China Vanadium Titano-Magnetite Mining Company Limited
中國釩鈦磁鐵礦業有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00893)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF 100% EQUITY INTEREST OF HUILI CAITONG

SALES AND PURCHASE AGREEMENT

The Vendor, which is an indirect wholly-owned subsidiary of the Company, has entered into the SPA with the Purchaser and Huili Caitong on 29 January 2019 pursuant to which the Vendor has conditionally agreed to sell to the Purchaser the 100% equity interest in Huili Caitong, being an indirect wholly owned subsidiary of the Company, for the Consideration of RMB550,000,000, which will be settled partly in cash and partly by assumption of the Vendor's repayment obligation in respect of Intra-Group Debts owing to Huili Caitong. The Disposal Group Companies are the operators and/or owners of the Group's existing Low Fe and Inactive Mines.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal are more than 75%, the Disposal constitutes a very substantial disposal transaction of the Company under Rule 14.06 of the Listing Rules. In addition, as the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in the Purchaser, the Purchaser is a connected person of the Company pursuant to the Listing Rules, and the Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Under the Listing Rules, Trisonic International, any other Shareholders and their respective close associates having a material interest in the Disposal, the SPA and the transactions contemplated thereunder are therefore required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Disposal, the SPA and the transactions contemplated thereunder.

GENERAL

The Company will convene an EGM to seek the approval of the Independent Shareholders by way of poll on the Disposal, the SPA and the transactions contemplated thereunder.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Disposal, the SPA and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The IFA has been appointed by the Company to advise the IBC and the Independent Shareholders in this regard.

A circular containing, among other things, (1) further information on the Disposal, the SPA and the transactions contemplated thereunder; (2) the recommendation of the IBC to the Independent Shareholders; (3) the advice from the IFA to the IBC and the Independent Shareholders; and (4) a notice of the EGM, is expected to be despatched to the Shareholders on or before 29 March 2019, as the Company expects that additional time is required to collate the information to be included in the circular.

The Board wishes to announce that the Vendor has entered into a conditional SPA with the Purchaser and Huili Caitong on 29 January 2019 for the sale and purchase of the Sale Interest. The principal terms of the SPA are set out below.

SALES AND PURCHASE AGREEMENT

Date

29 January 2019

Parties

(1) Sichuan Lingyu Investment Co., Ltd.*（四川省凌御投資有限公司）, a wholly owned subsidiary of the Company, being the Vendor under the Disposal

(2) Chengyu Vanadium Titano Technology Ltd.*（成渝釩鈦科技有限公司）, being the purchaser under the Disposal

(3) Huili County Caitong Iron and Titanium Co., Ltd.*（會理縣財通鐵鈦有限責任公司）, a wholly owned subsidiary of the Company, being the subject company under the Disposal

Assets involved

Pursuant to the SPA, the Vendor has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase from the Vendor, the Sale Interest, being the 100% equity interest in Huili Caitong.

As at the date of this announcement, Huili Caitong is a wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company.

Huili Caitong, together with its two subsidiaries, namely Xiushuihe Mining and Panzhihua Yixingda, are the operators and/or owners of the Group's existing Low Fe and Inactive Mines. Please refer to the paragraph headed "Information on the Disposal Group Companies" in this announcement for further information about these Low Fe and Inactive Mines.

Conditions

Completion is conditional upon fulfillment of the following conditions:

(1) the passing of the requisite resolutions by the Independent Shareholders at an extraordinary general meeting of the Company for approving the SPA and the transactions contemplated thereby;

(2) the Counter Indemnity having been entered into between the Purchaser and the Company;

(3) the fair value or (as the case may be) the range of the fair value of the Disposal Group as at 30 June 2018 as appraised by an independent qualified valuer, Asia-Pacific Consulting and Appraisal Limited, falling within the range of RMB410.0 million to RMB570.0 million; and

(4) the obtaining of all other consents, approvals and authorisations from the Vendor, the Purchaser, the board of directors of Huili Caitong and the applicable government authorities in relation to the SPA and the transactions contemplated under the SPA (including but not limited to the approval by the applicable government authorities in respect of the transfer of the Sale Interest).

