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China Vanadium Titano-Magnetite Mining Company Limited

中國鈦鈹磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

COMPLETION OF VERY SUBSTANTIAL DISPOSAL AND CONTINUING CONNECTED TRANSACTIONS

COMPLETION OF VERY SUBSTANTIAL DISPOSAL

The Board wishes to announce that the Completion took place on 30 July 2019. Following the Completion, the Disposal Group Companies (i) ceased to be the subsidiaries of the Company and (ii) has since become subsidiaries of the Purchaser.

CONTINUING CONNECTED TRANSACTIONS

As the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in the Purchaser, which in turn becomes the holding company of the Disposal Group Companies immediately upon Completion, each of Huili Caitong, Xiushuihe Mining and Panzhihua Yixingda is a connected person of the Company pursuant to the Listing Rules. Accordingly, following the Completion, certain existing on-going transactions between the Group and the Disposal Group, being (i) the on-going provision of the CVT Guarantees by the Company in favour of the Financial Institutions guaranteeing the indebtedness owing by certain Disposal Group Companies to these Financial Institutions under the credit facilities granted by these Financial Institutions to these Disposal Group Companies; and (ii) the on-going provision of technical consultancy services by Sichuan Lingyu to Huili Caitong for the operations of Low Fe and Inactive Mines operated by Huili Caitong, have become continuing connected transactions under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements in respect of the above continuing connected transactions.

BACKGROUND

Reference is made to the announcements of China Vanadium Titano-Magnetite Mining Company Limited (the “**Company**”) dated 29 January 2019, 29 March 2019, 30 April 2019, 10 May 2019 and 28 June 2019 and the circular (the “**Circular**”) of the Company dated 10 June 2019 in relation to the Disposal which constitutes a very substantial disposal and connected transaction of the Company under the Listing Rules. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

COMPLETION OF VERY SUBSTANTIAL DISPOSAL

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CONTINUING CONNECTED TRANSACTIONS

As the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in the Purchaser, which in turn becomes the holding company of the Disposal Group Companies immediately upon Completion, each of Huili Caitong, Xiushuihe Mining and Panzhihua Yixingda is a connected person of the Company pursuant to the Listing Rules. Accordingly, following the Completion, certain existing on-going transactions between the Group and the Disposal Group, have become continuing connected transactions under Chapter 14A of the Listing Rules, details of which are set out below.

Provision of the CVT Guarantees by the Company

Prior to Completion, the Company had provided the CVT Guarantees in favour of certain banks and an asset management and financial services institution in the PRC (the “**Financial Institutions**”) in 2014, 2017 and 2018 respectively guaranteeing, inter alia, the indebtedness owing by certain Disposal Group Companies to these Financial Institutions (including but not limited to the principal, interests, liquidated damages, compensation and other costs and expenses payable by these Disposal Group Companies) under the facilities granted by these Financial Institutions to these Disposal Group Companies with the aggregate maximum guaranteed amount of RMB730.0 million. The principal terms of the CVT Guarantees are set out as follows:

Borrower	Lender and beneficiary of the guarantee	Guarantor	Maximum guaranteed amount
1. Huili Caitong	China Cinda Asset Management Co., Ltd, Sichuan Branch	the Company	RMB200 million
2. Huili Caitong	Industrial and Commercial Bank of China Limited, Liangshan Branch	the Company	RMB100 million
3. Xiushuihe Mining	Industrial and Commercial Bank of China Limited, Liangshan Branch	the Company	RMB30 million
4. Huili Caitong	China Construction Bank Corporation, Liangshan Branch	the Company	RMB400 million

As previously disclosed, the Company entered into the CVT Guarantees before the Completion as security so as to facilitate the Disposal Group in obtaining credit facilities to meet its working capital requirements. Since these Financial Institutions will only review and process applications for the proposed release of the CVT Guarantees after the Completion, under the SPA, each of Huili Caitong and the Purchaser has undertaken to the Vendor that it will procure the release of the CVT Guarantees within one year after the Registration Completion Date (or such other date that may be agreed by the parties in writing). In order to minimize the risk of the Group under the CVT Guarantees pending the completion of the release procedures, the Purchaser and the Company had on 30 July 2019, entered into the Counter Indemnity for the provision of counter-indemnity by the Purchaser in favour of the Company in respect of the Group’s liabilities and claims under the CVT Guarantees. According to the Counter Indemnity, the Purchaser’s inventories (including but not limited to structural steels, coals etc.) of approximately RMB767.0 million will be pledged as security for such counter-indemnity. The Counter Indemnity will be effective from the Registration Completion Date to the date of the release of the CVT Guarantees. Upon completion of the release of the CVT Guarantees, the Counter Indemnity will be released contemporaneously.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the CVT Guarantees (together with the Counter Indemnity) are fair and reasonable and in the interests of the Shareholders as a whole, and the continuing connected transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Provision of technical consultancy services by the Group to the Disposal Group

