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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)**

**DISCLOSEABLE TRANSACTION  
UNANIMOUSLY RECOMMENDED CASH TAKEOVER OFFER OF  
AUSTRALIA LISTED GOLD COMPANY PRIMARY GOLD**

The Company is pleased to announce that on 20 February 2018, Hanking Australia Investment, a subsidiary of the Company, and Primary Gold, a company listed on the Australia Stock Exchange (ASX: PGO), through friendly negotiations, have entered into (i) a Bid Implementation Agreement, under which China Hanking has agreed to make a recommended conditional takeover bid for all of the issued shares of Primary Gold at an offer price of AUD0.0575 cash per share; and (ii) in conjunction with the BIA, the Loan and Facility Agreement, pursuant to which Hanking Australia Investment has agreed to provide Primary Gold with an AUD1.5 million unsecured loan facility to assist Primary Gold fund its short term working capital needs and other approved project activities during the Offer Period.

As one or more of the applicable percentage ratios of the Offer, as calculated in accordance with Chapter 14 of the Listing Rules in respect of the BIA and the Loan and Facility Agreement, exceed 5% but all the applicable percentage ratios are less than 25%, the transactions contemplated the BIA and the Loan and Facility Agreement in aggregate constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

**BACKGROUND**

The Company has been Primary Gold's largest shareholder since 2014 and currently has a shareholding of approximately 8.4%. Dr. Qiu Yumin, an executive director of the Company, has been serving on the Primary Gold's board of directors as a non-executive director since 2014.

Following the Company's successful sale of its Southern Cross Operations in Western Australia in April 2017 for AUD330 million after a successful period of exploration, feasibility studies, mine development and gold production, the Company considers the Offer to be consistent with its vision to develop a sustainable long term Australian gold business. Through its expertise and financial capability, the Company considers itself well placed to maximise the potential of Primary Gold's projects.

## **BID IMPLEMENTATION AGREEMENT**

The principal terms of the BIA are summarized as follows:

### **i. Parties:**

- (i) Hanking Australia Investment
- (ii) Primary Gold

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, other than the approximately 8.4% shareholding of the Company in Primary Gold, each of Primary Gold and its ultimate beneficial owners is an Independent Third Party.

### **ii. Offer price and its basis of determination**

Hanking Australia Investment shall make a recommended takeover offer for all of the issued shares of Primary Gold at an offer price of AUD0.0575 cash per share. The Offer shall be extended to any PGO Shares that are issued as a result of the exercise of Primary Gold unlisted options during the Offer Period. The Offer valued the share capital of Primary Gold, including shares attributable to in the unlisted options at approximately AUD37.5 million and is a compelling opportunity for Primary Gold Shareholders to realise a significant premium for their shares in cash. In particular, the Offer represents a:

- 51.3% premium to Primary's closing share price of AUD0.038 on 14 February 2018, being the last trading day prior to Hanking Australia Investment delivering its non-binding indicative offer to Primary Gold;
- 47.3% premium to Primary Gold's last traded share price of AUD0.039, immediately prior to entering a trading halt of PGO Shares on 16 February 2018; and
- 36.9% premium to the Primary Gold's 30 trading day volume weighted average price of AUD0.0420 per share for the period up to 16 February 2018, the last trading day of Primary Gold before the date of this announcement.

The Offer price was determined after arm's length negotiations between Hanking Australia Investment and Primary Gold with reference to a number of relevant factors including (i) the assets of Primary Gold; (ii) the Primary Gold's historical trading share price; (iii) premium to share price of precedent merger and acquisition transactions in Australia.

Based on 614.2 million PGO Shares in issue as at the date of this announcement, and assuming all unlisted options of Primary Gold as at the date of this announcement are fully exercised and the Offer is accepted in full, the aggregate Offer price to be paid by Hanking Australia Investment will amount to AUD34.5 million. The Group will finance the Offer and the loan facility under the Loan and Facility Agreement by its internal resources.

### **iii. Conditions**

The Offer, and any contract resulting from the acceptance of the Offer, are subject to, among others, the following conditions:

1. Hanking Australia Investment acquiring a relevant interest in more than 50% of all PGO Shares on a fully diluted basis;
2. prior to the end of the Offer Period, the relevant government authority unconditionally consents or gives approval under Foreign Acquisitions and Takeovers Act 1975 of Australia to the proposed acquisition by Hanking Australia Investment of all PGO Shares.;
3. before the end of the Offer Period no material adverse event occurs, is announced or becomes known to Hanking Australia Investment;
4. the S&P/ASX All Ordinaries Gold (Sub-Industry) index not falling by 10%;
5. the spot price of gold not falling below AUD1,500 per ounce; and
6. other customary conditions as set out in the BIA.

Importantly, the Offer is not subject to any regulatory approvals in the PRC and the Offer price is to be funded from the existing cash reserves of the Company. While there is no guarantee that the conditions will be satisfied, the Company considers that the conditions are readily capable of being satisfied.

### **iv. Unanimous Recommendation**

The independent directors of Primary Gold unanimously recommend that Primary Gold Shareholders accept the Offer, in the absence of a superior proposal and subject to the independent expert not concluding that the Offer is not fair and not reasonable to Primary Gold Shareholders.

