THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Hanking Holdings Limited**, you should hand this circular together with the accompanying form of proxy at once to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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)

CONTINUING CONNECTED TRANSACTION – SUPPLEMENTAL AGREEMENTS TO THE IRON ORE CONCENTRATES SALE AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

東方融資(香港)有限公司
ORIENT CAPITAL (HONG KONG) LIMITED

A letter from the Board is set out on pages 5 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from Orient Capital (Hong Kong) Limited is set out on pages 14 to 23 of this circular.

A notice convening the EGM to be held at Conference Room, 22nd Floor, No.227, Qingnian Street, Shenhe District, Shenyang, the PRC on Thursday, 14 December 2017 at 10:00 a.m. is set out on pages 30 to 31 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Company (www.hankingmining.com) and of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

14 November 2017

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In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

"Aoniu Mining"	Fushun Hanking Aoniu Mining Limited* (撫順罕王傲牛礦業股份有限公司), a company established in the PRC on 19 March 1998 and a subsidiary of the Company. It is mainly engaged in iron ore mining and processing
"Aoniu Mining Group"	Aoniu Mining together with certain of its subsidiaries
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Benxi Iron Processing"	Benxi Hanking Iron Processing Co., Ltd.*(本溪罕王鐵選有限公司), a limited liability company established in the PRC
"Benxi Mining"	Benxi Hanking Mining Co., Ltd.*(本溪罕王礦業有限公司), a limited liability company established in the PRC
"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
"controlling shareholders"	has the meaning ascribed in the Listing Rules and unless the context requires otherwise, refers to Mr. Yang, Ms. Yang, China Hanking (BVI) Limited, Bisney Success Limited, Best Excellence Limited and Tuochuan Capital Limited
"Dalian Huaren"	Dalian Huaren Trading Co., Ltd.* (大連華仁貿易有限公司), which is more particularly described in the section headed "Letter from the Board – Information on the Group and the connected persons" of this circular
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting to be convened and held on 14 December 2017, the notice of which is set out on pages 30 to 31 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approving the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps)

"Fushun D.R.I."	Fushun Hanking D.R.I. Co., Ltd.* (撫順罕王直接還原鐵有限公司), which is more particularly described in the section headed "Letter from the Board – Information on the Group and the connected persons" of this circular
"Fushun Deshan"	Fushun Deshan Trading Co., Ltd.* (撫順德山貿易有限公司), which is more particularly described in the section headed "Letter from the Board – Information on the Group and the connected persons" of this circular
"Fushun New Steel"	Fushun New Steel Limited Liability Co., Ltd* (撫順新鋼鐵有限責任公司), a company established in the PRC on 12 October 2005, mainly engaged in iron and steel smelting, rolling and processing, which is an Independent Third Party
"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, whose shares are held by Ms. Yang (88.96%) and other individuals. Hanking Group is a holding company controlled by a controlling shareholder
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board, comprising Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps)
"Independent Financial Adviser" or "Orient Capital"	Orient Capital (Hong Kong) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under SFO, and is the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps)
"Independent Shareholders"	Shareholders excluding Ms. Yang and Mr. Yang and their respective associates

"Independent Third Party(ies)"	a third party(ies) which is/are independent of and not connected with the Company and any connected person of the Company and not otherwise a connected person of the Company
"Iron Ore Concentrates Sale Agreement"	the sale agreement dated 22 November 2016 and entered into between STSU, Fushun D.R.I., Dalian Huaren and Fushun Deshan, pursuant to which STSU agrees that STSU and/or its subsidiaries shall provide iron ore concentrates to Fushun D.R.I. through Dalian Huaren and Fushun Deshan as Fushun D.R.I.'s agents for a term of three years commencing from 1 January 2017
"Latest Practicable Date"	10 November 2017, being the latest practicable date before printing of this circular for ascertaining information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Maogong Mine"	located at Shiwen Town, Fushun City, an iron mine operated through Maogong Mining, a subsidiary of the Company
"Maogong Mining"	Fushun Hanking Maogong Mining Co., Ltd.* (撫順罕王毛公鐵礦有限公司), a company established in the PRC on 31 March 1997 and an indirect wholly-owned subsidiary of the Company. It is mainly engaged in iron ore mining and processing
"Mr. Yang"	Mr. Yang Jiye, the chairman, an executive Director and a controlling shareholder of the Company. He is the son of Ms. Yang
"Ms. Yang"	Ms. Yang Min, a controlling shareholder of the Company and the mother of Mr. Yang
"PRC"	the People's Republic of China
"Proposed Annual Caps"	the proposed annual caps of the continuing connected transactions contemplated under the Supplemental Agreements as set out in the section headed "Letter from the Board – Proposed Annual Caps" of this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the Company with a nominal value of HK$0.10 each

"Shareholder(s)"	shareholder(s) of the Company
"Shengtai Property"	Shenyang Shengtai Properties Management Co., Ltd* (瀋陽盛泰物業管理有限公司), a limited liability company established in the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"STSU"	Shenyang Toyo Steel Utility Co., Ltd.* (瀋陽東洋煉鋼公用設施有限公司), which is more particularly described in the section headed "Letter from the Board – Information on the Group and the connected persons" of this circular
"Supplemental Agreements"	the supplemental agreements dated 26 September 2017 and 10 November 2017, respectively, entered into between STSU, Fushun D.R.I., Dalian Huaren and Fushun Deshan to modify the original terms of the Iron Ore Concentrates Sale Agreement
"%"	per cent

* *For identification purpose only.*

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)

Executive Directors:
Mr. Yang Jiye
Dr. Pan Guocheng
Mr. Zheng Xuezhi
Dr. Qiu Yumin
Mr. Xia Zhuo

Non-executive Director:
Mr. Kenneth Jue Lee

Independent non-executive Directors:
Mr. Wang Ping
Dr. Wang Anjian
Mr. Ma Qingshan

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters in the PRC:
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Shenhe District
Shenyang 110016
Liaoning Province
PRC

Principal Place of Business in Hong Kong:
36/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

14 November 2017

Dear Shareholders,

CONTINUING CONNECTED TRANSACTION – SUPPLEMENTAL AGREEMENTS TO THE IRON ORE CONCENTRATES SALE AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to (i) the announcements of the Company dated 22 November 2016 and 23 December 2016, respectively, and the circular of the Company dated 7 December 2016 in relation to, among others, the non-exempt continuing connected transactions of the Company under the Iron Ore Concentrates Sale Agreement, pursuant to which the Company, through its subsidiaries, including but not limited to STSU, agreed to provide iron ore concentrates to Fushun D.R.I. through Dalian Huaren and Fushun Deshan as Fushun D.R.I.'s agents for a term of three years commencing from 1 January 2017; and (ii) the announcements of the Company dated 26 September 2017 and 10 November 2017, respectively, in relation to the Supplemental Agreements which modified the original terms of the Iron Ore Concentrates Sale Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Supplemental Agreements (including the Proposed Annual Caps); (ii) the recommendation and advice of the Independent Board Committee; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders together with a notice convening the EGM.

