THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 100% EQUITY INTEREST IN FUSHUN SHANGMA

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

招銀国际
CMB INTERNATIONAL

A letter from the Board is set out on pages 4 to 23 of this circular.

A letter from the Independent Board Committee is set out on pages 24 to 25 of this circular.

A letter from the Independent Financial Adviser is set out on pages 26 to 52 of this circular.

A notice convening the EGM of the Company to be held at 22nd Floor Conference Room, Hanking Tower, No. 227 Qingnian Avenue, Shenhe District, Shenyang City, Liaoning Province, PRC on Friday, 21 September 2012 at 9:00 a.m. is set out on pages 78 to 79 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

Whether or not you proposed to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instruction printed therein and return it to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

5 September 2012

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The followings are the texts of the valuation report in respect of the entire equity interests in Fushun Shangma prepared by Savills Valuation and Professional Services Limited for the purpose of incorporation in this circular:

This valuation report is not a mineral asset valuation report prepared in accordance with Chapter 18 of the Listing Rules.

savills
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The Directors

Fushun Hanking Aoniu Mining Limited
Hanking Building
No. 227 Qingnian Street
Shenhe District
Shenyang
Liaoning Province

6 June 2012

No. of this report: BJ/2012/VPS/8279/PH/XL

Dear Sirs,

RE: THE EVALUATION OF THE MARKET VALUE OF FUSHUN HANKING SHANGMA MINING COMPANY LIMITED

In accordance with your requirements and on behalf of Fushun Hanking Aoniu Mining Limited, we have assessed the market value of the enterprise value of Fushun Hanking Shangma Mining Company Limited (hereinafter referred to as the "Company") as of 31 May 2012 (hereinafter referred to as the "Valuation Date").

PURPOSE OF EVALUATION AND DEFINITION OF VALUE

This evaluation is intended to express an independent opinion regarding the market value of the enterprise value of Fushun Hanking Shangma Mining Limited as at the valuation date for circulation purpose.

This valuation is conducted in accordance with the rules of the Hong Kong Business Valuation Forum ("HKBVF"), pursuant to which market value represents "the price for the transfer of an asset between identified knowledgeable and willing parties that properly reflects the respective interests of those parties".

BRIEF INTRODUCTION OF THE COMPANY

The legal representative of Fushun Hanking Shangma Mining Company Limited is Yang Jiye, domiciled in Shangma Village, Shangma Township, Fushun Town. The Company was established on 4 March 2009, with the type of enterprise as limited liability company and a registered capital of RMB5 million. Operation scopes include underground production of open pit of iron mines (No. C2100002009112120042218 of the mining permit, which is due to expire on 26 September 2015; the safety production permit is due to expire on 24 December 2014), processing of iron ore (safety production permit is due to expire on 14 June 2013), consulting services on mining development, technical consulting services on mining as well as steel sales.

VALUATION METHODS

Considering that comparable cases are required for the use of the market approach regarding comparable transaction time, scales of the mines, types of mines, mining grades and regional geology, market approach is not adopted for this valuation due to the lack of sufficient comparable cases. Considering that the income approach only takes into account the income derived from the operating assets, and it is difficult to specifically distinguish non-operating assets from operating assets of the Company, the income approach is not adopted for this valuation.

Based on the current operating position of the Company, the asset-based approach is applicable for this valuation.

Under the asset-based approach, we have arrived at the fair value of the Company by deducting the fair value of liabilities from the fair value of various assets. We estimate the fair value based on the book value of assets/liabilities other than inventories, fixed assets, construction in progress and intangible assets. We assume that there is no material error in the scope or sum of the book value.

Assets/liabilities items involved in this valuation are set out as follows:

1. Money funds
2. Inventories
3. Payment in advance
4. Other receivables
5. Fixed assets
6. Construction in progress
7. Intangible assets
8. Long-term deferred expenses
9. Accounts payable
10. Taxes and dues payable
11. Other payables

Money funds

In the valuation of money funds, we have adopted the book value as at the valuation date and assume that there is no material error in the recording of financial information.

Payment in advance, other receivables, long-term deferred expenses, accounts payable, taxes and dues payable, other payables

As informed by the Company, there is no material difference between the time when all receivables and payables are due, whether they are due on demand or within a short period of time. Long-term liabilities due within one year will be repaid within a short period of time. Therefore, we have used the book value of assets in this valuation. Furthermore, we assume that there is no material error in the recording of financial information and all receivables are recoverable and sufficient provisions have been made.

