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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.

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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)

**CONTINUING CONNECTED TRANSACTION –
IRON ORE CONCENTRATES SALE AGREEMENT**

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD
COMMITTEE AND THE INDEPENDENT SHAREHOLDERS**

東方融資(香港)
ORIENT CAPITAL (HONG KONG)

A letter from the Board is set out on pages 5 to 12 of this circular. A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from Orient Capital (Hong Kong) Limited is set out on pages 15 to 27 of this circular.

A notice convening the EGM to be held at Rm 1602, Unit 2, United Apartments, No.1 East Dong Fang Road, Chaoyang District, Beijing, the PRC on Friday, 23 December 2016 at 10:00 a.m. is set out on pages 33 to 34 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.

7 December 2016

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DEFINITIONS

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

“Aoni Mining”	Fushun Hanking Aoni 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
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Hanking Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“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 Trade Co., Ltd.* (大連華仁貿易有限公司), which is more particularly described in the section headed “Information on the Group and the connected persons” in this circular
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened and held on 23 December 2016, the notice of which is set out on pages 33 to 34 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approving the Iron Ore Concentrates Sale Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Existing Agreement”	the procurement agreement dated 15 October 2013 and entered into between the Company, Fushun D.R.I. and Dalian Huaren, pursuant to which the Company, through its subsidiaries, including Aoni Mining and STSU, agrees to provide iron ore concentrates to Fushun D.R.I. through Dalian Huaren as Fushun D.R.I.’s agent for a term of three years commencing from 1 January 2014

DEFINITIONS

“Fushun D.R.I.”	Fushun Hanking D.R.I. Co., Ltd.* (撫順直接還原鐵有限公司), which is more particularly described in the section headed “Information on the Group and the connected persons” in 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 “Information on the Group and the connected persons” in this circular
“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, Mr. Wang Anjian and Mr. Ma Qingshan, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Iron Ore Concentrates Sale Agreement 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 Iron Ore Concentrates Sale Agreement 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 any connected person of the Company and not otherwise a connected person of the Company

DEFINITIONS

“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 agent for a term of three years commencing from 1 January 2017
“Latest Practicable Date”	2 December 2016, 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 the 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
“Prospectus”	the prospectus of the Company dated 20 September 2011
“Proposed Annual Caps”	the proposed annual caps of the continuing connected transactions contemplated under the Iron Ore Concentrates Sale Agreement as set out in the section headed “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

DEFINITIONS

“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 “Information on the Group and the connected persons” in this circular
“%”	per cent

* *For identification purpose only.*

LETTER FROM THE BOARD



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 –
IRON ORE CONCENTRATES SALE AGREEMENT**

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
Mr. 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:

No. 227, Qingnian Street
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

7 December 2016

Dear Shareholders,

**(1) CONTINUING CONNECTED TRANSACTION –
IRON ORE CONCENTRATES SALE AGREEMENT
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 October 2013, the circular of the Company dated 12 November 2013 and the announcement of the Company dated 22 November 2016 in relation to, among others, the non-exempt continuing connected transactions of the Company under the Existing Agreement for a term of three years commencing from 1 January 2014 and the continuing connected transactions under the Iron Ore Concentrates Sale Agreement.

LETTER FROM THE BOARD

As the Group intends to continue to carry out the non-exempt continuing connected transactions under the Existing Agreement after the expiry of the term on 31 December 2016, Iron Ore Concentrates Sale Agreement for a term of three years commencing from 1 January 2017 and ending on 31 December 2019 (both days inclusive) is entered into to replace the Existing Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information in relation to the Iron Ore Concentrates Sale Agreement (including the Proposed Annual Caps); (ii) the recommendation and advice of the Independent Board Committee; (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.

IRON ORE CONCENTRATES SALE AGREEMENT

Date

22 November 2016

Parties

- (1) STSU;
- (2) Fushun D.R.I.;
- (3) Dalian Huaren; and
- (4) Fushun Deshan.

Subject matter

STSU and/or its subsidiaries provide iron ore concentrates to Fushun D.R.I. through Dalian Huaren and Fushun Deshan as Fushun D.R.I.'s agents.

STSU and/or its subsidiaries as seller and Fushun D.R.I., Dalian Huaren and/or Fushun Deshan as buyer will enter into individual agreements detailing major terms of the transactions under the Iron Ore Concentrates Sale Agreement which will be negotiated in good faith and determined by them from time to time under normal commercial terms in the ordinary course of business.

Term

Subject to the Independent Shareholders' approval at the EGM, the Iron Ore Concentrates Sale Agreement shall be for a term of three years commencing from 1 January 2017 and ending on 31 December 2019 (both days inclusive).

