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China Vanadium Titano-Magnetite Mining Company Limited

中國鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 32% EQUITY INTEREST OF MANCALA HOLDINGS LIMITED AND THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE TRANSACTION

The Board wishes to announce that on 29 September 2017 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares representing 32% of the entire issued share capital of the Target at an aggregate consideration of HK\$25,000,000, which shall be wholly satisfied by the allotment and issue of the Consideration Shares in the aggregate value of HK\$25,000,000 at the Issue Price of HK\$0.32 per Consideration Share to the Vendor in accordance with the terms and conditions of the Sale and Purchase Agreement.

The Consideration Shares will be issued under the General Mandate and will rank *pari passu* in all respects with all the Shares then in issue.

An application for the listing of, and permission to deal in, the Consideration Shares will be made by the Company to the Stock Exchange.

LISTING RULES IMPLICATION

The Previous Acquisition was a discloseable transaction of the Company under the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of each of (i) the Transaction; and (ii) the Transaction and the Previous Acquisition (in aggregate) are greater than 5% but less than 25%, each of (i) the Transaction; and (ii) the Transaction and the Previous Acquisition (in aggregate) constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Transaction contemplated under the Sale and Purchase Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. There is also no certainty or assurance as at the date of this announcement that any business proposals contemplated herein will be proceeded with or, if proceeded with, on the terms, structures and plans as indicated in this announcement. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

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Principal terms of the Sale and Purchase Agreement are set out below.

THE SALE AND PURCHASE AGREEMENT

Date

29 September 2017 (after trading hours)

Parties

- (i) the Company; and
- (ii) the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor is a third party independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of the Sale and Purchase Agreement.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares representing 32% of the entire issued share capital of the Target as at the date of the Sale and Purchase Agreement.

Consideration

The Consideration payable by the Company to the Vendor for the Sale Shares shall be HK\$25,000,000, which shall be wholly satisfied by the allotment and issue of the Consideration Shares in the aggregate value of HK\$25,000,000 at the Issue Price of HK\$0.32 per Consideration Share to the Vendor. Such Consideration Shares will be credited as fully paid and free from all encumbrances and will rank *pari passu* in all respects with all the Shares then in issue. Subject to Completion taking place, the Consideration Shares will be allotted and issued within five Business Days from the Completion Date or such other date as may be agreed between the Company and the Vendor.

Basis of Consideration

The Consideration payable in respect of the Sale Shares has been arrived at after arm's length negotiations between the Company and the Vendor and was determined after taking into consideration of (i) the Company's strategic plans to expand into an integrated mining group in exploring and evaluating collaborations and/or joint mines development opportunities; and (ii) the synergies which may potentially arise from working with the Vendor and MHPL in setting up a mining-focused asset management company in China.

The Issue Price of HK\$0.32 per Consideration Share represents:

- (i) a premium of approximately 10.34% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on 29 September 2017, the date of the Sale and Purchase Agreement;
- (ii) a premium of approximately 7.74% over the average closing price of approximately HK\$0.297 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) a premium of approximately 1.91% over the average closing price of approximately HK\$0.314 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price of HK\$0.32 per Consideration Share was arrived at after arm's length negotiations between the Company and the Vendor with reference to the trading price of the Shares over the last 30 days and current market conditions. The Directors consider that the Issue Price is in the interests of the Company and the Shareholders as whole.

Consideration Shares

The Consideration Shares, comprising 78,125,000 Shares, will be allotted and issued under the General Mandate within five Business Days following the Completion Date or such other date as may be agreed between the Company and the Vendor. Under the General Mandate, the Directors are allowed to allot and issue up to 434,178,082 Shares. Accordingly, the issue of the Consideration Shares is not subject to any further approval by the Shareholders. The Consideration Shares represent approximately 3.60% of the issued share capital of the Company as at the date of this announcement and approximately 3.47% of the issued share capital of the Company as enlarged by the Consideration Shares.

The Consideration Shares will, upon issue, be credited as fully paid, and will rank *pari passu* in all respects with all the Shares then in issue.

An application for the listing of, and permission to deal in, the Consideration Shares will be made by the Company to the Stock Exchange.

The Vendor shall not dispose of, realise or transfer all or any part of the Consideration Shares for a period of six months following Completion except with the prior written consent of the Company. Where the Company has consented to a transfer of the Consideration Shares by the Vendor, the Vendor shall procure the transferee to comply with the same transfer restriction.