SUPPLEMENTAL AGREEMENTS TO THE IRON ORE CONCENTRATES SALE AGREEMENT

Date

26 September 2017 and 10 November 2017

Parties

(1) STSU;

(2) Fushun D.R.I.;

(3) Dalian Huaren; and

(4) Fushun Deshan.

Subject matter

The parties agreed to change the proposed annual caps for the continuing connected transactions under the original terms of the Iron Ore Concentrates Sale Agreement.

Condition

The Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) are conditional on the approval by the Independent Shareholders at the EGM.

Historical figures

The historical transaction figures between the Group and Fushun D.R.I. are as follows:

	Year ended 31 December		Six months ended
2014	**2015**	**2016**	**30 June 2017**
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
227	230	236	187

Proposed annual caps

The proposed annual caps for the continuing connected transactions under the Iron Ore Concentrates Sale Agreement for each of the three years ending 31 December 2017, 2018 and 2019 are to be revised from RMB345 million, RMB345 million and RMB345 million, respectively, to RMB484 million, RMB484 million and RMB484 million, respectively.

Basis of caps

The Proposed Annual Caps are determined on the basis of the following elements from 2017 to 2019:

(i) expected increase production volume of iron ore concentrates by Maogong Mine from 353,880 tons in the first half of 2016 to 561,930 tons for the first half of 2017, representing a year-on-year increase of 58.79%, which accounted for 60.26% of the Group's output of iron ore concentrates;

(ii) expected demand for iron ore concentrates by Fushun D.R.I. (the historical production and sales of pig iron of Fushun D.R.I. is similar to its maximum production capacity); and

(iii) expected market price of approximately RMB697/ton excluding value added tax (the "**VAT**") for iron ore concentrates in the calculation of the Proposed Annual Caps after taking into account of, among other things, (a) the compound annual growth rate of highest monthly purchase price for each of the two years ended 31 December 2016 and the six months ended 30 June 2017; and (b) the public information of iron ore concentrates price in Northeast and North China provided by Independent Third Parties for the two years ended 31 December 2016 and the six months ended 30 June 2017.

The significant increase in transaction figures between the Group and Fushun D.R.I. of RMB187 million during the six months ended 30 June 2017 as compared to the full year figure in 2016 of RMB236 million was caused by the increase in selling price per unit while the sales volume remained at similar level. In arriving at the Proposed Annual Caps, the Directors considered (i) the expected sales volume of iron ore concentrates from the Group to Fushun D.R.I. of approximately 694,260 tons for each of the three years ending 31 December 2019; and (ii) expected market price of approximately RMB697/ton excluding VAT for iron ore concentrates. Therefore, the increase in the Proposed Annual Caps is caused by the increase in expected selling price per unit.

Pricing policy

Pursuant to the supplemental agreement dated 26 September 2017, the pricing policy will be revised to: in determining the selling price of each batch of iron ore concentrates, the parties shall take into account of the selling price at which STSU and/or its subsidiaries sold iron ore concentrates to Fushun New Steel (an Independent Third Party) or other similar Independent Third Party customers, at that time period. In such case, the transportation costs will be borne by STSU and/or its subsidiaries.

Pursuant to the supplemental agreement dated 10 November 2017, the pricing policy will be reverted back to the original policy as stipulated under the Iron Ore Concentrates Sale Agreement, whereby Fushun D.R.I., Dalian Huaren and/or Fushun Deshan will procure iron ore concentrates from STSU and/or its subsidiaries at the market price and is determined as follows:

(a) the selling price (inclusive of the relevant transportation costs of the Independent Third Party) at which STSU and/or its subsidiaries sold iron ore concentrates to an Independent Third Party less the relevant transportation costs required to deliver to such Independent Third Party ("Ex-work Price"); or

(b) the selling price (exclusive of transportation costs of the Independent Third Party) at which STSU and/or its subsidiaries sold iron ore concentrates to an Independent Third Party plus the relevant transportation costs required to deliver to Fushun D.R.I. ("To The Factory Price").

The transportation cost arrangement is determined by the delivery location at each time. It means that if the delivery location is at STSU's designated location, the price will be at Ex-work Price, while if the delivery location is at Fushun D.R.I.'s designated location, the price will be at To The Factory Price.

The reason for reverting back to the original pricing policy as stipulated under the Iron Ore Concentrates Sale Agreement is because the parties could benefit from the flexibility of choosing between Ex-work Price and To the Factory Price in determining prices.

INFORMATION ON THE GROUP AND THE CONNECTED PERSONS

The Company is an investing holding company. The Company is a fast-growing international mining and metals group that focuses on finding, mining, processing and marketing the earth's mineral resources. The Company focuses on precious metals coupled with nickel and other strategic metals.

STSU, a company established as a sino-foreign joint venture in the PRC on 10 March 1995, which subsequently became a wholly foreign owned enterprise on 18 January 2011, is an indirect wholly-owned subsidiary of the Company, and is mainly engaged in the distribution of iron ore concentrates.

Fushun D.R.I., a company established in the PRC on 20 August 2002 and 88.25% interest of which is indirectly owned by Mr. Yang, is principally engaged in casting of high purity pig iron and ductile pig iron.

Dalian Huaren, a company established in the PRC on 26 May 2011 and a wholly-owned subsidiary of Hanking Group, is mainly engaged in the provision of procurement agency services and whose business scope include steel, coal, coke, iron ore concentrates, and the sale of mining equipment and accessories.