LETTER FROM THE BOARD

Pricing

The price at which STSU and/or its subsidiaries will supply iron ore concentrates to Fushun D.R.I., Dalian Huaren and/or Fushun Deshan will be determined with reference to the prevailing market price and the following:

- (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.

To facilitate the determination of the prevailing market price, the Group will consider the prices offered to independent third party customers in similar transactions. The sales department would consider at least one comparable transaction with an independent third party customer during the same period, and report to the relevant manager who then submits the same to the relevant departments of the Group, including the finance department to ensure that the consideration and terms are no less favourable to those offered to independent third parties.

Condition

The Iron Ore Concentrates Sale Agreement 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
2013	2014	2015	30 June 2016
(RMB million)	(RMB million)	(RMB million)	(RMB million)
287	227	230	122

Annual caps

The proposed annual cap 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 is RMB345 million, RMB345 million and RMB345 million, respectively.

LETTER FROM THE BOARD

Basis of caps

The Proposed Annual Caps are determined based on the expected supply volume of iron ore concentrates by Maogong Mining to Fushun D.R.I. of 700,000 tons per annum at the average selling price of approximately RMB493/ton (excluding value added tax).

- (i) **Expected supply volume:** the existing pig iron production capacity of Fushun D.R.I. is approximately 580,000 tons per annum and the demand for iron ore concentrates by Fushun D.R.I. is approximately 870,000 tons per annum. It is expected that the iron ore concentrates production volume of Maogong Mining will reach over 700,000 tons for the three years ending 31 December 2017, 2018 and 2019, respectively. Accordingly, the Proposed Annual Caps are determined based on the expected supply volume of iron ore concentrates by Maogong Mining to Fushun D.R.I. of approximately 700,000 tons per annum.
- (ii) **Average selling price:** The average selling price (excluding value added tax) of iron ore concentrates of the Group to its customers for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 was approximately RMB691/ton, RMB458/ton and RMB413/ton respectively. The Company consider that average selling price represents the prevailing market price.

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 concentrate.

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 includes 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 mining business in the first half of 2013. In the six months ended 30 June 2016, the revenue of iron ore business was approximately RMB327 million, representing approximately 39.83% of the total revenue of the Group.

LETTER FROM THE BOARD

The Group intends to continue the transactions under the Existing Agreement after expiry of its term. The Directors consider that it is beneficial to the Group by entering into the Iron Ore Concentrates Sale Agreement to regulate the business relationship with its connected persons.

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 iron ore concentrates to Fushun D.R.I. at a market price to enable the Group to broaden the revenue from a stable customer. The entering into the Iron Ore Concentrates Sale Agreement is thus considered in line with the Group's business and in the interests of the Company and the Shareholders as a whole.

The Directors (excluding Mr. Yang who is required to be abstained from voting and the independent non-executive Directors whose views will be formed after obtaining the advice of the Independent Financial Adviser) consider that:

- (i) the terms and conditions have been negotiated among the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (ii) the Proposed Annual Caps are fair and reasonable; and
- (iii) the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES FOR THE 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 Iron Ore Concentrates Sale Agreement:

- (1) comparing the sales price of the sales to Fushun D.R.I, Dalian Huaren and/or Fushun Deshan with the sales prices of the other customers of the Group and the procurement prices of other iron and steel companies in North Eastern and North China as provided by Independent Third Party on a daily basis;
- (2) 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 sales price payable by Fushun D.R.I. shall be no less favourable than those payable to the Group from Independent Third Party;
- (3) a monthly financial report which contains information on all connected transactions carried out by the Group including the continuing connected transactions under the Iron Ore Concentrates Sale Agreement will be submitted to the Board; and

LETTER FROM THE BOARD

- (4) the audit department of the Company will audit the transactions under the Iron Ore Concentrates Sale Agreement on a regular basis.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date:

- (i) Fushun D.R.I. is indirectly owned by Mr. Yang and hence a connected person of the Company;
- (ii) Dalian Huaren is a wholly-owned subsidiary of Hanking Group, and hence a connected person of the Company; and
- (iii) Fushun Deshan is the agent of Fushun D.R.I..

Accordingly, the transactions contemplated under the Iron Ore Concentrates Sale Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since certain applicable percentage ratios relating to the proposed annual caps for the continuing connected transactions under the Iron Ore Concentrates Sale Agreement exceed 25%, the continuing connected transactions under the Iron Ore Concentrates Sale Agreement 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 Iron Ore Concentrates Sale Agreement 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 Iron Ore Concentrates Sale Agreement 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 associates will abstain from voting on the resolutions approving the Iron Ore Concentrates Sale Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). As at the Latest Practicable Date, Ms. Yang and Mr. Yang respectively held 599,845,166 shares and 647,353,500 Shares, representing approximately 32.78% and 35.37% 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 and Mr. Yang and their respective associates) who are required to abstain from voting at the EGM is holding any Shares as at the Latest Practicable Date.