If any of the conditions set out above is not fulfilled on or before the Long Stop Date, then the obligations of the parties shall cease and determine and neither party shall have any claim under the SPA against the other save in respect of any antecedent breaches.

As at the date of this announcement, save that the condition as stated in condition (3) above had been satisfied, none of the above conditions precedents had been satisfied.

Consideration

The Consideration for the Sale Interest shall be RMB550.0 million, which is to be settled as follows:

(1) upon the execution of the SPA, the Purchaser shall pay a cash deposit of RMB10.0 million to the Vendor;

(2) on the CP Completion Date, the Purchaser shall accept the novation of, and assume the Vendor's repayment obligation in respect of the Intra-Group Debts of up to RMB465.0 million on a dollar-for-dollar basis which shall be taken to offset the same amount against the Consideration payable by the Purchaser to the Vendor; and

(3) within five Business Days after the CP Completion Date, the Purchaser shall pay the remaining balance of the Consideration in the amount of approximately RMB75.0 million net of deposit and Intra-Group Debts, in cash to the Vendor.

The cash deposit of RMB10.0 million shall be refunded to the Purchaser without interest in the event that the SPA is terminated prior to the Completion taking place or any of the conditions for the Completion is not fulfilled by the Long Stop Date, unless such termination arises from the breach of the SPA by the Purchaser or is otherwise attributable to the fault of the Purchaser, in which event the cash deposit shall not be refunded by the Vendor.

The Consideration was determined at arm-length's and on a willing-buyer-willing-seller basis between the Vendor and the Purchaser taking into consideration (i) the financial performance of the Disposal Group for the last three financial years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018; and (ii) the net assets value of the Disposal Group as at 30 June 2018, which included the Intra-Group Debts.

As part of the commercial negotiation, the Parties further agreed that the Completion is subject to the fair value or (as the case may be) the range of fair value of the Disposal Group falling within the range of RMB410.0 million to RMB570.0 million as to be confirmed and finalised by an independent qualified valuer. According to the valuation report prepared by Asia-Pacific Consulting and Appraisal Limited, an independent qualified valuer engaged by the Company, the fair value of the Disposal Group as at 30 June 2018 was between RMB420.0 million to RMB560.0 million.

Completion

The parties shall, after the settlement of the Consideration by the Purchaser in full, proceed with the requisite change of registration in respect of the transfer of Sale Interest upon completion of the Disposal at the local Administration for Industry & Commerce within 30 Business Days after the CP Completion Date. Completion shall take place after the fulfillment of the abovementioned conditions, the settlement of the Consideration by the Purchaser, and the completion of the said requisite change of registration at the local Administration for Industry & Commerce.

Post-Completion undertaking by the Purchaser and Huili Caitong

In light of the CVT Guarantees given by the Company in favour of the Disposal Group guaranteeing, inter alia, the indebtedness owing by the Disposal Group Companies to certain banks in the PRC with maximum guaranteed amount of RMB730.0 million, and considering that these banks will only review and process applications for the proposed release of the CVT Guarantees after the Completion, each of Huili Caitong and the Purchaser has undertaken to the Vendor that, subject to the Completion, 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). Upon completion of the release of the CVT Guarantees, the Counter Indemnity will be released contemporaneously.

Continuing connected transactions with the Purchaser and/or the Disposal Group

Upon Completion, the Disposal Group Companies will become subsidiaries of the Purchaser and will cease to be the subsidiaries of the Company. Accordingly, certain existing on-going transactions between the Group and the Disposal Group will become continuing connected transactions under Chapter 14A of the Listing Rules:

(i) the on-going provision of the CVT Guarantees by the Company in favour of the Disposal Group will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules; and

(ii) the on-going provision of technical consultancy services by the Group to the Disposal Group for the operations of Low Fe and Inactive Mines operated by the Disposal Group Companies.