Subject to these two qualifications, the other two directors of Primary Gold intend to accept the Offer for all PGO Shares they hold or otherwise control by no later than 21 days after the Offer opens for acceptance.

**v. Deal protective provisions**

Primary Gold has agreed to the customary deal protection provisions that during the Exclusivity Period, Primary Gold must ensure that neither itself, its related entities nor any of their respective representatives,

1. directly or indirectly solicits, invites, initiates or encourages any competing proposal.
2. directly or indirectly negotiates or enters into or participates in negotiations or discussions with any person; or
3. directly or indirectly solicits, invites, initiates, encourages or facilitates or permits any party other than Hanking Australia Investment to undertake due diligence investigations on Primary Gold except with the prior written consent of Hanking Australia Investment.

**vi. Break fee:**

Primary Gold agrees to pay to Hanking Australia Investment a break fee of AUD400,000 if, among other things, a competing proposal of any kind is announced during the Exclusivity Period and, within 12 months of the date of the BIA, the third party who announced or made the competing proposal completes a competing proposal; or Hanking Australia Investment terminates the BIA in accordance with the terms thereof.

**vii. Timetable**

Hanking Australia Investment's bidder's statement is expected to be lodged with the Australian Securities and Investment Commission and despatched to the Primary Gold Shareholders in early March 2018. The Offer is expected to be closed by middle to late April 2018, unless extended. The bidder's statement will detail how and when Primary Gold Shareholders can accept the Offer.

**LOAN AND FACILITY AGREEMENT**

The principal terms of the Loan and Facility Agreement are summarized as follows:

**i. Parties:**

- (i) Hanking Australia Investment
- (ii) Primary Gold

## ii. Loan facility

In conjunction with the Offer, Hanking Australia Investment has agreed to provide Primary Gold with an unsecured loan facility of AUD1.5 million to assist Primary Gold in relation to its short term funding needs and other approved project expenses during the Offer Period. This loan is to be repaid within 3 months after the end of the Offer Period. However, repayment is accelerated in the event of default, the termination of the BIA, or in the event that the board of directors of Primary Gold changes its recommendation in respect of the Offer.

## INFORMATION OF PRIMARY GOLD

Primary Gold is an Australian company with interests in the Coolgardie gold project in Western Australia and the Mt Bundy gold project in the Northern Territory in northern Australia.

The Coolgardie gold project is located about 40km to the west of Kalgoorlie in Western Australia and the Mt Bundy Project is located about 110km south of Darwin in the Northern Territory. Both projects are exploration and development projects with Toms Gully of the Mt Bundy Project having a processing plant which is on care and maintenance.

Primary Gold has Australasian Joint Ore Reserves Committee Code 2012 (“**JORC 2012**”) compliant resource of approximately 2.0 million ounces at an average grade of 1.1g/t gold and ore reserve of approximately 0.23 million ounces at an average grade of 3.9g/t gold (see Tables 1 and 2 below).

**Table 1, JORC 2012 Resource of Primary Gold**

|            | Measured   |            |           | Indicated     |            |              | Inferred      |            |            | Total         |            |              |
|------------|------------|------------|-----------|---------------|------------|--------------|---------------|------------|------------|---------------|------------|--------------|
|            | kt         | g/t        | koz       | kt            | g/t        | koz          | kt            | g/t        | koz        | kt            | g/t        | koz          |
| Coolgardie | 690        | 1.4        | 30        | 1,816         | 1.6        | 95           | 1,304         | 1.8        | 76         | 3,811         | 1.6        | 201          |
| Mt Bundy   | —          | —          | —         | 39,636        | 1.1        | 1,368        | 14,460        | 0.9        | 427        | 54,096        | 1.0        | 1,795        |
| Total      | <u>690</u> | <u>1.4</u> | <u>30</u> | <u>41,452</u> | <u>1.1</u> | <u>1,463</u> | <u>15,764</u> | <u>1.0</u> | <u>503</u> | <u>57,907</u> | <u>1.1</u> | <u>1,996</u> |

**Table 2, JORC 2012 Ore Reserve of Primary Gold**

|            | Prove      |            |           | Probable     |            |            | Total        |            |            |
|------------|------------|------------|-----------|--------------|------------|------------|--------------|------------|------------|
|            | kt         | g/t        | koz       | kt           | g/t        | koz        | kt           | g/t        | koz        |
| Coolgardie | 267        | 1.5        | 13        | 802          | 1.8        | 45         | 1,069        | 1.7        | 58         |
| Mt Bundy   | —          | —          | —         | 775          | 6.9        | 175        | 775          | 6.9        | 175        |
| Total      | <u>267</u> | <u>1.5</u> | <u>13</u> | <u>1,557</u> | <u>4.3</u> | <u>220</u> | <u>1,844</u> | <u>3.9</u> | <u>233</u> |

Primary Gold's strategy has been potential commencement of toll treatment operations at its Coolgardie project where potential free cashflow generated could be used to support the funding of longer term exploration and feasibility work required for its Northern Territory projects.