GENERAL

The Company has appointed the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Iron Ore Concentrates Sale Agreement and the Proposed Annual Caps. The Independent Board Committee comprising all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Iron Ore Concentrates Sale Agreement and the Proposed Annual Caps, after taking into account the recommendations of the Independent Financial Adviser.

LETTER FROM THE BOARD

EGM

A notice of the EGM to be held at Rm 1602, Unit 2, United Apartments, No.1 East Dong Fang Road, Chaoyang District, Beijing, the PRC on Friday, 23 December 2016 at 10:00 a.m. at which the relevant resolutions will be proposed to approve the Iron Ore Concentrates Sale Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) is set out on pages 33 to 34.

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 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.

RECOMMENDATION

The Independent Board Committee, having taken into account the advise of the Independent Financial Adviser, considers that the entering into of the Iron Ore Concentrates Sale Agreement is in the ordinary and usual course of business of the Group, the terms of the Iron Ore Concentrates Sale Agreement are on normal commercial terms and which, altogether with the Proposed Annual Caps, are fair and reasonable, and the transactions contemplated under the Iron Ore Concentrates Sale Agreement 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 Iron Ore Concentrates Sale Agreement 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 13 to 14 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 Thursday, 22 December 2016 to Friday, 23 December 2016 (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 on Friday, 23 December 2016 are entitled to attend and vote at the EGM.

LETTER FROM THE BOARD

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

7 December 2016

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTION –
IRON ORE CONCENTRATES SALE AGREEMENT
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular of the Company (the “**Circular**”) dated 7 December 2016 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 Iron Ore Concentrates Sale Agreement, the transactions contemplated thereunder and the Proposed Annual Caps, details of which are set out in the section headed “Letter from the Board” in 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” in the Circular. Your attention is also drawn to the additional information set out in the Circular. Having taken into account the terms of the Iron Ore Concentrates Sale Agreement and the advice of Orient Capital, we are of the opinion that (i) the Iron Ore Concentrates Sale Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; (ii) the continuing connected transactions contemplated under the Iron Ore Concentrates Sale Agreement will be carried out in the ordinary and usual course of business of the Company; and (iii) the Proposed Annual Caps are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, therefore, recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Iron Ore Concentrates Sale Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Wang Ping, Mr. Wang Anjian and Mr. Ma Qingshan

Independent non-executive Directors

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

The following is the full 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 Iron Ore Concentrates Sale Agreement and the Proposed Annual Caps for the purpose of incorporation in this circular.

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

香港中環皇后大道中100號28樓-29樓
28/F-29/F, 100 Queen's Road Central, Hong Kong
Tel: (852) 3519 1188 Fax: (852) 2259 9211 Website: www.dfzq.com.hk
證監會持牌法團編號 CE No.: BDN128

7 December 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS – IRON ORE CONCENTRATES SALE AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and the Proposed Annual Caps for the Iron Ore Concentrates Sale Agreement, details of which are contained in the letter from the board (the “**Letter from the Board**”) of the circular dated 7 December 2016 (the “**Circular**”) issued by the Company, of which this letter forms part. Unless otherwise stated, terms used herein shall have the same meanings as those defined in the Circular. 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 Iron Ore Concentrates Sale Agreement.

The Iron Ore Concentrates 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 and the Existing Agreement shall be expired on 31 December 2016. The Iron Ore Concentrate Sale Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are conditioned on the approval by the Independent Shareholders at the EGM.

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

LETTER FROM ORIENT CAPITAL (HONG KONG) LIMITED

We, Orient Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Wang Ping, Mr. Wang Anjian and Mr. Ma Qingshan and Independent Shareholders as to whether the entering into of the Iron Ore Concentrates Sale Agreement is in the ordinary and usual course of business of the Group the terms of the Iron Ore Concentrates Sale Agreement are on normal commercial terms and fair and reasonable and whether the Iron Ore Concentrates Sale Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are in the interests of the Company and the Shareholders as a whole.

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 has 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 of the Company 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 Iron Ore Concentrates Sale Agreement. 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 Iron Ore Concentrates Sale Agreement, 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 Iron Ore Concentrates Sale Agreement.

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 Iron Ore Concentrates Sale Agreement, 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 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.