The Group will comply with the annual review and disclosure requirements pursuant to Rule 14A.60 of the Listing Rules in respect of the above continuing connected transactions upon Completion.

After Completion, the Counter Indemnity to be entered into between the Purchaser and the Group will constitute financial assistance to be received by the Group, which will be fully exempt pursuant to Rule 14A.90 of the Listing Rules. The Counter Indemnity will be effective from the Registration Completion Date to the date of the release of the CVT Guarantees.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Background

As highlighted in its annual report issued on 27 March 2018 for the full year ended 31 December 2017 ("**FY2017**") and interim report issued on 28 August 2018 for the six months ended 30 June 2018 ("**1H2018**"), the Company guided that it would conduct strategic reviews on certain under-utilised assets of the Group, including the suspended and/or inactive mines of the Group, which had resulted in significant impairment losses for both FY2017 and 1H2018.

Since then, there have been pressing needs to firm up strategic plans relating to implementation of operational restructuring, business reorganisation and turnaround strategies, particularly as the Group had incurred significant operating and impairment losses for most of its business segments over the last few financial years. The immediate objectives of these strategic plans are to focus on improving cash flows, stabilising utilisation rates for selected operating assets and reducing risk of having further impairment losses. In this aspect, the Company has evaluated various commercial options as referred to in the paragraph "Observations and Other Commercial Options" below, including the Disposal.

In addition, the Company had appointed Roger Emmott Associates Limited (an international consulting firm based in the United Kingdom and specializing in the steel, mining and energy sectors) and China Metallurgical Industry Planning and Research Institute (an established consulting firm based in the PRC and specializing in the steel sector) to conduct independent reviews of the overall steel, iron ore and gypsum industry outlook in the PRC from technical perspective and macro outlook. These experienced research professional firms are industrial specialists and their views are useful as important references in the Company's business reviews.

Independent Expert's Review

Based on these independent reviews from the industrial experts, the Company shared the views that its business has been operating in a challenging environment due mainly to excessive capacity, high compliance cost, weak market conditions, low selling prices and aggressive destocking. Whilst there appears to be some growth opportunities in the industry for certain selected segments after the major structural reforms by the government, the estimated investments to upgrade facilities, improve efficiencies and comply with stringent requirements are extremely substantial with longer-than-expected investment recovery periods given the estimated cost of capital and the required internal rate of returns.

More recently, the drastic shift in demand to high-grade from low-grade iron ore has fragmented the iron ore market and driven up the prices for iron ore with higher iron content, which is less pollutive during steel production. While low-grade iron concentrates prices have fallen due to the above reason, on contrary, costs have continued to rise notwithstanding cost control disciplines having been implemented, resulting in declining operating margins. Environmental regulations have also become increasingly stringent, giving rise to higher costs of compliance. Moreover, the shift in government policies in the PRC, with increased emphasis to crack down on inefficient and outdated steel production as part of an effort to cut excess capacity and tackle pollution have translated into a fall in the demand for low-grade iron concentrates and is expected to further weaken the price of low-grade iron concentrates or, at least, maintain at its current level. This shift in trend has adversely affected the operations of the Low Fe Mines, which are located in the southern region of Sichuan.

Against this context, the Company also noted that vanadium as a by-product from iron concentrates which is a minor metal traditionally used to strengthen steel and more recently in a new generation of battery technology (vanadium redox batteries) that have potential to store electricity from solar and wind generation – are expected to take off in the coming years which seems to have differentiated characteristics of higher growth opportunity.

However, an internal analysis and independent review suggest that if the Company is to upgrade and expand the production facilities for better growth prospects, the expansion and upgrade would require significant capital investment and working capital which would entail much higher borrowings with no certainty in relation to investment recovery period and internal rates of return.

