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罕王
HANKING

CHINA HANKING HOLDINGS LIMITED

中國罕王控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 03788)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE SALE OF SHARES IN PRIMARY GOLD

THE SALE OF SHARES

The Board hereby announces on 4 July 2024 it considered and approved the Share Sale Agreement entered into by the Vendor (HGM Resources Pty Ltd) with the Purchaser (Huineng Gold Pty Ltd) and the Guarantor (Inner Mongolia Huineng Coal and Electricity Group Co., Ltd, the ultimate holding company of the Purchaser), pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 100% of the Shares in Primary Gold at the Purchase Price. Primary Gold, a wholly-owned subsidiary of the Vendor, holds the Company's gold exploration and gold mine development business and assets located in the Northern Territory of Australia.

IMPLICATIONS OF THE LISTING RULES

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

A circular containing, amongst other matters, further details of the Sale of Shares and the notice of the EGM will be made available (and sent where applicable) to the shareholders of the Company in August 2024 in compliance with the Listing Rules, which is more than 15 business days after the publication of this announcement as more time will be needed for the preparation of certain information to be included in the circular.

INTRODUCTION

The Board hereby announces on 4 July 2024 it considered and approved the Share Sale Agreement entered into by the Vendor (HGM Resources Pty Ltd) with the Purchaser and the Guarantor, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 100% of the Shares in Primary Gold, at the Purchase Price. A summary of the major terms of the Share Sale Agreement is set out below.

THE SALE OF SHARES

The Share Sale Agreement

Date

1 July 2024

Parties

The Vendor: HGM Resources Pty Ltd (a subsidiary of the Company)

The Purchaser: Huineng Gold Pty Ltd

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

The Guarantor: Inner Mongolia Huineng Coal and Electricity Group Co., Ltd (內蒙古匯能煤電集團有限公司) was established in the PRC. It is an integrated upstream supplier of energy, from coal mining, thermal power generation, coal to gas chemicals to renewable energy. It mined 71.6 million tons of coal, generated 1.53 million kilowatts of thermal power and produced 1.6 billion cubic meters of gas from coal in 2023. Its profits was RMB20.2 billion and tax contribution was RMB13.6 billion in 2023. The ultimate beneficial owners of the Guarantor are Mr. Guo Jinshu and Mr. Guo Jianjun.

Sale and Purchase

The Vendor agrees to sell to the Purchaser and the Purchaser agrees to buy from the Vendor all of the Shares of Primary Gold held by the Vendor on the Completion Date:

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

Purchase Price and Payment Terms

The Purchase Price reflects the aggregate cash price payable for the Shares on a cash and debt free basis, based on the agreed initial purchase price of AUD300 million plus the environmental bond amount of AUD3,116,653, subject to relevant post Completion adjustment set out in the Share Sale Agreement. The environmental bond is a cash backed bond with no maturity date. It is the existing disturbance area rehabilitation cost estimated and assessed by the environmental authority of the government of Northern Territory in Australia. The Company has a cash deposit at Commonwealth Bank of Australia to back this bond. The Purchaser will pay this amount of cash to the Company and replace the Company in this environmental bond. The amount of this cash backed bond is currently AUD3,116,653. The payment of Purchase Price will be made in cash upon Completion.

The Purchase Price (including initial purchase price) was offered by the Purchaser following a competitive global sales process and based on an arm's length negotiation between the Vendor and the Purchaser. After taking into account of (i) the current and historical Resources and Reserves of Primary Gold (see below for details); (ii) the feasibility studies of the project disclosed in the

announcement of the Company dated 13 November 2023, which indicated the pre-tax net present value of around AUD765 million, estimated on the assumption of 6% discount rate and self-funding the full AUD394 million development capital with zero finance cost¹; (iii) the environmental impact statement approvals and the Major Project Status awarded by the government of Northern Territory, Australia; (iv) the pre-development works, current status and estimated capital expenditure for construction and development of the Mt Bundy gold project; (v) the significant increase in the value of Primary Gold since the acquisition of Primary Gold in 2018 (the “**Acquisition**”) by the Company; (vi) the net asset of Primary Gold (see below Information on Primary Gold for details); and (vii) the expected gain of the Sale of Shares which will provide the Company with a pathway to become a gold producer without increase the Company's debt level and implement its business strategy (see below sections headed “Financial Effect of the Sale of Shares” and “Reasons for and Benefit of the Sale of Shares” for details), the Directors (including all independent non-executive Directors) are of the view that the Purchase Price is fair and reasonable.