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During the past two years, Orient Capital had no past engagement with the Company. As at the Latest Practicable Date, we were independent from and not connected with the Group under Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Shareholders regarding the Iron Ore Concentrates Sale Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the terms of the Iron Ore Concentrates Sale Agreement and the transactions contemplated thereunder (including 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 entering into 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 concentrate.

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 includes 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.

According to the Letter from the Board, the Group intends to continue the transactions under the Existing Agreement after expiry of its term. The Directors consider that it is beneficial to the Group by entering into the Iron Ore Concentrates Sale Agreement to regulate the business relationship with its connected persons.

According to the Letter 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 concentrates as the Group's unified sales platforms of iron ore concentrates. The supply of iron ore

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concentrates to Fushun D.R.I. at a market price to enable the Group to broaden the revenue from a stable customer. The entering into the Iron Ore Concentrates Sale Agreement is thus considered in line with the Group's business and in the interests of the Company and the Shareholders as a whole.

As advised by the Directors, the Company will assign STSU and/or its subsidiaries to be responsible for the supply of iron ore concentrates under the Iron Ore Concentrates Sale Agreement after taking into account of, among other things, the internal resources allocation within the Group.

As advised by the Directors and the management of Fushun D.R.I., iron ore concentrate is being one of the principal materials in the production of pig iron. According to the prospectus and the management of Fushun D.R.I., a unit (ton) production of pig iron may require approximately 1.5 tons of iron ore concentrates (grade 66%).

According to the Letter from the Board, the pricing terms of the Iron Ore Concentrates Sale Agreement, we noted that the price at which STSU and/or its subsidiaries will supply iron ore concentrates to Fushun D.R.I., Dalian Huaren and/or Fushun Deshan will be determined with reference to the prevailing market price and is determined as follows:

- i) 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
- ii) 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**").

To facilitate the determination of the prevailing market price, the Group will consider the prices offered to independent third party customers in similar transactions. The sales department would consider at least one comparable transaction with an independent third party customer during the same period and report to the relevant manager who then submit the same to the relevant departments of the Group, including the finance department to ensure that the consideration and terms are no less favourable to those offered to Independent Third Party.

The Directors confirmed with us that 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.

As advised by the management of the Company, up to now the iron ore concentrates produced by Maogong Mining were mainly sold to two customers, Fushun D.R.I. and Fushun New Steel Company Limited (撫順新鋼鐵有限責任公司) ("**Fushun New Steel**") through STSU as both of the operating locations of Fushun D.R.I. and Fushun New Steel are near Maogong Mining. As advised by the Directors, Fushun New Steel was the Group's largest customer for the two years ended 31 December 2014 and 2015

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and six months ended 30 June 2016, which accounted for approximately 66.0%, 49.7% and 46.9% respectively of the total revenue of iron ore concentrates of the Group. According to the Prospectus and confirmation of the Directors, Fushun New Steel is an Independent Third Party.

As advised by the Directors, we understand that the new pricing policies are as set out below:

	Iron Ore Concentrate price	Transportation Cost Arrangement
Ex-Work Price	(Selling price to Fushun New Steel or any other Independent Third Party) - (the transportation cost to Fushun New Steel or any other Independent Third Parties)	Transportation cost will be borne by Fushun D.R.I.
To the Factory Price	(Selling price to Fushun New Steel or any other Independent Third Party) - (the transportation cost to Fushun New Steel or any other Independent Third Parties) + (transportation cost to Fushun D.R.I.)	Transportation cost will be borne by the Company but will be fully shifted to the selling price, which means actually the transportation cost is still borne by Fushun D.R.I.

As advised by the Directors, through arm's length negotiation, STSU expects to apply the Ex-work Price or To the Factory Price ("**New Pricing Policies**") to Fushun New Steel and other Independent Third Parties (if any) from 1 January 2017. Furthermore, we understand that the transportation regarding sales of iron ore concentrates are handled by the Independent Third Parties.

In this regard, we concur with the view of the Directors that 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 under New Pricing Policies.

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Set out below is a summary of the Group's financial information for the two years ended 31 December 2014 and 2015 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 2015 (the "Annual Report") and the Group's financial information for the six months ended 30 June 2016 extracted from the interim report of the Company for the six months ended 30 June 2016 (the "Interim Report"):

	For the year ended		For the six months ended
	31 December (audited)		30 June
	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,368,652	1,219,751	819,985
Gross profit	480,671	290,530	110,543
Total comprehensive (expense) for the year	(63,883)	(429,544)	(70,589)
Total comprehensive (expense) attributable to:			
Owners of the Company	(33,067)	(407,113)	(70,142)
Non-controlling interests	(30,816)	(22,431)	(447)

As advised by the Directors and according to the Annual Report and Interim Report, iron ore business is one of three major business segments (i.e. exploration, mining, processing and selling 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 2015 and six months ended 30 June 2016 are approximately RMB1,350 million, RMB927 million and RMB327 million respectively, which accounted for approximately 98.6%, 76.0% and 39.9% of the total revenue of the Group, respectively, for the respective financial periods.