Inventories

Market value of inventories as at the acquisition date is cost of materials less the current replacement cost for acquirers.

We have conducted our valuation subsequent to the valuation date as instructed by the Company. We assume that the information regarding the amount of inventories and the book values provided by the Company are accurate and without recording errors.

The Company has provided us with the acquisition cost of each material as at the valuation date for the valuation of materials. We have considered such costs as the market value of relevant materials during the valuation process.

Fixed assets

Fixed assets include buildings, structures and other auxiliary facilities, machines and equipments, automobiles and electronic devices.

We have adopted the replacement cost approach in the valuation of buildings, structures and other auxiliary facilities. For the purpose of this valuation, the "replacement cost approach" is defined by us as the value of land in the current condition in use and the replacement costs for buildings and structures, including professional fees and financial costs, less any costs incurred due to ages, natural decays and functional degradations.

We have adopted the second hand market approach in the valuation of electronic devices and motor vehicles. The second hand market approach considers the price paid for comparable second hand assets purchased recently, adjusted based on accrued impairments due to relevant conditions, tenures, losses and other factors of the assessed assets, to reflect the conditions and functions of the assessed assets as compared with those of the existing assets in the market.

The cost approach is adopted for manufacturing machines and equipments. The cost approach considers the costs of re-producing or replacing the existing assets with brand new ones calculated based on the current market price of comparable assets, including replacement costs comprising of transportation costs, installation and commissioning costs and preliminary expenses as well as capital cost, among others, adjusted based on accrued impairments due to relevant conditions, tenures, losses, functions and economics of technologies.

Construction in progress

We have adopted the replacement cost approach in the valuation of construction in progress. For the purpose of this valuation, the "replacement cost approach" is defined by us as the value of land in the current condition in use and the replacement costs for buildings and structures, including professional fees and financial costs, less any costs incurred due to ages, natural decays and functional degradations.

Intangible assets

Intangible assets include mining rights and land.

Intangible assets — mining rights

We have based the valuation of the mining permits on the geological report provided by the Company and other information of the Company. Details of the assessed mining permits are as follows:

Name of Permits	No. of Permits	Date of expiry	Area *(sq km.)*	Production Volume Permitted *(tons/year)*
Mining Permit of Fushun Hanking Shangma Mining Company Limited	C2100002009112120042218	26 September 2015	4.9849	800,000

We have adopted the excess earnings approach in the valuation of mining rights. Excess earnings are operating profits derived from mining rights less required return from tangible and intangible assets. Fair value of mining rights represents the sum of discounted present value of expected excess earnings for the year.

Expected excess earnings for the year is calculated based on financial budget and other relevant information provided by the management of the Company. In arriving at the expected excess earnings for the year, we have considered the following main factors:

Expected operating cash flow derived from mining rights:

(1) forecasted income from existing reserves and resources: the forecasted income from 2012 to 2016 are RMB271,820,000, RMB288,820,000, RMB302,000,000 and RMB103,200,000, respectively.

(2) assess all direct costs, relevant expenditure and capital expenditure from the production of relevant products based on the information and forecasts provided by the Company: the forecasted cost from 2012 to 2016 are RMB178,610,000, RMB191,800,000, RMB204,540,000 and RMB67,260,000, respectively.

(3) income tax calculated based on profit before tax: the forecasted income tax from 2012 to 2016 are RMB23,300,000, RMB24,250,000, RMB24,360,000 and RMB8,990,000, respectively.

(4) profit after tax calculated based on forecasted income, cost and tax: the forecasted profit after tax from 2012 to 2016 are RMB69,910,000, RMB72,760,000, RMB73,090,000 and RMB26,960,000, respectively.

In arriving at the required return from tangible and intangible assets:

(5) required return from tangible and intangible assets is calculated by multiplying the value of tangible and intangible assets by required return rate of each asset. In arriving at the required return of tangible assets, operating capital, fixed assets and labor, we have considered the following factors:

   (i) The latest average operating capital divided by its revenue;

   (ii) Estimated borrowing costs;

   (iii) Training costs for employees;

(6) expected excess earnings for the year is calculated by using expected operating profit less the required return from tangible and intangible assets; and

(7) calculating expected excess earnings for the year by using an appropriate discount rate.

In calculating the discount rate, we use the weighted average cost of capital (WACC) of the Company as the basic discount rate. WACC is arrived at, with reference to relevant weightings of each component of the capital structure, using the following formula:

$$WACC = We \times Re + Wd \times Rd \times (1 - T)$$

In which

Re	=	Cost of equity
Rd	=	Cost of debt
We	=	Weight of equity value to enterprise value
Wd	=	Weight of debt value to enterprise value
T	=	Corporate tax rate

Cost of equity = risk-free interest rate + equity beta × market risk premium + size premium + country risk premium.