Fushun Deshan is the agent of Fushun D.R.I. and is mainly engaged in the distribution of iron ore concentrates.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Iron ore business remains the principal business and sales income stream of the Group, notwithstanding that the Group diversified into the nickel ore business and gold business in the first half of 2013. In the six months ended 30 June 2017, the revenue of iron ore business was approximately RMB541 million, representing 100% of the revenue from the Group's continuing operations.

The Group intends to continue the transactions under the Iron Ore Concentrates Sale Agreement after modification of its original terms by the Supplemental Agreements. The Directors consider that it is beneficial to the Group by entering into the Supplemental Agreements to revise the annual caps.

Since September 2012 and 2014 respectively, Dalian Huaren and Fushun Deshan have acted as the unified procurement platforms appointed by Fushun D.R.I. responsible for procuring iron ore concentrates from the Group. The iron ore concentrates procured by Dalian Huaren and Fushun Deshan were delivered to Fushun D.R.I.. On the other hand, STSU has sold iron ore concentrates as the Group’s unified sales platforms of iron ore concentrates. The supply of a larger volume of iron ore concentrates to Fushun D.R.I. at market price enables the Group to broaden the revenue from a stable customer. The entering into of the Supplemental Agreements is thus considered in line with the Group’s business and in the interests of the Company and the Shareholders as a whole.

With respect to the Supplemental Agreements, the Directors (excluding the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” of this circular) consider that:

(i) the Proposed Annual Caps for transactions contemplated thereunder for the three years ending 31 December 2017, 2018 and 2019 are fair and reasonable; and

(ii) the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date:

(i) Fushun D.R.I. was indirectly owned by Mr. Yang and hence a connected person of the Company;

(ii) Dalian Huaren was a wholly-owned subsidiary of Hanking Group, and hence a connected person of the Company; and

(iii) Fushun Deshan was the agent of Fushun D.R.I..

Accordingly, the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio relating to the Proposed Annual Caps for the continuing connected transactions under the Supplemental Agreements exceeds 25%, the continuing connected transactions under the Supplemental Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) at the EGM.

At the relevant Board meeting, Mr. Yang has abstained from voting on the resolutions approving the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) in which he and/or his associates are materially interested in.

At the EGM, Ms. Yang and Mr. Yang as well as their respective associates will abstain from voting on the resolutions approving the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps). As at the Latest Practicable Date, Ms. Yang and Mr. Yang respectively held 519,845,166 Shares and 800,241,500 Shares, representing approximately 28.41% and 43.73% of the existing issued share capital of the Company, respectively. To the best knowledge, information and belief of the Directors, none of the persons (excluding Ms. Yang, Mr. Yang and their respective associates) who are required to abstain from voting at the EGM was holding any Shares as at the Latest Practicable Date.

GENERAL

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps). The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps), after taking into account the recommendations of the Independent Financial Adviser.

EGM

A notice of the EGM to be held at Conference Room, 22nd Floor, No.227, Qingnian Street, Shenhe District, Shenyang, the PRC on 14 December 2017 at 10:00 a.m. at which the relevant resolutions will be proposed to approve the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) is set out on pages 30 to 31.

A proxy form for use at the EGM is enclosed. Such form of proxy is also published on the websites of the Company (www.hankingmining.com) and of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Independent Board Committee, having taken into account of the advice of the Independent Financial Adviser, considers that the entering into of the Supplemental Agreements is in the ordinary and usual course of business of the Group, the terms of the Supplemental Agreements are on normal commercial terms and which, altogether with the Proposed Annual Caps, are fair and reasonable, and the transactions contemplated under the Supplemental Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps) at the EGM.

Your attention is drawn to the letter from the Independent Board Committee to the Shareholders set out on pages 12 to 13 of this circular.

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Friday, 8 December 2017 to Thursday, 14 December 2017 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company as at 4:30 p.m. on Thursday, 7 December 2017 are entitled to attend and vote at the EGM.

FURTHER INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

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

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders:

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)

14 November 2017

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION – SUPPLEMENTAL AGREEMENTS TO THE IRON ORE CONCENTRATES SALE AGREEMENT

We refer to the circular of the Company (the "**Circular**") dated 14 November 2017 and despatched to the Shareholders which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Supplemental Agreements, the transactions contemplated thereunder and the Proposed Annual Caps, details of which are set out in the section headed "Letter from the Board" of the Circular. Orient Capital has been appointed to advise the Independent Shareholders and us in this regard.

Details of the advice and the principal factors and reasons Orient Capital has taken into consideration in rendering its advice, are set out in the section headed "Letter from Orient Capital (Hong Kong) Limited" of the Circular. Your attention is also drawn to the additional information set out in the Circular. Having taken into account the terms of the Supplemental Agreements and the advice of Orient Capital, we are of the opinion that (i) the entering into of the Supplemental Agreements is in the ordinary and usual course of business of the Group; and (ii) the terms of the Supplemental Agreements are on normal commercial terms, and which, altogether with the Proposed Annual Caps, are fair and reasonable, and the transactions contemplated under the Supplemental Agreements are in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan
Independent non-executive Directors

The following is the text of the letter of advice from Orient Capital (Hong Kong) Limited to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreements.

東方融資(香港)有限公司
ORIENT CAPITAL (HONG KONG) LIMITED

Orient Capital (Hong Kong) Limited
28/F-29/F, 100 QRC
100 Queen's Road Central
Hong Kong

14 November 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

REVISION OF 2017, 2018 AND 2019 ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with respects to the Proposed Annual Caps for the Supplemental Agreements for the years ending 31 December 2017, 2018 and 2019, details of which are set out in the letter from the board (the "**Letter from the Board**") contained in the circular to the Shareholders dated 14 November 2017 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context requires otherwise. We recommend the Independent Board Committee to advise the Independent Shareholders to read this Circular carefully before they decide to vote for or against the Supplemental Agreements.