This increase in value is mainly attributable to the following reasons:

1. since the Acquisition, Primary Gold has been carrying out exploration activities at the Mt Bundy Gold Project (the major asset of Primary Gold) and has achieved a substantial increase in its Resources and Reserves as illustrated below:

Mt Bundy Gold Project	Resources			Reserves		
	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (KOZ)	Ore tonnage (thousand metric tons)	Grade (g/t)	Gold contained (KOZ)
As at the time of Acquisition	54,096	1.0	1,795	775	6.9	175
As of 31 December 2023	108,600	0.9	3,006	55,000	0.9	1,640

2. Primary Gold has been granted numerous approvals since Acquisition, including mining licenses renewal and extensions, and environment impact assessment approvals, etc;
3. the gold price in Australian Dollars has increased since Acquisition. The gold price in Australian Dollar was approximately AUD1,630/ounce at the time of Acquisition in 2018, and has increased to AUD3,512/ounce as at the date of the Share Sale Agreement; and
4. Primary Gold has made significant progress towards the development of the Mt Bundy Gold Project, including completion of a Definitive Feasibility Study in November 2023.

Note 1: the net present value represents the difference between the present value of cash inflows and the present value of cash outflows over a period of time, and is subject to changes of factors, including but not limited to, CPI, inflation rate, development timelines, discount rates, financing cost and tax.

Guarantee

The Guarantor unconditionally and irrevocably:

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

in each case, for any reason and whether or not the Vendor knew or ought to have known about those matters.

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

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

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

Conditions precedent

Completion is expected to occur within 12 months and is conditional upon, among others, the satisfaction or waiver (where permitted) of the following key conditions:

- (i) Either:
 - (a) the Purchaser receives notice in writing from the Treasurer of Australia (the “**Treasurer**”) or his or her agent to the effect that there are no objections under the Australia Foreign Investment Review Board (“**FIRB**”) to the Purchaser acquiring the Shares in accordance with the Share Sale Agreement and any conditions (other than standard tax conditions) imposed in the no-objection notification are acceptable to the Purchaser (acting reasonably); or
 - (b) the Treasurer is, by reason of lapse of time, no longer empowered to make an order under FIRB in respect of the acquisition contemplated by the Share Sale Agreement.

As at the date of this announcement, the Purchaser has submitted the application to FIRB as referred to in (i)(a).

- (ii) Approval and registration pursuant to the Administrative Measures for the Verification and Approval and Record-Filing of Outbound Investment Projects and Chinese outbound investments from the Chinese National Development and Reform Commission, the Ministry of Commerce and State Administration of Foreign Exchange and the banks appointed by it.
- (iii) The shareholders of the Company approve the Sale of Shares under the Share Sale Agreement, as required by and in accordance with the Listing Rules.

INFORMATION ON THE COMPANY AND THE VENDOR

The Company was incorporated in the Cayman Islands on 2 August 2010, and was listed on the Stock Exchange on 30 September 2011 (stock code: 03788). The Group engages in the development of gold mine projects in Australia, and engages in the exploration, mining, processing and sale of iron ore and, relying on its own high-quality iron ore resources, produces the wind power ductile casting iron products in China to supply the high-quality raw materials for the new energy industry.

The Vendor, namely HGM Resources Pty Ltd, was incorporated in Australia and is wholly-owned by Hanking Australia Investment Pty Ltd, a subsidiary held by the Company as to 94% as at the date of this announcement. The remaining equity interest in Hanking Australia Investment Pty Ltd is held by Golden Resource Investment Pty Ltd as to 3% and Independent Third Parties from Australia as to 3% as at the date of this announcement. Golden Resource Investment Pty Ltd is jointly held by Dr. Qiu Yumin and his spouse.

Macquarie Capital (Australia) Limited acted as financial advisor and HFW Australia acted as legal advisor to the Vendor.

INFORMATION ON PRIMARY GOLD

Primary Gold was established in Australia on 17 November 2006 and is a wholly-owned subsidiary of the Vendor.

Primary Gold is based in Australia and is principally engaged in gold exploration and gold mine development. Primary Gold, through its wholly-owned subsidiary Primary Minerals Pty Ltd, has exploration licenses, mining permits, a water treatment plant and a 25tpd old processing plant which has not been used since 2008.

The audited net assets of Primary Gold as at 31 December 2023 was approximately AUD32,639,802, and the audited total assets of Primary Gold as at 31 December 2023 was approximately AUD70,678,020. The unaudited net assets of Primary Gold as at 31 March 2024 was approximately AUD32,641,009, and the unaudited total assets of Primary Gold as at 31 March 2024 was approximately AUD71,765,196. Further financial information of Primary Gold is set out as follows:

	For the year ended 31 December	
	2023	2022
	<i>AUD</i>	<i>AUD</i>
	(audited)	(audited)
Revenue	0	0
Loss/profit before taxation	(114,539)	(95,530)
Loss/profit after taxation	<u>(85,049)</u>	<u>(66,872)</u>

FINANCIAL EFFECT OF THE SALE OF SHARES

Primary Gold is a development asset, and it currently does not generate any cashflow. The Sale of Shares not only has no negative impact on the Group's operation, but also has material positive cashflow.

As a result of the Sale of Shares, the Group is expected to record an unaudited gain of approximately AUD150 million. The unaudited gain represents the difference between the Purchase Price and the unaudited net assets as at 31 March 2024 of Primary Gold, after deducting (i) the related transaction fees and taxes, (ii) the intra-Group debts of Primary Gold which amounted to AUD24,293,754 as at 31 March 2024 and will be waived by the Group upon the Completion and (iii) the interests attributable to the minority shareholders of Hanking Australia Investment Pty Ltd.