Intangible assets — land

We have adopted the land datum value approach in the valuation of land. The land datum value approach represents an asset appraisal method of determining the price of the assessed land as at the valuation date by using assessed results such as the land datum value in towns and cities, as well as the correction coefficient of the land datum value, and in accordance with the substitution principle, comparing the area and individual conditions of the assessed land with the average conditions of the area it is located in, adjusted by the correction coefficient chosen in the correction coefficient table for the land datum value.

OTHER CONSIDERATIONS

In arriving at the market value, we have considered all relevant factors regarding the assessed assets and business operations of the Company. Basic factors include:

- market and operational risks of assessed assets;
- overall economic environment and specific investment environments for assessed assets and relevant industries of the Company;
- the nature and current financial conditions of the assessed assets and the Company;
- other specific assumptions mentioned in this report.

We have been provided with extracts of copies of relevant documents and audited and unaudited financial information relating to the assessed assets. We have relied upon the aforesaid information in forming our opinion of the market value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material to the valuation. We have been advised by the Company that no material facts have been omitted from the information provided. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the changes of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors.

The conclusion of the value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and us.

This report is subject to specific and general assumptions and limiting conditions, which are set out in the attachments.

Opinion of Value

Based on the research, investigation and valuation approach adopted mentioned above, we have arrived at the following opinion on the market value of the enterprise value of Fushun Hanking Shangma Iron Mining Co., Ltd. at the valuation date:

Valuation Date	**Book Value**	**Fair Value**
31 May 2012	*(RMB)*	*(RMB)*
Money funds	2,501	2,501
Inventories	4,874,485	4,874,485
Payment in advance	1,662,667	1,662,667
Other receivables	53,881,840	53,881,840
Total current assets	60,421,494	60,421,494
Fixed assets	62,099,319	56,928,000
Construction in progress	12,218,729	12,218,000
Intangible assets — mining rights	25,490,300	120,000,000
Intangible assets — land	15,943,800	27,782,000
Deferred assets	37,761,179	37,761,179
Total non-current assets	153,513,327	254,689,179
Accounts payable	8,820,114	8,820,114
Taxes and dues payable	(4,939,589)	(4,939,589)
Other payables	205,054,296	205,054,296
Total current liabilities	208,934,821	208,934,821
Net assets	**5,000,000**	**106,000,000**

On behalf of
Savills Valuation and Professional Services Limited

Paul Hung
MRICS ASA MAusIMM

Mr. Paul Hung is a member of Royal Institution of Chartered Surveyors, Accredited Senior Appraiser (Business Valuation) of American Society of Appraisers, the member of the Canadian Institute of Mining, Metallurgy and Petroleum and the member of the Australasian Institute of Mining and Metallurgy. He has over 10 years' experience in valuation of mineral resources projects in Hong Kong and the PRC.

SPECIFIC ASSUMPTIONS

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of specific assumptions have been made in the preparation of the reported assessed figures. The assumptions are:

— As stated by the Company, "the mining permit held by Shangma Mining currently set a mining limit of 800,000 tons each year. The Company is currently in the procedure of increasing mining capacity from 800,000 tons each year to 1,300,000 tons each year. If the Company is fined by government authorities due to exceeding the mining limit set out in the mining permits, original shareholders of Shangma Mining will suffer from relevant losses." Therefore, we assume the applications for enhancing mining capacities will be approved and the assumptions involved in forecasting annual production in this valuation report will not be affected;

— Reserves of the Company are determined based on the《遼寧省撫順縣上馬鐵礦擴界資源儲量核實報告評審備案證明 — 遼國土資儲備字[2009]102號》(Examination and filing of the verified report of the expanded resources reserves of Shangma Iron Mine, Fushun Town, Liaoning Province — Liao Guo Tu Zi Chu Bei Zi [2009] No. 102) and《遼寧省撫順縣上馬鐵礦IV、V區詳查報告評審備案證明 — 遼國土資儲備字[2010]183號》(Examination and filing of the detailed report for Area IV and V of Shangma Iron Mine, Fushun Town, Liaoning Province — Liao Guo Tu Zi Chu Bei Zi [2010] No. 183) (The new Chinese Code is a blend of the old Chinese Code and the codes in current use today, including JORC and the current United Nations standard, with some additional local components added. JORC is a non-prescriptive code, which does not lay out specific limits for resource classification in terms of such things as borehole spacing. Instead it emphasizes the principles of transparency, materiality and the role of the competent person. Whilst some guidelines do exist e.g. the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, that they are not mandatory and classification is left in the hands of the competent person. When combined with its professional standards, which are effectively mandatory, the Chinese Code is much more prescriptive but does not include the role of the competent person. In terms of broad categorization, the levels of geological confidence ascribed to measured and indicated resources are quite similar in both codes. The ranges of borehole spacings, thickness cut-offs and quality limitations that are enforced by the Chinese system would generally result in the same resource classification under the JORC Code.);