According to the Letter from the Board and the Annual Report, the amount of iron ore concentrates sold to Fushun D.R.I. for the two years ended 31 December 2015 and six months ended 30 June 2016 are approximately RMB227 million, RMB230 million and RMB122 million respectively, which accounted for approximately 16.6%, 18.9% and 14.8% of the total revenue of the Group, respectively, for the respective financial periods. In this regard, we concur with the view of Directors that the iron ore sales under the Iron Ore Concentrates Sale Agreement shall render a stable source of revenue to the Group for the three years ending 31 December 2019.

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 confirm 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.

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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.

Having considered that (i) the sales of iron ore concentrates from STSU to Fushun D.R.I. are the Group’s normal business operation; (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 under New Pricing Policies; and (iii) the stable outlook of iron ore industry in the PRC, we consider that it is commercially justifiable for the Company to engage in the transactions under the Iron Ore Concentrates Sale Agreement and concur with the Directors’ view that the sales of iron ore concentrates under the Iron Ore Concentrates Sale Agreement are in the ordinary and usual course of business and are in the interest of the Company and its Shareholders as a whole.

2. Principal terms of the Iron Ore Concentrates Sale Agreement

On 22 November 2016, STSU (as iron ore concentrates supplier) has entered into the Iron Ore Concentrates Sale Agreement, which is subject to the Independent Shareholders’ approval at the EGM, with Fushun D.R.I. (as purchaser) together with Dalian Huaren and Fushun Deshan (as unified procurement platforms). According to the Letter from the Board and advised by the Directors, the Iron Ore Concentrates Sale Agreement was negotiated and determined on arm’s length basis. The Directors advise that they are of the view that terms of the Iron Ore Concentrates Sale Agreement are on normal commercial terms and are fair and reasonable.

Comparison of terms with Existing Agreement

We understand that the main revised terms and conditions of the Iron Ore Concentrates Sale Agreement in comparison with the Existing Agreement are as follows:

- i) Additional of a purchase agent namely Fushun Deshan; and
- ii) New Pricing Policies.

We have discussed with the management of the Company regarding rationales and effects of the additional terms, we understand the additional new terms are fair and reasonable and not less favourable to the similar products supply to Independent Third Party. Please refer to the analysis in the section heading “Background of and reasons for entering into the Iron Ore Concentrates Sale Agreement” in this letter for more details.

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Pricing

Further to our analysis regarding Ex-Work Price and To the Factory Price, in the section heading “Background of and reasons for entering into the Iron Ore Concentrates Sale Agreement”, pursuant to the Iron Ore Concentrates Sale Agreement and advised by the Directors, STSU supplies iron ore concentrates through Dalian Huaren and Fushun Deshan to Fushun D.R.I., at Ex-Work Price or To the Factory Price with reference to the market price. As advised by the Directors that the market price will be arrived at after arm’s length negotiation between STSU and Fushun D.R.I. under normal commercial terms in the ordinary course of business, and with reference to a combination of a wide range of factors, including, among others, (i) iron and steel market price and indexes in North Eastern and North China available from independent third parties such as Mysteel.net, which 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”). 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; (ii) the selling price to Fushun New Steel; and (iii) Iron ore concentrate spot prices in North Eastern China as quoted by Dalian Commodity Exchange (大連商品交易所, “DCE”).

As advised by the Directors, the average selling price of STSU during the two years ended 31 December 2015 and six months ended 30 June 2016 was made reference to the market price information of iron ore concentrates in Northeastern and North China provided by MySteel and DCE and the price not less favourable to the similar products sold to Fushun New Steel. The Directors further confirm that they will keep monitoring the market price through the information provided by MySteel and DCE in the future.

Credit Terms

As advised by the Directors and according to the Iron Ore Concentrates Sale Agreement, STSU generally grants to Fushun D.R.I. credit terms of up to 7 days and is required to make full payment within the credit period, which payment terms are in general the same as the payment terms to Independent Third Party.

According to the Annual Report, the Group grants an average credit period of 7 days to its customers, which is consistent with the credit period granted to Fushun D.R.I. In this regard, the Directors are of the view that payment terms in the Iron Ore Concentrates Sale Agreement are consistent with the Group’s credit policies in general.