Conditions Precedent

Completion is conditional upon the following Conditions Precedent having been fulfilled or waived (as the case may be):

- (i) the Vendor and the Target having procured the irrevocable waiver and/or discharge of any and all encumbrances, rights of pre-emption or any other restrictions on transfer in respect of the Sale Shares conferred on any other person under the articles of association of the Target or otherwise, if and where applicable;
- (ii) the Company having obtained such approval(s) from its board of directors in connection with the Sale and Purchase Agreement and the Transaction as may be necessary;
- (iii) the Company having complied with all applicable disclosure, shareholders' approval, if required, and other requirements under the Listing Rules for the Transaction;
- (iv) the Stock Exchange having approved the application for the listing of and permission to deal in the Consideration Shares and such approval not having been withdrawn or revoked before Completion;
- (v) all other applicable consents, approvals and waivers (whether governmental, regulatory or otherwise) having been granted for the Transaction, and such consents, approvals and waivers not having been withdrawn or revoked by third parties (including without limitation, any governmental bodies, securities exchanges and other relevant authorities), and if such consents are obtained subject to any conditions and where such conditions affect any of the Company and the Vendor, such conditions are acceptable to the party concerned;

- (vi) the listing and quotation of the Shares on the Stock Exchange not having been halted or suspended (other than any temporary suspension or halt in the trading of the Shares, pending the publication of an announcement in relation to the Transaction on the Stock Exchange or for any other reason, in compliance with the Listing Rules) and the Shares are not de-listed or subject to any delisting procedures prior to and on Completion; and
- (vii) all representations, warranties and undertakings of the Company and the Vendor under the Sale and Purchase Agreement having been complied with, true, accurate and correct in all material respects as at the date of the Sale and Purchase Agreement and each day up to and including the Completion Date.

The Company and/or the Vendor may waive any of the above Conditions Precedent on or before the Completion Date (except the Conditions Precedent set out in paragraphs (ii) to (iv) above, which cannot be waived by any of the Company and the Vendor).

If any of the Conditions Precedent is not fulfilled or waived on or before the Long Stop Date, the Sale and Purchase Agreement will be terminated and in that event, the Company and the Vendor shall be released and discharged from their respective obligations under the Sale and Purchase Agreement other than any provision which is intended to survive the termination of the Sale and Purchase Agreement or in respect of any antecedent breach.

Completion

Completion shall take place on the Completion Date.

On Completion, the Company and the Vendor shall comply with their respective completion obligations pursuant to the terms and conditions of the Sale and Purchase Agreement.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after the allotment and issue of the Consideration Shares upon Completion is as follows:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of Consideration Shares upon Completion	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Trisonic International Limited and parties acting in concert (<i>Notes</i>)	1,006,754,000	46.38%	1,006,754,000	44.76%
The Vendor	–	–	78,125,000	3.47%
Other public shareholders	1,164,136,410	53.62%	1,164,136,410	51.77%
	<u>2,170,890,410</u>	<u>100%</u>	<u>2,249,015,410</u>	<u>100%</u>

Notes:

- (1) As at the date of this announcement, Trisonic International Limited was interested in 1,006,754,000 Shares. The issued share capital of Trisonic International Limited was owned as to 3.0% by Mr. Li Hesheng, 42.6% by Mr. Wang Jin, 7.2% by Mr. Shi Yinjun, 7.2% by Mr. Zhang Yuangui, and 40.0% by Kingston Grand Limited.
- (2) Long Sino International Limited was interested in the entire issued share capital of Kingston Grand Limited.
- (3) Mr. Zou Hua was interested in the entire issued share capital of Long Sino International Limited. Ms. Jiang Hua was the spouse of Mr. Zou Hua.
- (4) Since Trisonic International Limited, Kingston Grand Limited, Messrs. Wang Jin, Yang Xianlu, Wu Wendong, Li Hesheng, Shi Yinjun, Zhang Yuangui, Long Sino International Limited, Mr. Zou Hua and Ms. Jiang Hua were parties acting in concert, they were deemed to be interested in 1,006,754,000 Shares held by Trisonic International Limited.

INFORMATION ON THE VENDOR

The Vendor is a director and shareholder of a registered fund management company with the Monetary Authority of Singapore.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the Cayman Islands with limited liability, and is principally engaged in investment holding.