According to the audited consolidated accounts of the Primary Gold, the net assets attributable to the shareholders of Primary Gold as at 30 June 2017 was AUD27.7 million.

The audited net profit (before and after taxation) attributable to shareholders of Primary Gold for the two years ended 30 June 2016 and 30 June 2017 is set out below:

|                       | <b>For the<br/>year ended<br/>30 June<br/>2016<br/>(audited)<br/>AUD</b> | <b>For the<br/>year ended<br/>30 June<br/>2017<br/>(audited)<br/>AUD</b> |
|-----------------------|--|--|
| Net profit before tax | (3,294,941)  | (1,358,744)  |
| Net profit after tax  | (3,157,511)  | (1,358,744)  |

## **FINANCIAL EFFECT OF THE TRANSACTION**

It is expected that upon closing of the Offer, Primary Gold will become a subsidiary of the Company and the results, assets and liabilities of Primary Gold will be consolidated into the accounts of the Group.

## **INFORMATION OF HANKING AUSTRALIA INVESTMENT**

Hanking Australia Investment was established in Australia on 30 September 2016 and is principally engaged in investment. As at the date of this announcement, Hanking Australia Investment is owned as to 97% by the Company and 3% by Dr. Qiu Yumin, an executive Director.

## **REASONS FOR AND BENEFITS OF THE TAKEOVER OFFER**

The Company has already had significant success in Australia by investing in gold projects. The Offer is consistent with the Company's strategy to develop a sustainable long term gold business in Australia. The Company is well placed to best realise the potential of Primary Gold's assets in the longer term.

The Company is pleased to have agreed this Offer with the independent directors of Primary Gold who recognise the compelling all cash value and certainty the Offer provides Primary Gold Shareholders.

Having considered the above, the Directors are of the view that the terms and conditions of the BIA and the Loan and Facility Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As one or more of the applicable percentage ratios of the Offer, as calculated in accordance with Chapter 14 of the Listing Rules in respect of the BIA and the Loan and Facility Agreement, exceed 5% but all the applicable percentage ratios are less than 25%, the transactions contemplated under the BIA and the Loan and Facility Agreement in aggregate constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements.

### **Advisors**

Argonaut is acting as financial adviser and MinterEllison is acting as legal adviser to Hanking Australia Investment in relation to the Offer.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

|                      |  |
|----------------------|--|
| “AUD”                | Australian dollars, the lawful currency of Australia   |
| “BIA”                | the Bid Implementation Agreement dated 20 February 2018 entered into between Hanking Australia Investment and Primary Gold   |
| “Board”              | the board of directors of the Company  |
| “Company”            | China Hanking Holdings Limited (中國罕王控股有限公司), a company incorporated in the Cayman Islands with limited liability on 2 August 2010 and whose shares are listed on the main board of the Stock Exchange  |
| “connected person”   | has the meaning ascribed to it under the Listing Rules   |
| “Director(s)”        | the director(s) of the Company   |
| “Exclusivity Period” | the period beginning on the date of the BIA and ending on the earlier of (i) the date of termination of the BIA; that date in which the Offer Period ends; and the date that is 6 months after the date of the BIA (or any later date agreed in writing) |

|                                |   |
|--------------------------------|---|
| “Group”                        | the Company and its subsidiaries  |
| “Hanking Australia Investment” | Hanking Australia Investment Limited, a limited liability company established in Australia and a subsidiary of the Company  |
| “Independent Third Party”      | a third party which is independent of and not connected with the Company and its connected person and not otherwise a connected person of the Company   |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Loan and Facility Agreement”  | the Loan and Facility Agreement dated 20 February 2018 entered into between Hanking Australia Investment and Primary Gold   |
| “Offer”                        | each offer to acquire PGO Shares to be made to each Primary Gold Shareholder under the Takeover Bid on terms consistent with the BIA  |
| “Offer Period”                 | the period during which the Offer is open for acceptance  |
| “PGO Shares”                   | a fully paid ordinary share in Primary Gold   |
| “PRC”                          | the People’s Republic of China  |
| “Primary Gold”                 | Primary Gold Limited, which is more particularly described in the section headed “Information of Primary Gold” of this announcement   |
| “Primary Gold Shareholders”    | a holder of one or more PGO Shares  |
| “Shareholder(s) “              | holder(s) of share(s) of the Company  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited   |
| “Takeover Bid”                 | an off-market takeover bid by Hanking Australia Investment for all of the PGO Shares to be implemented in compliance with Chapter 6 of the Corporations Act of Australia which extends to PGO Shares that come to be in the bid class during the Offer Period because of the conversion or exercise of unlisted options of Primary Gold |

“%”

per cent.

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

Shenyang, the PRC, 20 February 2018

*As at the date of this announcement, the executive directors of the Company are Mr. Yang Jiye, Dr. Pan Guocheng, Mr. Zheng Xuezhi, Dr. Qiu Yumin and Mr. Xia Zhuo; the non-executive director of the Company is Mr. Kenneth Jue Lee; and the independent non-executive directors of the Company are Mr. Wang Ping, Dr. Wang Anjian and Mr. Ma Qingshan.*