Our View

We have reviewed the Iron Ore Concentrates Sale Agreement and we noted that the principal terms of the Iron Ore Concentrates Sale Agreement are consistent with the disclosure in the Letter from the Board. We have also discussed and analyzed the additional terms and credit terms of the Iron Ore Concentrates Sale Agreement as compared with the Existing Agreement. We noted that the credit terms of the Iron Ore Concentrates Sale Agreement are in general the same as the payment terms to Independent Third Party.

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Based on the above, we concur with the Directors' view that the basis of the principal terms of the Iron Ore Concentrates Sale Agreement are on normal commercial and fair and reasonable.

3. Proposed Annual Caps Amounts

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Company the basis and assumptions underlying the expected sales of iron ore concentrate pursuant to the Iron Ore Concentrates Sale Agreement for the purpose of determining the Proposed Annual Caps.

According to the Letter from the Board and the Annual Report and Interim Report, the amount of iron ore concentrates sold to Fushun D.R.I. and the utilization rates for the two years ended 31 December 2015 and six months ended 30 June 2016 are as follows:

	For the year ended 31 December		For the six months ended
	2014	2015	30 June 2016
	(RMB million)	(RMB million)	(RMB million)
Historical Figures	227	230	122
Annual Caps	480	480	480
Utilization rate	47.3%	47.9%	50.8%*

*Notes**: assume the expected actual figures for the year ending 31 December 2016 equals to twice the actual figures for the six months ended 30 June 2016

As advised by the Directors, the historical annual caps have not been fully utilized were mainly due to, among other things, the decrease in price of iron ore concentrates for the past few years and the delay in technology improvements of Maogong Mine. As discussed with the Directors, we understand that the Proposed Annual Caps are calculated based on the current and expected business between the Company and Fushun D.R.I. and expected market price (for details please see below) instead of determining based on historical annual caps.

As noted in the Letter from the Board and as advised by the Directors, the Proposed Annual Caps are estimated based on i) the expected sales volume of iron ore concentrates from the Group to Fushun D.R.I. of no more than 700,000 tons for each of the three years ending 31 December 2019; and ii) expected market price of approximately RMB493/ton excluding value added tax ("VAT") for iron ore concentrates. Thus the Proposed Annual Caps for each of the three years ending 31 December 2017, 2018 and 2019 are approximately RMB345 million, RMB345 million and RMB345 million, respectively. The Directors are of the view that the Proposed Annual Caps are fair and reasonable. In order to consider the reasonableness of the Proposed Annual Caps, we have reviewed and assessed the following information:

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

1) Demand of Fushun D.R.I.

In order to understand the proposed increase in purchase 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 2015 and the six months ended 30 June 2016 are approximately 539,435 tons, 516,695 tons and 313,873 tons, respectively. The production of pig iron of Fushun D.R.I. for the two years ended 31 December 2015 and the six months ended 30 June 2016 are approximately 547,683 tons, 523,990 tons and 300,275 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); iv) Fushun D.R.I. expects to purchase 80% of iron ore concentrates from STSU, which represents 700,000 tons (870,000 multiplied by 80%) iron ore concentrates after taking into account of, among other things, the quality of iron ore concentrates purchased from the Group so far as compared with other iron ore suppliers of Fushun D.R.I. and Fushun D.R.I.'s internal risk management regarding purchase of iron ore concentrates.; iv) Fushun D.R.I. is also exploring new customers, such as customers from wind power industry, high-speed rail etc. from which Fushun D.R.I. expects that this may further increase its demand for iron ore concentrates as well as its purchase of iron ore concentrates from the Group in the future.

The Directors also advised that Fushun D.R.I. had been the second largest customer 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 700,000 tons per annum from the Group.

2) Supply of Maogong Mining

As advised by the Directors and disclosed in the 2016 Interim Report of the Company, through continuous technology improvements, Maogong Mine of the Group has achieved steady growth in the output of iron ore concentrates, which amounted to approximately 353,880 tons for the first half of 2016 (the first half of 2015: approximately 219,090 tons), representing a year-on-year increase of 61.52%. Iron ore concentrates output of Maogong Mine has accounted for 45.8% of the Company's total amount of the iron ore concentrates. The production of iron ore concentrates of Maogong Mining for the two years ended 31 December 2015 are approximately 381,000 tons and 649,000 tons, respectively.

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 of 700,000 tons of Fushun D.R.I. is reasonable.

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Having considered, among other things, i) the production plan and historical sales volume of pig iron of Fushun D.R.I.; ii) the expected iron ore concentration production capacity of Maogong Mining and sales plan, we concur with the view of the Directors that the expected sales volume of 700,000 ton 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 RMB493/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 average sales price of iron ore concentrates produced by Maogong Mining for the two years ended 31 December 2015 and the six months ended 30 June 2016; and (b) the public information of iron ore concentrates price in North Eastern and North China provided by independent third parties for the two years ended 31 December 2015 and the six months ended 30 June 2016.