MHPL is a private company incorporated in Australia. Founded by professional engineers in 1990, the MHPL Group is principally engaged in the business of providing specialist mining services, which include raised boring, shaft excavation, engineering services and other mining services.

The MHPL Group began its operations as a narrow vein mining company supplying high grade lead/zinc ore. Subsequently, it expanded to provide mining services, eventually establishing itself as a shaft construction provider within the Eastern Australia mining sector. The MHPL Group, in association with a German manufacturer of tunnel boring machines, has developed MVM1100, a new boxhole technology based on pipe jacking method which aims to increase work safety and productivity. The MHPL Group is experienced in the provision of specialist mining services and has completed more than 100 projects since its incorporation. The MHPL Group also has had international operational experience in Botswana, New Zealand, Papua New Guinea, Fiji and Vietnam.

The MHPL Group has won the 2016 Training and Development award from the Australian Mines and Metals Association, in recognition of its implementation of effective training programme (in line with Australian training standards) for its major underground nickel mine development and production contract in Vietnam. This award recognised that all training goals have been met with no lost-time injuries and operating performance for the nickel mine in Vietnam has consistently exceeded budget targets. The relevant training program provided to local Vietnamese workforce has improved productivity via new and creative tools and techniques.

MHPL is currently managed by the mining industry veterans in Australia. Please also refer to the Company's announcement dated 30 December 2016 for the profiles of the key management of MHPL.

Financial information on Target Group

Set out below is the audited consolidated financial information on the MHPL Group for the financial years ended 31 December 2015 and 2016:

	2015 <i>A\$'000</i> (audited)	2016 <i>A\$'000</i> (audited)
Revenue	53,122	25,064
Profit/(loss) before tax	3,974	(1,958)
Profit/(loss) after tax	2,453	(1,970)
EBITDA*	8,654	1,244

* *EBITDA has been derived from profit/(loss) before tax and adding back interest and finance costs and depreciation.*

	As at 31 December 2015 <i>A\$'000</i> (audited)	As at 31 December 2016 <i>A\$'000</i> (audited)
Total assets	49,498	38,623
Total liabilities	34,557	25,938
Net assets	14,941	12,685

The above financial information is extracted from the annual reports of MHPL for the financial years ended 31 December 2015 and 2016 which were prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and audited by KPMG and HLB Mann Judd (VIC) Partnership, respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company is an investment holding company and the Group is primarily engaged in the business of mining, ore processing, sale of iron concentrates and titanium concentrates, trading of coals and steels, and management of strategic investments.

As disclosed in the announcements of the Company dated 30 December 2016 and 28 February 2017, the Group acquired 49% of the entire issued share capital of the Target (which owns MHPL), completion of which took place on 28 February 2017, with a view to tap on foreign expertise as well as gaining access to the technical fields of expertise in internationally recognised standards of efficiency, safety, environmental management and innovative training methods in mining operations.

Since the completion of the Previous Acquisition, the Group has proactively engaged with MHPL in improving its mines production efficiency, reviewing its existing mines designs, evaluating various environmental compliance issues and exploring joint mines development opportunities in China while the Chinese government has emphasised the importance of sustainable development of the local mining industry, which includes the increasing need of technological upgrade, environmental protection and productivity improvement.

The Group has also initiated discussions with the Vendor (who is experienced in fund management) to potentially tap on the Vendor's networks in relation to the Group's future plans of setting up a mining-focused asset management company in China. These plans could potentially expand opportunities for the Group and MHPL, including (i) collaborating with mine owners (such as gold and/or other ferrous metals) on which MHPL could advise on the feasibility and recommended operating models; and (ii) funding the production of and providing project management services to feasible mining projects (if any) for fixed returns and/or revenue sharing.

The Group thus believes that the proven track records and technical expertise of MHPL could help to procure such opportunities for the Group and strengthen the execution capabilities. The Group further believes it is of strategic importance to develop commercially justifiable operating models and evaluate funding structures for the execution of its integrated mining models rather than embarking on aggressive cash investment strategies in acquiring major mines in the midst of volatility of commodity prices and market uncertainty.

In August 2017, the Group and MHPL has jointly visited a major non-ferrous mine in northern China to further explore possible strategic collaborations and/or joint mines development opportunities with the mine owners through integrated mining models. The Group is in the midst of estimating the cost structure and reviewing its technical feasibility together with MHPL. The Group intends to submit a business proposal for joint development in due course if the said project is financially and technically justifiable.