Upon Completion, the Company will be able to maintain sufficient operations under Rule 13.24 of the Listing Rules based on its remaining gold, iron ore and high-purity iron businesses, which will continue to be the core businesses that drive the sustainable development of the Company. The remaining gold business of the Company includes the Cygnet gold project located in Western Australia which is the key development project of the Company, and the remaining iron ore business of the Company includes Maogong Mine, Aoni Mine and Shangma Mine located in the Mainland China.

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

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

USE OF PROCEEDS

The Company intends to use the net proceeds from the Sale of Shares for the following purposes: (i) approximately two thirds for the Company becoming a sustainable gold producing company, including but not limited to, gold resource and ore reserve growth work, permitting and mine development of Cygnet gold project; and (ii) approximately one third for dividend to the shareholders of the Company.

REASONS FOR AND BENEFIT OF THE SALE OF SHARES

The primary reasons for the Sale of Shares are to focus our limited resources in both personnel and finance on the exploration, permitting, and feasibility studies for the development of the Cygnet gold project in Western Australia, potentially providing the Company with a faster pathway to become a gold producer. Cygnet gold project is located in Western Australia and currently has gold resource of approximately 8 million tons of ore at 4.6 g/t for 1.18 million ounce gold (36.7 tons) in accordance with JORC Code (2012). The Company has been drilling at Cygnet since the acquisition. The Company has also started permitting and technical studies for the development of Cygnet gold project.

With the experience in Australia, the Company will assist the Purchaser to enable the Mt Bundy Gold Project to be put into operation as soon as possible.

The Company intends to focus on its existing business, and does not have any specific intention on acquisition or disposal of its existing business/assets. In addition, the Sale of Shares will improve the Company's balance sheet and realize value for the shareholders of the Company.

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

IMPLICATIONS UNDER THE LISTING RULES

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

Dr. Qiu Yumin, an executive Director of the Company and who does not hold shares of the Company, will abstain from voting from the Board meeting of the Company to consider the Sale of Shares. Since Dr. Qiu Yumin will abstain from voting from the Board meeting to consider the Sale of Shares, there would be no risk that he might exercise influence to the Sale of Shares by taking advantage of his directorship in the Company. Save as disclosed above, none of the other Directors has any material interest in the transaction contemplated under the Share Sale Agreement and therefore none of the other Directors has abstained from voting on such Board resolution.

A circular containing, amongst other matters, further details of the Sale of Shares and the notice of the EGM will be made available (and sent, where applicable) to the shareholders of the Company in August 2024 in compliance with the Listing Rules, which is more than 15 business days after the publication of this announcement as more time will be needed for the preparation of certain information to be included in the circular.

DEFINITIONS

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

“AUD”	the lawful currency of Australia (Australian dollars)
“Board”	the board of directors of the Company
“Company”	China Hanking Holdings Limited (中國罕王控股有限公司), a limited company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the sale and purchase of all of the Shares in Primary Gold as contemplated in the Share Sale Agreement

“Completion Date”	the date on which the Sale of Shares is completed
“connected person”	has the same meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Sale of Shares and the transactions completed under the Share Sale Agreement by the shareholders of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Inner Mongolia Huineng Coal and Electricity Group Co., Ltd (內蒙古匯能煤電集團有限公司), being the ultimate holding company of the Purchaser, and an Independent Third Party
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, who/which is/are third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China
“Purchase Price”	the aggregate cash price payable for the Shares on a cash and debt free basis, based on the agreed initial purchase price of AUD300 million plus the environmental bond amount of AUD3,116,653, subject to relevant post Completion adjustment set out in the Share Sale Agreement
“Purchaser”	Huineng Gold Pty Ltd, an Australian proprietary company established in Australia and an Independent Third Party
“Primary Gold”	Primary Gold Pty Ltd, an Australian proprietary company established in Australia and a wholly-owned subsidiary of the Vendor
“RMB”	Renminbi, the lawful currency of the PRC

“Sale of Shares”	the proposed sale of 100% of the Shares in Primary Gold by the Vendor to the Purchaser pursuant to the terms of the Share Sale Agreement
“Share(s)”	the share(s) of Primary Gold
“Share Sale Agreement”	the share sale agreement dated 1 July 2024 entered into among the Vendor, the Purchaser and the Guarantor in relation to the Sale of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	HGM Resources Pty Ltd
“%”	percent

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

Shenyang, the PRC, 5 July 2024

As at the date of this announcement, the executive Directors are Mr. Yang Jiye, Mr. Zheng Xuezhi, Dr. Qiu Yumin and Ms. Zhang Jing; the non-executive Directors are Mr. Xia Zhuo and Mr. Zhao Yanchao; and the independent non-executive Directors are Mr. Wang Ping, Dr. Wang Anjian and Mr. Zhao Bingwen.