According to the Letter from the Board and as advised by the Directors, the average selling price excluding VAT of iron ore concentrates of the Group to its customers for each of the two years ended 31 December 2015 and the six months ended 30 June 2016 was approximately RMB691/ton, RMB458/ton and RMB413/ton. Based on the documents we obtained from the Company and according to the Annual Report we noted that the total sales and sales volume to Fushun D.R.I. of iron ore concentrates produced by Maogong Mining for the two years ended 31 December 2015 and the six months ended 30 June 2016 are approximately RMB226,827,000 and 359,000 tons, RMB230,104,841 and 520,000 tons and RMB121,567,000 and 308,000 tons, respectively. In this regard, the average selling price for the iron ore concentrates produced by Maogong Mining for the two years ended 31 December 2015 and the six months ended 30 June 2016 is RMB487/tons, which is similar to the expected selling price of the iron ore concentrates from the Group to Fushun D.R.I..

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%, dry) in the respective North Eastern and North China areas, which the Directors have made reference to determine the relevant price, ranged from approximately RMB345/ton to RMB525/ton excluding VAT for the period from January to October 2016. Furthermore, according to DCE information, the market price of iron ore concentrates with the grade 66% in North Eastern China, namely Benxi and Tangshan ranged from approximately RMB360/ton to RMB630/ton excluding VAT for the period from January to October 2016. The expected market price of RMB493/ton is approximately the average of the price range.

In this regard, we concur with the view of the Directors that the expected market price of iron ore concentrates (grade 66%, dry) of RMB493/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 thereunder the Iron Ore Concentrates Sale Agreement are of revenue nature, we concur with the Directors' view that the Proposed Annual Caps is fair and reasonable.

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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 thereunder the Iron Ore Concentrates Sale Agreement correspond with the Proposed Annual Caps.

4. Internal Control

According to the Letter from the Board and as advised by the management of the Company, 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 Iron Ore Concentrates Sale Agreement:

- (1) comparing the sales price of the sales to Fushun D.R.I, Dalian Huaren and/or Fushun Deshan with the sales prices of the other customers of the Group and the procurement prices of other iron and steel companies in North Eastern and North China as provided by Independent Third Party on a daily basis;
- (2) 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 sales price payable by Fushun D.R.I. shall be no less favourable than those payable to the Group from Independent Third Party;
- (3) a monthly financial report which contains information on all connected transactions carried out by the Group including the continuing connected transactions under the Iron Ore Concentrates Sale Agreement will be submitted to the management; and
- (4) the audit department of the Company will audit the transactions under the Iron Ore Concentrates Sale Agreement on a regular basis.

In order to understand the historical implementation of the Existing Agreement, we have reviewed the Annual Report and internal control policy 2014, 2015 and 2016. We note 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 2013, 2014 and 2015 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; (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.

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According to the Letter from the Board, the Company would consider at least one comparable transaction with an independent third party customer during the same period, and report to the relevant manager who then submits the same to the relevant departments of the Group, including the finance department to ensure that the consideration and terms are no less favourable to those offered to independent third parties. We understand that up to now the iron ore concentrates produced by Maogong Mining were mainly sold to two customers, Fushun D.R.I. and Fushun New Steel and the Company will also made reference to the price quoted on MySteel and DCE. We have also reviewed the internal approval procedures to be taken to ensure that the pricing policies are properly followed and noted approvals and reviews by relevant departments (including but not limited to manager and general manager of the relevant subsidiary, finance department of the Company and legal department) are required for each of the connected transactions not less than RMB100,000.

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 Existing Agreement; and (ii) similar products provided by the Group to Independent Third Parties for the three years ended 31 December 2015 and six months ended 30 June 2016. 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 transaction under the Iron Ore Concentrates Sale Agreement will be 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 on the same pricing bases as set out in the Existing Agreement.