On 22 November 2016, the Company entered into the Iron Ore Concentrates Sale Agreement with Fushun D.R.I., Dalian Huaren and Fushun Deshan, pursuant to which the Company will, through its subsidiaries, including but not limited to STSU, provide iron ore concentrates to Fushun D.R.I. through Dalian Huaren and Fushun Deshan as Fushun D.R.I.'s agents for the three years ending 31 December 2019. The Iron Ore Concentrates Sale Agreement and the annual caps thereunder were approved by the then Independent Shareholders at the EGM of the Company on 23 December 2016.

As advised by the management of the Company (the "**Management**"), due to the increased price of iron ore concentrates in 2017, the Board expects that the annual caps for the three years ending 31 December 2019 of the Iron Ore Concentrates Sale Agreement (the "**Existing Annual Caps**") will not be sufficient for the expected transaction amounts. The Board therefore proposes to revise the Existing Annual Caps to the Proposed Annual Caps.

According to the Letter from the Board, Fushun D.R.I. is an indirectly owned subsidiary of Mr. Yang and hence a connected person of the Company. Dalian Huaren is a wholly-owned subsidiary of Hanking Group, and hence a connected person of the Company. Fushun Deshan is the agent of Fushun D.R.I.. Accordingly, the transactions under the Supplemental Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As Ms. Yang and Mr. Yang are considered to be materially interested in such agreements, Ms. Yang and Mr. Yang as well as their respective associates will abstain from voting on the resolutions approving the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps).

The Independent Board Committee comprising all the independent non-executive Directors (namely Mr. Wang Ping, Dr. Wang Anjian, and Mr. Ma Qingshan) has been formed to consider the Proposed Annual Caps under the Supplemental Agreements for the years ending 31 December 2017, 2018 and 2019 are on normal commercial terms, fair, and reasonable and in the interests of the Company and Shareholders as a whole. We, Orient Capital (Hong Kong) Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied, without assuming any responsibility for independent verification, on the information, opinions and facts supplied and representations made to us by the Company, who have assumed full responsibility for the accuracy of the information contained in this circular and that any information and representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have discussed with the Management regarding their plans and prospects of the Company. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have studied the relevant market and other conditions and trends relevant to the pricing of transactions contemplated under the Supplemental Agreements. We have also assumed that statements and representations made or referred to in this circular were accurate at the time they were made and continue to be accurate up to the date of the EGM. We consider that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. It is not within our terms of engagement to comment on the commercial feasibility of the Supplemental Agreements, which remains the responsibility of the Directors. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiations in respect of the terms of the Supplemental Agreements.

Our opinion is necessarily based upon the financial, economic, market, regulatory, and other conditions as they exist on, and the facts, information, and opinions made available to us as of the date of this letter. We have no obligation to update this opinion to take into account events occurring after the date on which this opinion is delivered to the Independent Board Committee and the Independent Shareholders. This letter is solely for the information of the Independent Board Committee and the Independent Shareholders, in connection with their consideration of the Supplemental Agreements, and is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

Orient Capital (Hong Kong) Limited is a licensed corporation to carry out regulated activities of advising on corporate finance under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"). Orient Capital and its affiliates, whose ordinary business involves the trading of, dealing in and the holding of securities, may be involved in the trading of, dealing in, and the holding of the securities of the Company for client accounts.

During the past two years, Orient Capital (Hong Kong) Limited has acted as the independent financial adviser to the Independent Board Committee and Independent Shareholders of the Company in relation to one continuing connected transaction as detailed in the Company's circular dated 7 December 2016. The past engagement was limited to providing independent advisory services to the Independent Board Committee and Independent Shareholders of the Company pursuant to the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the terms of the Proposed Annual Caps in giving our recommendation to the Independent Board Committee and the Independent Shareholders are set out below:

1. Background of and reasons for Proposed Annual Caps under the Supplemental Agreements to the Iron Ore Concentrates Sale Agreement

According to the Letter from the Board, the Company is an investing holding company. The Company is a fast-growing international mining and metals group that focuses on finding, mining, processing and marketing the earth's mineral resources. The Company focuses on precious metals coupled with nickel and other strategic metals.

STSU, a company established as a sino-foreign joint venture in the PRC on 10 March 1995, which subsequently became a wholly foreign owned enterprise on 18 January 2011, is an indirect wholly-owned subsidiary of the Company, and is mainly engaged in the distribution of iron ore concentrates.

Fushun D.R.I., a company established in the PRC on 20 August 2002 and 88.25% interest of which is indirectly owned by Mr. Yang, is principally engaged in casting of high purity pig iron and ductile pig iron.

Dalian Huaren, a company established in the PRC on 26 May 2011 and a wholly-owned subsidiary of Hanking Group, is mainly engaged in the provision of procurement agency services and whose business scope include steel, coal, coke, iron ore concentrates, and the sale of mining equipment and accessories.

Fushun Deshan is the agent of Fushun D.R.I. and is mainly engaged in the distribution of iron ore concentrates.

As noted from the Board, since September 2012 and 2014, respectively, Dalian Huaren and Fushun Deshan have acted as the unified procurement platforms appointed by Fushun D.R.I. responsible for procuring iron ore concentrates from the Group. The iron ore concentrates procured by Dalian Huaren and Fushun Deshan were delivered to Fushun D.R.I.. On the other hand, STSU has sold iron ore concentrate as the Group's unified sales platforms of iron ore concentrates. In view of (i) the sales of iron ore concentrates from STSU to Fushun D.R.I. are the Group's normal business operation; and (ii) the continuous sales of iron ore concentrates to Fushun D.R.I. will render stable revenue to the Group with pricing terms not less favorable to Independent Third Party, the entering into of the Supplemental Agreements is in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole.

Set out below is a summary of the Group's financial information for the two years ended 31 December 2015 and 2016 prepared in accordance with the International Financial Reporting Standards (the "**IFRS**") extracted from the annual report of the Company for the year ended 31 December 2016 (the "**Annual Report**") and the Group's financial Information for the six months ended 30 June 2017 extracted from the interim report of the Company for the six months ended 30 June 2017 (the "**Interim Report**"):

	For the year ended 31 December (audited)		**For the six months ended 30 June (unaudited)**
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,219,751	1,707,198	541,452
Gross profit	290,530	295,580	260,340
Total comprehensive income (expense)	(429,544)	(169,123)	852,497

As advised by the Directors and according to the Annual Report and Interim Report, iron ore business is one of the three major business segments (i.e. exploration, mining, processing and sales of gold, iron ore concentrates and nickel ores) of the Group. The amount of iron ore concentrates sold by the Group for the two years ended 31 December 2016 and six months ended 30 June 2017 are approximately RMB927 million, RMB812 million and RMB541 million respectively, which accounted for approximately 76.0%, 47.6%, and 100% of the revenue from the Group's continuing operations, respectively, for the respective financial periods.