- — Based on the track record and relevant data provided by the Company, we assume that the stripping ratio of the open pits is 4 (excluding reserves) to 1, mineral processing rate is 4.4:1, and mineral processing rate in underground mines is 3:1;

- — We assume that the direct mining cost, out-of-pocket cost in mineral processing cost, transportation fees in sales cost and controllable cost in management costs have an annual growth rate of 3%;

- — We assume that all mining permits can be extended to produce all resources and reserves in the future without incurring substantial increase in expenditure cost;

- — We assume that there is no material difference between forecasted production capacity of the Company and its actual production capacity in the future;

- — According to the information provided by the Company, profit forecast for refined iron ore is based on past records and we assume that there is no material difference between the forecasted production capacity and actual production capacity in the future;

- — We assume that profit and cash flow forecasts provided by the Company include sufficient environmental costs;

- — We assume that the Company has obtained all necessary operating permits and licenses at the valuation date, including but not limited to approval of relevant environmental assessment reports, pollutant discharge permits and other relevant environmental preservation documents, iron ore mining licenses, iron mining permits, safe production permits, land-use rights licenses and structure ownership licenses. All the documents mentioned above are extendable at the expiration date without incurring substantial costs;

- — We assume that the assets and liabilities records provided by the Company are accurate;

- — We assume that there is no material time difference between current assets and current liabilities mentioned;

- — We assume that the Company has conducted due diligence to ensure that the earning forecast and cash flow forecast of the mining rights are accurate and appropriate. We assume that the forecasts are achievable by the management of the Company.

GENERAL ASSUMPTIONS

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of general assumptions have been made in the preparation of the reported assessed figures. The assumptions are:

— There will be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business is in operation or registered;

— There will be no major changes in the current taxation law in the areas in which the Company carries on its business, given that the rate of tax payable remains unchanged and that all applicable laws and regulations will be complied with;

— The inflation, interest and currency exchange rate will not differ materially from those presently prevailing;

— The Company will retain their key management and technical personnel to maintain their ongoing operations;

— There will be no major business disruptions through international crisis, diseases, industrial disputes, industrial accidents or severe weather conditions that will affect the existing business;

— The Company will remain free from claims and litigations against the business or its customers that will have a material impact on value;

— The business is unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements;

— The business of the Company is not subject to any unusual or onerous restrictions or encumbrances; and

— The potential bad debt (if any) of the recoverable amount will not materially affect the business operations.

LIMITING CONDITIONS

We have to a considerable extent relied on the financial data and other related information provided by the Company. We are not in a position to comment on the lawfulness of the business.

We have been provided with the extracts from the copy of relevant documents relating to the Company's assets. However, we have not searched the original documents to verify the existence of any amendments, which possibly do not appear on the documents available to us. We are not in the position to give advice on the ownership of the assets, and this issue should be within the scope of work of the Company's legal adviser. During our valuation, we assumed that the assets can be traded in the market freely, and there's no need to pay additional taxes or other fees.

We have had no reason to doubt the truth and accuracy of the information provided to us by you. We have also been informed by you that no material factors have been omitted from the information supplied.

In accordance with our valuation standards, we state that this report is confidential and is only for the use of the party to whom it is addressed, and no responsibility is accepted to any third party for the reliance of the whole or any part of its contents.

Neither any part of this report and valuation, nor any reference thereto may be included in any documents or statements without our written approval.

MATTERS CONFIRMED BY THE MANAGEMENT

Drafts of this report and our calculation have been presented to the management of the Company, which has reviewed and orally confirmed to us that this report and factors included in the calculation are accurate in all material aspects and to the best of their knowledge there is no material matter regarding our engagement that have not been included.

SUBSEQUENT EVENTS STATEMENT

This report has taken into account all the factors, which the Company considered, that may affect the valuation on the Valuation Date. No legal responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or changes in government policy or financial condition or other conditions, which occur subsequent to the Valuation Date.