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

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Orient Capital (Hong Kong) Limited
Jiang Jun
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:

Name of Director and chief executive	Capacity/Nature of interest	Number of Shares held (Long Position)	Approximate percentage of shareholding
Yang Jiye ^(Note 1)	Founder of discretionary trust	424,360,500	23.19%
	Interests of controlled corporation	222,993,000	12.19%
Xia Zhuo ^(Note 2)	Interests of controlled corporation	19,130,589	1.05%
	Beneficial owner	60,000	less than 0.01%
Pan Guocheng ^(Note 3)	Beneficial owner	4,220,000	0.23%
Zheng Xuezhi	Beneficial owner	179,000	0.01%

Notes:

- (1) Mr. Yang Jiye is the founder of the management trust which holds all the 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 424,360,500 Shares held by Bisney Success Limited and 222,993,000 Shares held by Tuochuan Capital Limited.
- (2) Mr. Xia Zhuo holds 48.90% interest in Splendour Ventures Limited. As a result, Mr. Xia Zhuo is deemed to hold interest in 19,130,589 Shares held by Splendour Ventures Limited. The accurate percentage of the 60,000 Shares beneficially owned by Mr. Xia Zhuo is 0.00327869%
- (3) These Shares are held jointly with Ms. Pan Guoying.

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	Capacity/Nature of interest	Number of Shares held (Long Position)	Approximate percentage of shareholding
Yang Min	Interest of controlled corporation	586,025,000 ^(Note 1)	32.02%
	Founder of discretionary trust	13,820,166 ^(Note 1)	0.76%
China Hanking (BVI) Limited	Beneficial owner	586,025,000 ^(Note 1)	32.02%
Tuochuan Capital Limited	Beneficial owner	222,993,000	12.19%
UBS Trustees (BVI) Limited	Trustee	424,360,500 ^(Note 2)	23.19%
UBS Nominees Limited	Nominee for the Trustee	424,360,500 ^(Note 2)	23.19%
Le Fu Limited	Interest of controlled corporation	424,360,500 ^(Note 2)	23.19%
Bisney Success Limited	Beneficial owner	424,360,500 ^(Note 2)	23.19%
Industrial and Commercial Bank of China Limited	Person having a security interest in shares	208,000,000	11.37%
China CITIC Bank Corporation Limited (Dalian branch)	Person having a security interest in shares	280,000,000	15.30%

Notes:

- 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. By virtue of the SFO, Ms. Yang Min is deemed to have an interest in 586,025,000 Shares held by China Hanking (BVI) Limited and 13,820,166 Shares held by Best Excellence Limited.

2. These 424,360,500 Shares belong to the same group of Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of 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.

4. COMPETING INTERESTS

As at the Latest Practicable Date, the following interests were owned or controlled by the Controlling Shareholders, which competes or is likely to compete, either directly or indirectly, with the Group's business:

(i) **Hanking Group**

Ms. Yang holds 88.96% of the equity interests in Hanking Group.

Directors' and Controlling Shareholders' Position in Competing Business

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 in Competing Business
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 and 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 CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE AND ASSETS

(i) Lease of Properties and Properties Management

According to the existing office lease agreement dated 15 October 2013, 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 1,826m² 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 22 November 2016, Aoniu Mining and STSU entered into a new lease agreement with Shengtai Property for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. The annual transaction amount cap for each of the three years is RMB2.5 million. The actual transaction amount of the continuing connected transaction for 2015 was RMB3,550,512.

(ii) Purchase Framework Agreement

On 28 May 2015, 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 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 2015 was RMB1,422,727. Details of the Purchase Framework Agreement are set out in the announcement of the Company dated 29 May 2015.

Save as disclosed above and save as the Existing Agreement 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 2015, 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 2015, being the date to which the latest audited financial statements of the Company were made up.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts 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 2015 (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 Existing Agreement;
- (b) the Iron Ore Concentrates Sale Agreement;
- (c) the letter from the Board, the text of which is set out on pages 5 to 12 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (e) the letter from Orient Capital (Hong Kong) Limited, the text of which is set out on pages 15 to 27 of this circular; and
- (f) the letter of consent referred to under the section headed "Experts and Consents" in this appendix.

NOTICE OF EGM



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 – 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 Rm 1602, Unit 2, United Apartments, No.1 East Dong Fang Road, Chaoyang District, Beijing, the PRC at 10:00 a.m. on Friday, 23 December 2016 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 7 December 2016.

ORDINARY RESOLUTION

1. **THAT:**

- “(a) the Iron Ore Concentrates Sale Agreement dated 22 November 2016 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.* (撫順直接還原鐵有限公司), Dalian Huaren Trade 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; and
- (b) the proposed annual caps for the continuing connected transactions constituted by the transactions contemplated under the Iron Ore Concentrates Sale Agreement for the three years ending 31 December 2019 as set out in the circular of the Company dated 7 December 2016 be and are hereby approved, confirmed and ratified;
- (f) 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 Iron Ore Concentrates Sale Agreement, 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

NOTICE OF EGM

to Iron Ore Concentrates Sale Agreement 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
7 December 2016

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 Thursday, 22 December 2016 to Friday, 23 December 2016, 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23 December 2016.