According to the Letter from the Board, the Annual Report and the Interim Report, the amount of iron ore concentrates sold to Fushun D.R.I. for the two years ended 31 December 2016 and six months ended 30 June 2017 are approximately RMB230 million, RMB236 million and RMB187 million respectively, which accounted for approximately 18.9%, 13.8% and 34.5% of the revenue from the Group's continuing operations, respectively, for respective financial periods. In this regard, we concur with the view of Directors that the iron ore concentrates sales under the Supplemental Agreements shall enable the Group to broaden the revenue from a stable customer.

As advised by the Directors, STSU, Fushun D.R.I., Dalian Huaren and Fushun Deshan will enter into individual agreements detailing the material terms, such as actual price and quantity, for each of the sales transactions of iron ore concentrates to Fushun D.R.I. for the three years ending 31 December 2019. The Directors confirmed that the final term of each sales transaction will be determined after arm's length negotiation among STSU and/or its subsidiaries, Fushun D.R.I., Dalian Huaren and Fushun Deshan from time to time under normal commercial terms in the ordinary course of business.

Based on our discussion with the Directors, the Directors advised that they have also considered the industry outlook of the iron ore industry of the PRC with reference to, among others, the following industry information. We noted that the annual average economic growth of China would have to reach a minimum of 6.5% according to the《第十三個五年規劃綱要》("**The Thirteenth Five Year Plan**"). We also noted that, as the promotion of the construction of《一帶一路》("**The Belt and Road**"), constructions and projects will be promoted and implemented among countries primarily in Eurasia. In addition, we noted that, based on the《遼寧省國民經濟和社會發展第十三個五年規劃綱要》("**The Thirteenth Five Year Plan of Economic and Social Development of Liaoning Province**"), it is estimated that the nominal gross domestic product of the Liaoning Province to experience a compound annual growth rate ("**CAGR**") of approximately 6.6% from 2015 to 2020. Accordingly, the iron ore business of the Company is expected to be relatively stable in the upcoming years.

We also note that sales of iron ore concentrates for the six months ended 30 June 2017 to Fushun D.R.I. is RMB187 million, representing approximately 54.2% of the Existing Annual Caps as a result of the increased price of iron ore concentrates in the first half of 2017. We concur with the Directors that the Existing Annual Caps will be exceeded if the trends remain similar for the second half of 2017.

Having considered that (i) the principal business of the Company and Fushun D.R.I.; (ii) the continuous sales of iron ore concentrates to Fushun D.R.I. will render stable revenue to the Group with pricing terms not less favourable to Independent Third Party; (iii) the stable outlook of iron ore industry in the PRC; and (iv) the necessity of the Proposed Annual Caps according to the utilization rate of the Existing Annual Caps, we are of the view that the entering into of the Supplemental Agreements is in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole.

2. Principal terms of the Supplemental Agreements

According to the Letter from the Board, the review of the Supplemental Agreements and discussion with the Management, we notice that save as the amendment to the Existing Annual Caps, all of the existing terms and conditions under the Iron Ore Concentrates Sale Agreement remain unchanged.

Pricing Policy

With reference to the Letter from the Board, under the pricing policy of Iron Ore Concentrates Sale Agreement, Fushun D.R.I., Dalian Huaren and/or Fushun Deshan will procure iron ore concentrates from STSU and/or its subsidiaries at the market price and is determined as follows:

(a) the selling price (inclusive of the relevant transportation costs of the Independent Third Party) at which STSU and/or its subsidiaries sold iron ore concentrates to an Independent Third Party less the relevant transportation costs required to deliver to such Independent Third Party ("**Ex-work Price**"); or

(b) the selling price (exclusive of transportation costs of the Independent Third Party) at which STSU and/or its subsidiaries sold iron ore concentrates to an Independent Third Party plus the relevant transportation costs required to deliver to Fushun D.R.I. ("**To The Factory Price**").

The transportation cost arrangement is determined by the delivery location at each time. It means that if the delivery location is at STSU designated location, the price will be at Ex-work Price, while if the delivery location is at Fushun D.R.I. designated location, the price will be at To The Factory Price.

3. Proposed Annual Caps Amounts

Set out below are (i) the Existing Annual Caps for the three years ending 31 December 2019; and (ii) the Proposed Annual Caps for the three years ending 31 December 2019:

	For the year ending 31 December		
	2017	**2018**	**2019**
	RMB (million)	*RMB (million)*	*RMB (million)*
Existing Annual Caps	345	345	345
Proposed Annual Caps	484	484	484

The significant increase in transaction figures between the Group and Fushun D.R.I. of RMB187 million during the six months ended 30 June 2017 as compared to the full year figure in 2016 of RMB236 million was caused by the increase in selling price per unit while the sales volume remained at similar level. In arriving at the Proposed Annual Caps, the Directors considered i) the expected sales volume of iron ore concentrates from the Group to Fushun D.R.I. of approximately 694,260 tons for each of the three years ending 31 December 2019; and ii) expected market price of approximately RMB697/ton excluding value added tax (the "**VAT**") for iron ore concentrates. Therefore, the increase in the Proposed Annual Caps is caused by the increase in expected selling price per unit.

In arriving at the Proposed Annual Caps, the Directors considered (i) expected increase production volume of iron ore concentrates by Maogong Mine from 353,880 tons in the first half of 2016 to 561,930 tons for the first half of 2017, representing a year-on-year increase of 58.79%, which accounted for 60.26% of the Group's output of iron ore concentrates; (ii) expected demand for iron ore concentrates by Fushun D.R.I. (the historical production and sales of pig iron of Fushun D.R.I. is similar to its maximum production capacity); and (iii) expected market price of approximately RMB697/ton excluding VAT for iron ore concentrates in the calculation of the Proposed Annual Caps after taking into account of, among other things, (a) the compound annual growth rate of highest monthly purchase price for each of the two years ended 31 December 2016 and the six months ended 30 June 2017; and (b) the public information of iron ore concentrates price in Northeast and North China provided by Independent Third Parties for the two years ended 31 December 2016 and the six months ended 30 June 2017.

