval from the PRC State Administration for Foreign Exchange to the remittance to one or more bank accounts in Australia of a certain amount in accordance with the Share Sale Agreement; and

- (vi) On or before 22 February 2017, the Purchaser provides to the Vendors' representative reasonable evidence of:
- (a) the Purchaser's or Guarantor's financing arrangements (including copies of duly executed binding commitment letters, not subject to credit approval, from any debt financiers); and/or
 - (b) the Purchaser or Guarantor having sufficient cash at bank available to fulfill the Purchaser's obligation to pay the Purchase Price on Completion.

Upon Completion, the Company is not expected to be engaged in the gold business. Notwithstanding the above, the Company does not exclude the possibility that it may further explore and develop new opportunities in the gold sector in the future.

INFORMATION ON THE COMPANY AND OTHER VENDORS

The Company was incorporated in the Cayman Islands on 2 August 2010, and was listed on the Stock Exchange on 30 September 2011 (stock code: 03788). The Group is an international mining group of companies with three major business segments (i.e. gold, iron ore and nickel), and engaging in exploration, mining, processing, smelting and marketing of mineral resources with mining assets located in Australia, the PRC and Indonesia.

Other Vendors, namely Dr. Mark Yumin Qiu, Dr. Yajuan Yun and Qiu Family Super Pty Ltd, as trustee of the Qiu Family Superannuation Fund, hold 1.40%, 1.21% and 0.39% of the equity interests in Hanking Australia, respectively, as at the date of this Announcement. Dr. Mark Yumin Qiu is an executive director of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Dr. Yajuan Yun is the wife of Dr. Mark Yumin Qiu, and the Qiu Family Super Pty Ltd is the trustee of the family trust of Dr. Mark Yumin Qiu. Accordingly, each of Dr. Yajuan Yun and Qiu Family Super Pty Ltd is acting in concert with Dr. Mark Yumin Qiu.

As the Company and Other Vendors will receive proceeds in proportion to their respective equity interests in Hanking Australia from the Sale of Shares and the interests of the Company and Other Vendors are aligned with respect to the Sale of Shares, as well as that there is no transaction contemplated between the Group on the one side and Other Vendors on the other side with respect to the Sale of Shares, the Sale of Shares does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

INFORMATION ON HANKING AUSTRALIA

Hanking Australia was established in Australia on 8 December 2012. Please see below Hanking Australia's shareholding structure as at the date of this announcement:

Shareholders of Hanking Australia	Shares	Respective Proportions
The Company	200,000,000	97.00%
Dr. Mark Yumin Qiu	2,885,567	1.40%
Dr. Yajuan Yun	2,500,000	1.21%
Qiu Family Super Pty Ltd, as trustee of the Qiu Family Superannuation Fund (Qiu Family Super)	800,000	0.39%

Hanking Australia is based in Australia and is principally engaged in the gold mining industry. Hanking Australia and its subsidiaries have 246 exploration and mining licenses and full infrastructure facilities for mining, transportation, and processing of gold ore and/or dore.

The unaudited net assets of Hanking Australia as at 30 September 2016 was approximately AUD23,807,703, and the unaudited total assets of Hanking Australia was approximately AUD160,321,619. Further financial information of Hanking Australia is set out as follows:

	For the year ended 31 December	
	2015	2014
	<i>AUD'000</i>	<i>AUD'000</i>
	(audited)	(audited)
Revenue	60,037	Not applicable
Loss/profit before taxation	4,601	(10,628)
Loss/profit after taxation	<u>4,601</u>	<u>(10,628)</u>
Total assets	<u>156,791</u>	<u>70,001</u>

FINANCIAL EFFECT OF THE SALE OF SHARES

As a result of the Sale of Shares, the Group is expected to record an unaudited gain of approximately RMB769,000,000, subject to relevant working capital adjustment set out in the Share Sale Agreement. The unaudited gain represents the difference between the Purchase Price, adjusted for any debt remaining in Hanking Australia and its subsidiaries post Completion, or repaid by the Purchaser on Completion; and the attributable portion of the unaudited net liabilities and other reserves as at 30 June 2016 of Hanking Australia.

Upon Completion, the Company will be able to maintain sufficient operations under Rule 13.24 of the Listing Rules based on its remaining iron and nickel businesses, which will continue to be the core businesses that drive the sustainable development of the Company.

Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Sale of Shares may be different from the above and will be determined based on the financial position of Hanking Australia on the Completion Date of Sale of Shares and the review by the Group's auditors upon finalization of the consolidated financial statements of the Group.

Upon Completion, the Company will cease to have any interest in Hanking Australia, which will cease to be a subsidiary of the Company and the financial results of Hanking Australia will no longer be consolidated into the consolidated financial statements of the Company.

USE OF PROCEEDS

The Company intends to use the net proceeds from the Sale of Shares to further develop its business and improve the financial position of the Group, in particular: 1) to improve the Company's capital structure, reduce its debt liabilities and increase its operating cash; 2) to make further investment in the Company's iron ore business in the PRC and nickel business in Indonesia, as well as to further explore and develop new business opportunities; and 3) to declare dividends to the Shareholders, subject to the approval of the Board and Shareholders' general meeting.