Meanwhile, MHPL has also been bidding for several long-term mining service contracts in South East Asia, the Oceania region and Northern Africa. Whilst MHPL appears to be highly qualified in terms of its technical capabilities, the Group notes that there is no certainty that such service contracts will be awarded to MHPL in accordance with the bidding terms.

Considering the above commercial factors and despite the net loss position of MHPL Group for the financial year ended 31 December 2016, the Group believes that the Transaction will allow the Group to implement its strategic plans more effectively by tapping into the networks of the Vendor (who will become a Shareholder on Completion) while owning a controlling stake of MHPL (the Group will own 81% of MHPL on Completion).

On completion of the Transaction, the Group intends to incorporate a subsidiary in China for execution of the business plans.

The Group will also provide further updates on the progress of the above business initiatives and any material developments on the major joint mines development and/or procurement of long-term mining service contracts in due course.

Taking into consideration of the above, the Directors are of the view that the Transaction is conducted on normal commercial terms and in the ordinary and usual course of the Group's business, is fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Previous Acquisition was a discloseable transaction of the Company under the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of each of (i) the Transaction; and (ii) the Transaction and the Previous Acquisition (in aggregate) are greater than 5% but less than 25%, each of (i) the Transaction; and (ii) the Transaction and the Previous Acquisition (in aggregate) constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Transaction contemplated under the Sale and Purchase Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. There is also no certainty or assurance as at the date of this announcement that any business proposals contemplated herein will be proceeded with or, if proceeded with, on the terms, structures and plans as indicated in this announcement. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“A\$”	Australian dollar(s), the lawful currency of Australia
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday or public holidays in Singapore and in Hong Kong) on which commercial banks are generally open for ordinary banking business in Singapore and Hong Kong
“Company”	China Vanadium Titano-Magnetite Mining Company Limited, a company incorporated as an exempted company with limited liability in the Cayman Islands, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Transaction

“Completion Date”	the date on which Completion shall take place, being a Business Day falling within five Business Days from the date on which all the Conditions Precedent have been satisfied or waived, or such other date that the Company and the Vendor may agree in writing
“Conditions Precedent”	the conditions precedent set out in the section headed “Conditions Precedent” in this announcement
“Consideration”	the total consideration of HK\$25,000,000 to be paid by the Company to the Vendor for the Sale Shares pursuant to the Sale and Purchase Agreement
“Consideration Share(s)”	the aggregate of 78,125,000 new Shares to be allotted and issued by the Company to the Vendor to satisfy the whole of the Consideration pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with additional Shares at the annual general meeting of the Company held on 18 May 2017
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Price”	HK\$0.32 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	the date falling two months from the date of the Sale and Purchase Agreement or such other date as the Company and the Vendor may agree in writing
“MHPL”	Mancala Holdings Pty Ltd, a company incorporated under the laws of Australia
“MHPL Group”	MHPL and its subsidiaries

“Previous Acquisition”	the acquisition of 49% of the entire issued share capital of the Target under a sale and purchase agreement dated 30 December 2016 and entered into between the Company, Sapphire Corporation Limited and the Target, completion of which took place on 28 February 2017
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 September 2017 and entered into between the Company and the Vendor in relation to the Transaction
“Sale Shares”	1,920,000 shares representing 32% of the total number of ordinary shares in the capital of the Target
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Mancala Holdings Limited, a company incorporated in the Cayman Islands
“Target Group”	the Target and its subsidiaries and include the MHPL Group
“Transaction”	the acquisition of the Sale Shares by the Company from the Vendor and the transactions contemplated pursuant to and under the Sale and Purchase Agreement
“Vendor”	Toe Teow Heng
“%”	per cent.

By order of the Board of
China Vanadium Titano-Magnetite Mining Company Limited
Jiang Zhong Ping
Chairman and Acting Chief Executive Officer

Hong Kong, 29 September 2017

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping (Chairman and Acting Chief Executive Officer) and Mr. Zheng Zhiquan as executive Directors; Mr. Teh Wing Kwan as non-executive Director; and Mr. Yu Haizong, Mr. Liu Yi and Mr. Wu Wen as independent non-executive Directors.

Website: www.chinavtmmining.com