Expected supply volume of iron ore concentrates from the Group to Fushun D.R.I.

i. Demand of Fushun D.R.I.

In order to understand the proposed orders from Fushun D.R.I., we have conducted interview with the management of Fushun D.R.I. to understand their demand for iron ore concentrates. We understand that i) the maximum pig iron production capacity of the active production facilities of Fushun D.R.I. is approximately 580,000 tons per annum; ii) the sale volume of pig iron of Fushun D.R.I. for the two years ended 31 December 2016 and the six months ended 30 June 2017 are approximately 516,695 tons, 592,024 tons and 263,303 tons, respectively. The production of pig iron of Fushun D.R.I. for the two years ended 31 December 2016 and the six months ended 30 June 2017 are approximately 523,990 tons, 578,024 tons and 262,974 tons, respectively. The historical production and sales of pig iron of Fushun D.R.I. is similar to its maximum production capacity; iii) a unit (ton) production of pig iron may require approximately 1.5 tons of iron ore concentrates, so the expected usage of iron ore concentrates by Fushun D.R.I. is approximately 870,000 tons (580,000 multiplied by 1.5); and iv) Fushun D.R.I. expects to purchase approximately 80% of iron ore concentrates from STSU, which represents 694,260 tons (870,000 multiplied by 79.8%) iron ore concentrates after taking into account of the expected purchase amount of 694,260 tons iron ore concentrates is similar to the original expected quantity to be purchased by Fushun D.R.I. in the Iron Ore Concentrates Sale Agreement of 2016, which represented approximately 700,000 tons.

The Directors also advised that Fushun D.R.I. had been one of the top three largest customers of the Group since 2010 and there was no material change in the Company's business relationship with and sales contribution to Fushun D.R.I. since the Company's listing in 2011.

In this regard, we consider it is justifiable for Fushun D.R.I. to purchase the expected iron ore concentrates of 694,260 tons per annum from the Group.

ii. Supply of Maogong Mining

As advised by the Directors and disclosed in the Interim Report of 2017 of the Company, through continuous technology improvements, Maogong Mine has achieved steady growth in the output of iron ore concentrates, which amounted to approximately 561,930 tons for the first half of 2017 (the first half of 2016: approximately 353,880 tons), representing a year-on-year increase of 58.79%, which accounted for 60.26% of the Group's output of iron ore concentrates.

The Directors advised that, through continuous technology improvements, the Company expects the maximum production of iron ore concentrates of Maogong Mine will satisfy the demand of Fushun D.R.I.. In this regard, we concur with the view of the Directors that the expected sales volume of iron ore concentrates of 694,260 tons to Fushun D.R.I. is reasonable.

Having considered, among other things, i) the production plan and historical sales volume of pig iron of Fushun D.R.I.; and ii) the expected iron ore concentrates production capacity of Maogong Mining and sales plan, we concur with the view of the Directors that the expected sales volume of 694,260 tons iron ore concentrates to Fushun D.R.I. for the three years ending 31 December 2019 is fair and reasonable.

Expected selling price of the iron ore concentrates from the Group to Fushun D.R.I.

The Directors advised that they have adopted the expected market price of approximately RMB697/ton excluding VAT for iron ore concentrates in the calculation of the Proposed Annual Caps after taking into account of, among other things, (a) the CAGR of highest monthly purchase price for each of the two years ended 31 December 2016 and the six months ended 30 June 2017; and (b) the public information of iron ore concentrates price in Northeast and North China provided by Independent Third Parties for the two years ended 31 December 2016 and the six months ended 30 June 2017.

According to the Letter from the Board and as advised by the Directors, the highest selling price excluding VAT of iron ore concentrates of the Group to its customers for each of the two years ended 31 December 2016 and the six months ended 30 June 2017 was approximately RMB529/ton, RMB531/ton and RMB636/ton. The formula for CAGR calculation is CAGR = (Ending Value/ Beginning Value) $^{(1/\# \text{ of years})}$ -1, plugging in the above values we get [(636/529) $^{1/2}$ - 1] for a CAGR of 9.66%. Therefore, the CAGR for highest monthly purchase price per year for two years ended 31 December 2016 and six months ended 30 June 2017 is approximately 9.66%. Following with the historical price trend of CAGR of 9.66% and the highest selling price excluding VAT of iron ore concentrates of the Group to its customers for the six months ended 30 June 2017 of approximately RMB636/ton, considering that if based on the CAGR of 9.66%, the expected market price of RMB697/ton (RMB636/ton multiplied by 1.0966) for iron ore concentrates is fair and reasonable.

According to MySteel information, the market price of iron ore concentrates with the same grades as that of selling to Fushun D.R.I. (grade 66% or above, dry) in the respective Northeast and North China areas, which the Directors have made reference to determine the relevant price, ranged from approximately RMB595/ton to RMB855/ton excluding VAT for the period from January to October 2017. The expected market price of RMB697/ton is within the range. MySteel is set up by Shanghai Ganglian E-commerce Holdings Company Limited (上海鋼聯電子商務股份有限公司). MySteel is listed on the Shenzhen Stock Exchange and is an independent organization focused on the iron and steel industry in the PRC, which supplies various internet-related services to its members such as up-to-date steel industry information and news and enables access to a global community of steel producers and traders.

In this regard, we concur with the view of the Directors that the expected market price of iron ore concentrates (grade 66% or above, dry) of RMB697/ton excluding VAT for the three years ending 31 December 2019 is fair and reasonable.

Our View

Based on the factors and reasons discussed above, and after taking into account that the transactions contemplated under the Supplemental Agreements are of revenue nature, we concur with the Directors' view that the Proposed Annual Caps are fair and reasonable. However, as the Proposed Annual Caps relate to future events and are based on assumptions that may or may not remain valid for the entire period up to 31 December 2019, we express no opinion as to how closely the actual transactions contemplated under the Supplemental Agreements correspond with the Proposed Annual Caps.