REASONS FOR AND BENEFIT OF THE SALE OF SHARES

The Company purchased Hanking Australia in 2013. After three years' operation by the Company, the value of Hanking Australia has been enhanced significantly. The SXO Gold Project of Hanking Australia produced the first gold pour in February 2015, and was put into commercial production in August 2015. Hanking Australia has achieved a significant increase in its resource and reserves, and sold gold of 64,232 ounce in the first half of 2016. Taking into consideration of the above, as well as the purchase price offered by the Purchaser under the Share Sale Agreement, the Company decided to sell its equity interests in Hanking Australia to the Purchaser, as the Sale of Shares will maximize the value of Hanking Australia, and increase Shareholders' return. The Company also considers the Sale of Shares a good opportunity for the overall development of the Company. In addition, the proceeds of the Sale of Shares to be used for the Company's business development is expected to improve the Group's financial situation, facilitate its long-term development and maximize Shareholders' interest as a whole. Following the Sale of Shares, the Company will be in a stronger financial position to continue operating its iron ore and nickel business, and may continue seeking gold mining opportunities with the proceeds from the Sale of Shares, which is consistent with the Company's 2016 operation plan as disclosed in its 2015 annual report.

The Directors (including all independent non-executive Directors) consider that the terms of the Share Sale Agreement are fair and reasonable and are on normal commercial terms, and the Sale of Shares is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio for the Sale of Shares is more than 75%, the Sale of Shares constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the ordinary resolution in respect of the Share Sale Agreement and the transactions contemplated thereunder at the EGM.

There were justifiable commercial reasons for the Purchaser and Guarantor to enter into transactions with both the Company and Other Vendors for the Sale of Shares, while the Sale of Shares by the Company and the Other Vendors to the Purchaser are not inter-conditional upon each other. Neither the Company nor Other Vendors are required to obtain each other's consent for sale of their equity interests in Hanking Australia.

In addition, the Sale of Shares are primarily driven by the Company, and the proceeds from the Sale of Shares will be received by the Company in proportion to its equity interests in Hanking Australia. Both the Company and Dr. Mark Yumin Qiu (including his concert parties) will be subject to materially the same terms and conditions of the Share Sale Agreement which indicates that Dr. Mark Yumin Qiu (including his concert parties) won't be entitled to any extra benefit otherwise not entitled to by the Company with respect to the Share Sale Agreement and the transaction contemplated thereunder.

Dr. Mark Yumin Qiu, an executive Director of the Company and who does not hold shares of the Company, will abstain from voting from the Board meeting of the Company to consider the Sale of Shares. Since Dr. Mark Yumin Qiu will abstain from voting from the Board meeting to consider the Sale of Shares, there would be no risk that he might exercise influence to the Sale of Shares by taking advantage of his directorship in the Company;

A circular containing, amongst other matters, further details of the Sale of Shares and the notice of the EGM will be dispatched to the Shareholders on or before 8 March 2017 and in compliance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the following meanings ascribed to them respectively:

“AUD”	the lawful currency of Australia (Australian dollars)
“Board”	the board of Directors

“Company”	China Hanking Holdings Limited (中國罕王控股有限公司), a limited company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the sale and purchase of all of the shares in Hanking Australia as contemplated in the Share Sale Agreement
“Completion Date”	the date on which the Sale of Shares are completed
“connected person”	has the same meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Sale of Shares and the transactions completed under the Share Sale Agreement by the shareholders of the Company
“Enterprise Value”	AUD330 million, being the total enterprise value of Hanking Australia including the aggregate value of equity, cash, intra-group and external debt of Hanking Australia
“Group”	the Company and its subsidiaries
“Guarantor”	Shandong Tianye Real Estate Development Group Co., Ltd. (山東天業房地產開發集團有限公司), being the ultimate holding company of the Purchaser, and an Independent Third Party
“Hanking Australia”	Hanking Australia Pty Ltd, a limited liability company established in Australia and a wholly-owned subsidiary of the Company
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Other Vendors”	Dr. Mark Yumin Qiu, Dr. Yajuan Yun and Qiu Family Super Pty Ltd as trustee of the Qiu Family Superannuation Fund, holding 1.40%, 1.21% and 0.39% of the equity interests of Hanking Australia respectively
“PRC”	The People’s Republic of China

“Purchase Price”	the aggregate cash price payable by the Purchaser for the Shares (being based on the Enterprise Value of AUD330 million on a cash and debt free basis), adjusted for any intra-group or external debt remaining in Hanking Australia and its subsidiaries post-Completion, or repaid by the Purchaser on Completion, and subject to relevant post completion working capital adjustment set out in the Share Sale Agreement
“Purchaser”	Shandong Tianye Group Bid Co Pty Ltd, a company established in Australia with limited liability and an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale of Shares”	the proposed sale of 100% Shares in Hanking Australia by the Vendors to the Purchaser pursuant to the terms of the Share Sale Agreement
“Share(s)”	the share(s) of Hanking Australia
“Shareholder(s)”	the holder(s) of the shares of the Company
“Share Sale Agreement”	the share sale agreement dated 15 February 2017 entered into among the Company, the Other Vendors, the Purchaser and the Guarantor in relation to the Sale of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	the lawful currency of the United States of America
“Vendors”	the Company and Other Vendors, and each as a Vendor
“%”	percent

By Order of the Board
China Hanking Holdings Limited
Yang Jiye
Chairman and Executive Director

Shenyang, the PRC, 15 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.