The principal terms of the agreement entered into between Huili Caitong and Sichuan Lingyu on 28 September 2018 in relation to the provision of technical consultancy services by Sichuan Lingyu to the Disposal Group for the operations of Low Fe and Inactive Mines operated by Huili Caitong (the “**Technical Consultancy Service Agreement**”) are set out as follows:

- Parties:**
- (1) Huili Caitong
 - (2) Sichuan Lingyu
- Term:** From 1 January 2018 to 31 December 2020 (or such earlier date as the parties may agree)
- Services to be provided:** Sichuan Lingyu shall, provide technical consultancy services in relation to mine development, mine core engineering design and project management, mine geological engineering, safety, environmental management, and other training and advisory services to Huili Caitong in accordance with the terms of the Technical Consultancy Service Agreement.
- Service fee:** Huili Caitong shall pay to the Company an annual service fee of RMB8.6 million during the term of the Technical Consultancy Service Agreement. The above service fee shall be paid on a yearly basis for the first year and on half yearly basis on second year onwards. In arriving at the above service fee, the management has, among others, considered a third party quotation for providing similar services and negotiated on an arm’s length basis.

The Group currently owns 81% equity interest in a mining specialist firm, Mancala Holdings which allows the Group to tap on foreign mining expertise as well as gaining access to the technical fields of such expertise in internationally recognised standards of efficiency, safety, environmental management and innovative training methods for mining operations. Given such capabilities, the Group started to provide technical consultancy services to the Disposal Group in 2018. Leveraged on the Group’s expertise in mining operations, the Directors believe that the continual provision of the technical consultancy services to the Disposal Group after Completion will become an additional revenue stream for the Group. Among others, the Technical Consultancy Service Agreement will also ensure smooth transition of operations for the Purchaser.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Technical Consultancy Service Agreement are fair and reasonable and in the interests of the Shareholders as a whole, and the continuing connected transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group.

General Information

The Group is principally engaged in mining and ore processing, sale of self-produced high-grade iron concentrates, trading of coals and steels, management of strategic investments and rendering of specialised mining services.

Huili Caitong is principally engaged in iron ore mining, iron ore beneficiation and sale of self-produced products. Huili Caitong owns the Baicao Mine, the Baicao Processing Plant, the Cizhuqing Mine, the Yanqueqing Mine, the Hailong Processing Plant, the Heigutian Processing Plant, and the Iron Pelletising Plant.

Xiushuihe Mining is principally engaged in iron ore mining, iron ore beneficiation and sale of self-produced products. Xiushuihe Mining owns the Xiushuihe Mine (including expansion) and the Xiushuihe Processing Plant. Each of the banks and the asset management and financial services institution is a organisation established in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Financial Institutions and its ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Listing Rules Implications

As the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in the Purchaser, which in turn becomes the holding company of the Disposal Group Companies immediately upon Completion, each of Huili Caitong, Xiushuihe Mining and Panzhihua Yixingda is a connected person of the Company pursuant to the Listing Rules. Accordingly, the above-mentioned (i) on-going provision of the CVT Guarantees by the Company in favour of the Financial Institutions guaranteeing the indebtedness owing by certain Disposal Group Companies to these Financial Institutions under the credit facilities granted by these Financial Institutions to these Disposal Group Companies; and (ii) the on-going provision of technical consultancy services by the Sichuan Lingyu to Huili Caitong for the operations of Low Fe and Inactive Mines operated by Huili Caitong, have become continuing connected transactions under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements in respect of the above continuing connected transactions.

The Counter Indemnity entered into between the Purchaser and the Group constitutes financial assistance received by the Group, which is fully exempt pursuant to Rule 14A.90 of the Listing Rules.

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Teh Wing Kwan
Chairman

Hong Kong, 30 July 2019

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

Website: www.chinavtmmining.com