4. Internal Control

According to the Letter from the Board and as advised by the Management, the Group has implemented various internal control procedures to monitor the operation of continuing connected transactions.

The following measures will be undertaken by the Group to monitor the pricing standards of the transactions are conducted in accordance with the pricing policy under the Supplemental Agreements:

i. Comparing the selling price of the sales to Fushun D.R.I., Dalian Huaren and/or Fushun Deshan with the selling prices of the other customers of the Group and the procurement prices of other iron and steel companies in Northeast and North China as provided by Independent Third Party on a daily basis;

ii. Adhering to the relevant internal control policy of the Group on connected transactions to ensure that the relevant departments of the Group will monitor the selling price payable by Fushun D.R.I. shall be no less favorable than those payable to the Group from Independent Third Party;

iii. A monthly financial report which contains information on all connected transactions carried out by the Group including the continuing connected transactions under the Supplemental Agreements and the Iron Ore Concentrates Sale Agreement will be submitted to the Management; and

iv. The audit department of the Company will audit the transactions under the Supplemental Agreements on a regular basis.

In order to understand the historical implementation of the Iron Ore Concentrates Sale Agreement, we have reviewed the Annual Report and internal control policy 2015 and 2016. We noted that Deloitte Touche Tohmatsu ("**Deloitte**"), the auditor of the Company, has reviewed the sales of iron ore concentrates to Fushun D.R.I. for each of the years ended 31 December 2015 and 2016 and that the independent non-executive Directors of the Company have reviewed each of the continuing connected transactions and confirmed that these transactions have been conducted: (1) in the ordinary course of business of the Company; (2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, from the perspective of the Company, on terms no less favorable than the terms available to or from Independent Third Parties; and (3) in accordance with relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the equity holders of the Company as a whole. We understand that, among other things, there was nothing that came to Deloitte's nor independent non-executive Directors' attention that caused Deloitte or independent non-executive Directors to believe that the sales of iron ore concentrates to Fushun D.R.I. were not, in all material respects, in accordance with the pricing policies of the Company.

We have also, on a sample basis, selected and reviewed the sales contracts and invoices of (i) products provided by the Group to Fushun D.R.I. through Dalian Huaren and Fushun Deshan under the Iron Ore Concentrates Sale Agreement; and (ii) similar products provided by the Group to Independent Third Parties for the two years ended 31 December 2016 and six months ended 30 June 2017. In addition, we have, on a sample basis, reviewed the monthly financial reports which contain information on connected transactions carried by the Group including the continuing connected transactions under the Iron Ore Concentrates Sale Agreement submitted to the Management. We noted that the price of sales of iron ore concentrates provided by the Group to Fushun D.R.I. through Dalian Huaren and Fushun Deshan and that provided to the Independent Third Party during the selected period was similar.

In light of the above, we are of the view that the Company has appropriate measures to govern the future execution of such transactions under the Supplemental Agreements and to safeguard the interests of the Company and its shareholders as a whole.

RECOMMENDATION

Having considered the above factors, we consider that the entering into of the Supplemental Agreements is in the ordinary and usual course of business of the Group. The terms of the Supplemental Agreements are on normal commercial terms and which, altogether with the Proposed Annual Caps, are fair and reasonable, and the transactions contemplated under the Supplemental Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to approve the Supplemental Agreements at the EGM.

Yours faithfully,
For and on behalf of
Orient Capital (Hong Kong) Limited
Jiang Jun | **Eric Lee**
Managing Director | *Managing Director*
Investment Banking Department

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

(1) Interests in the shares of the Company:

Name of Director and Chief Executive	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Jiye[1]	Founder of discretionary trust	494,360,500 (long positions)	27.01%
	Interest in controlled corporation	305,881,000 (long positions)	16.71%
Xia Zhuo[2]	Interest in controlled corporation	19,130,589 (long positions)	1.05%
	Beneficial owner	60,000 (long positions)	Less than 0.01%
Pan Guocheng[3]	Beneficial owner	4,220,000 (long positions)	0.23%
Zheng Xuezhi	Beneficial owner	2,452,000 (long positions)	0.13%

Notes:

1. Mr. Yang Jiye is the founder of management trust which holds the entire issued share capital of Bisney Success Limited and holds 100% interest in Tuochuan Capital Limited. As a result, Mr. Yang Jiye is deemed to hold interest in 494,360,500 shares of the Company held by Bisney Success Limited and 305,881,000 shares of the Company held by Tuochuan Capital Limited.

2. Mr. Xia Zhuo holds 54.38% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,130,589 shares of the Company held by Splendour Ventures Limited. The accurate percentage of the 60,000 shares of the Company beneficially owned by Mr. Xia Zhuo is 0.00327869%.

3. These shares are held jointly with Ms. Pan Guoying.

(2) Interests in the shares of associated corporations of the Company:

Name of Director and Chief Executive	Name of Associated Corporation	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Qiu Yumin	Hanking Australia Investment Pty Ltd	Beneficial owner	3 (long positions)	3.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDER' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of the persons (other than the interests and short positions of the Directors or chief executive of the Company as disclosed above) in the shares and/or underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company are set out below:

Name of Shareholders	Status/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Yang Min[1]	Interest in controlled corporation	506,025,000 (long positions)	27.65%
	Founder of discretionary trust	13,820,166 (long positions)	0.76%
China Hanking (BVI) Limited	Beneficial owner	506,025,000 (long positions)	27.65%
Bisney Success Limited	Beneficial owner	494,360,500[2] (long positions)	27.01%
Le Fu Limited	Interest in controlled corporation	494,360,500[2] (long positions)	27.01%
UBS Nominees Limited	Nominee for the Trustee	494,360,500[2] (long positions)	27.01%
UBS Trustees (BVI) Limited	Trustee	494,360,500[2] (long positions)	27.01%
Tuochuan Capital Limited	Beneficial owner	305,881,000 (long positions)	16.71%
China Citic Bank Corporation Limited* (中信銀行股份有限公司)	Person having a security interest in Shares	280,000,000 (long positions)	15.30%
Xinfu Branch, Bank of Fushun Co., Ltd.* (撫順銀行股份有限公司新撫支行)	Person having a security interest in Shares	500,000,000 (long positions)	27.32%

Notes:

1. Ms. Yang Min holds 100% interest in China Hanking (BVI) Limited and serves as settlor and beneficiary of management trust which holds the entire issued share capital of Best Excellence Limited. Thus Ms. Yang Min is deemed to have an interest in 506,025,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. These 494,360,500 Shares belong to the same group of Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Save as disclosed in the paragraph headed "Competing interests" below, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, the Directors and their associates did not hold any interests in any business which competes, either directly or indirectly, or is likely to compete against the business of the Group:

Name of Directors	Positions in the Company	Positions
Yang Jiye	Chairman and executive Director	Vice chairman of the board of directors of Hanking Group
Xia Zhuo	Executive Director	director of Hanking Group

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or any conflict of interest which any such person has or may have with the Group other than those businesses to which the Directors and their respective associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service agreement between any Director or any member of the Group (excluding agreements expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE AND ASSETS

a. Lease of Properties and Properties Management

Given the fact that 100% of interest in Shengtai Property is indirectly held by the controlling shareholder of the Company, Shengtai Property is a connected person of the Company in accordance with Rule 14A.11 of the Listing Rules. Aoniu Mining, STSU and Shengtai Property concluded a lease agreement on 16 September 2011. According to the agreement, Aoniu Mining and STSU continued to lease office premises located at No. 227, Qingnian Street, Shenhe District, Shenyang City, Liaoning

Province, with a leased area of approximately 3,193.8 m^2 from Shengtai Property, leased advertising sites in the same building, and engaged Shengtai Property to provide properties management service for a term of three years commencing from the listing date. On 15 October 2013, Aoniu Mining and STSU entered into a new lease agreement with Shengtai Property for a term of three years commencing from 1 January 2014 and ending on 31 December 2016. The annual transaction amount cap for each of the three years is RMB4,000,000. The actual transaction amount of the continuing connected transaction for 2016 was RMB2,247,000.

b. Purchase Framework Agreement

On 28 May 2015 (after trading hours), Aoniu Mining Group entered into a purchase framework agreement (the "**Purchase Framework Agreement**") with Benxi Iron Processing. Pursuant to the Purchase Framework Agreement, Aoniu Mining Group agreed to sell and Benxi Iron Processing agreed to purchase the idle equipment, spare parts and raw materials of Aoniu Mining which are derived from continuing mining technology improvement, for a term of three years with effect from 28 May 2015 (i.e. the date on which the Purchase Framework Agreement took effect) to 31 December 2017. During the term of the Purchase Framework Agreement, both parties agreed that they might enter into further individual purchase agreement(s) from time to time upon and subject to such terms and conditions as may be agreed between both parties, in each case to be negotiated on a case-by-case and arm's length basis and on normal commercial terms. During the term of the Purchase Framework Agreement, the annual transaction amount cap is RMB4,000,000. The actual transaction amount of the continuing connected transaction for 2016 was RMB0.

Save as disclosed above and save as the Supplemental Agreements and the Iron Ore Concentrates Sale Agreement, details of which are set out in this circular, as at the Latest Practicable Date, none of the Directors had: (i) any direct or indirect interest in any assets which have been, since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Company or are proposed to be acquired or disposed of by or leased to any member of the Company; and (ii) any material interest in any contracts or arrangements entered into by any member of the Group, which such contract or arrangement was subsisted as at the Latest Practicable Date and was of significant in relation to the business.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest audited financial statements of the Company were made up.

8. EXPERT AND CONSENT

The following are the qualifications of the expert who had given opinion contained in this circular:

Name	Qualifications
Orient Capital (Hong Kong) Limited	A corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert above had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and had no interest, either direct or indirect, in any assets which had been since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

The expert above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and the reference to its name in the form and context in which it appears.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on the date of this circular and up to and including the date of the EGM:

(a) the Supplemental Agreements;

(b) the Iron Ore Concentrates Sale Agreement;

(c) the letter from the Board, the text of which is set out on pages 5 to 11 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this circular;

(e) the letter from Orient Capital, the text of which is set out on pages 14 to 23 of this circular; and

(f) the letter of consent referred to under the section headed "Expert and consent" in this appendix.

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)

CONTINUING CONNECTED TRANSACTION – SUPPLEMENTAL AGREEMENTS TO IRON ORE CONCENTRATES SALE AGREEMENT

Notice is hereby given that an extraordinary general meeting (the "**EGM**") of China Hanking Holdings Limited will be held at Conference Room, 22nd Floor, No.227, Qingnian Street, Shenhe District, Shenyang, the PRC on Thursday, 14 December 2017 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following proposed ordinary resolution of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 14 November 2017.

ORDINARY RESOLUTION

1. **THAT**:

"(a) the Supplemental Agreements dated 26 September 2017 and 10 November 2017, respectively, and entered into between Shenyang Toyo Steel Utility Co., Ltd.* (瀋陽東洋煉鋼公用設施有限公司), Fushun Hanking D.R.I. Co., Ltd.* (撫順罕王直接還原鐵有限公司), Dalian Huaren Trading Co., Ltd.* (大連華仁貿易有限公司)and Fushun Deshan Trading Co., Ltd.* (撫順德山貿易有限公司) (a copy of which is produced to the EGM marked "A" and signed by the Chairman of the EGM for purpose of identification) be and is hereby approved, confirmed and ratified;

(b) the proposed annual caps for the continuing connected transactions constituted by the transactions contemplated under the Supplemental Agreements for the three years ending 31 December 2019 as set out in the circular of the Company dated 14 November 2017 be and are hereby approved, confirmed and ratified; and

(c) any one Director of the Company be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Supplemental Agreements, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the

Supplemental Agreements and the transactions thereunder, and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

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

Shenyang, the PRC
14 November 2017

Notes:

1. A Shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a Shareholder.

2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

3. In order to be valid, a form of proxy must be deposited at the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof.

4. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

5. The transfer books and register of members of the Company will be closed from Friday, 8 December 2017 to Thursday, 14 December 2017, both days inclusive, in order to determine the entitlement of Shareholders to attend the above meeting, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 7 December 2017.