Asset Impairment and Weak Financial Performance

The above factors had resulted in (i) lower-than-expected capacity utilisation for the Group's key operating assets; (ii) management decisions to suspense under-performed production (iii) major operational streamlining and redundancies and (iv) cutting down and/or cutting off major capital expenditure. As a consequence, the Disposal Group had, over the last three financial years ended 31 December 2017 and 1H2018, incurred significant impairment losses of approximately RMB1.5 billion in aggregate due largely to impairment assessment conducted in accordance with the required International Financial Reporting Standards which arose from the loss-making status of the operations under assessment, a sharp fall in value-in-use for those operating assets and a sharp fall in fair value less cost to sell for those non-operating assets.

For the last three financial years ended 31 December 2017, the accumulated loss attributable to owners of the Disposal Group was approximately RMB1.8 billion, and its loss attributable to owners of the Disposal Group for the six months ended 30 June 2018 was approximately RMB402.2 million. It was further noted that there were no consistent signs of recovery during these financial reporting periods under review. While the Group's financial conditions and performance were adversely affected and the Group is under intense pressure to turnaround, there appear no convincing signs of recovery in the industry, obviously not just yet.

Observations and Other Commercial Options

As guided in the previous results announcements of the Company since the financial year ended 31 December 2015, the Company had shut down under-utilised processing plants, scaled down operations, cut fixed costs and capped capital investment budgets. Despite these efforts, the operations remained loss making and were difficult to achieve economies of scale. These unprofitable operations continued to be burdened by significant impairment losses as a result of lower-than-optimal utilisation rates and market volatility, which appear to be at risk of additional loss-making and impairment losses if there is no improvement in overall capacity utilisation and no commercial justification to re-start suspended production. Whilst the Company is well aware of such risk of assets impairment, the Company does not think it will be commercially viable over the medium-term to invest, expand, resume, re-activate, reorganise and/or merge these unprofitable operations, particularly business forecasts relating to Low Fe and Inactive Mines do not seem to be promising under the existing market conditions.

While there appears to be no viable business plans for the Low Fe and Inactive Mines for the time being, the Company had also evaluated and sought, but was not able to obtain, any firm interest for the following commercial options:

- proposed farm-out operating arrangements with other mining companies to operate the Low Fe Mines and/or to resume production for the Inactive Mines for fixed fees with revenue-sharing;

- proposed sale of processing plants, excluding mining rights, to other steel manufacturers;

- proposed sale of the Low Fe and Inactive Mines separately from the foregoing proposed sale of processing plants and/or plant and equipment; and

- proposed sale of equipment to traders, dealers and/or steel manufacturers.

The Company has finally decided against such options, as there was lack of interest for farm-out operating arrangements; and the commercial negotiations to dispose of the mining rights, processing plants and/or equipment on a piecemeal basis are expected to take considerable time. In addition, there is no certainty that there will be offer; or if there are offers for each of the above options, there is also no assurance that the total cash offer in such a case, would be higher than the Consideration. The lack of interest in the above commercial options could be due to the weak commodity market conditions, massive overcapacity, aggressive destocking, increasingly higher environmental compliance cost in the PRC and the recent drastic shift in demand.

The recent shift in demand to high-grade iron concentrates has caused an abrupt fall in prices and has adverse effects on the already-loss making operations for Low Fe Mines, which stem from the fact that:

- the PRC has seen a surge in demand for high-grade iron ore as the government stepped up its efforts to curb the smog pollution and clean up its steel industry by implementing strict restrictions on emission. The shift in demand has fragmented the iron ore market and driven up the prices for iron ore with higher iron content which is less pollutive during steel production;

- the spot price of 62% TFe iron ore in PRC (assessed as at 21 March 2018) was US$67.25 per tonne. The assessment for the 58% TFe iron ore was US$39.06 per tonne. This made the price for the low-grade iron ore more than 40% lower and this has widened from a 29% gap that prevailed at the end of 2016. Some market observers believe that this pricing trend is likely to continue with albeit possibly a moderate price gap; and

- the price of titanium concentrates (with over 46% titanium contents) in the Panzhihua region dropped from RMB1,250-1,300 per tonne at the end of January 2018 to RMB1,050-1,100 per tonne at the end of June 2018. The price was kept under pressure due to the weak demand as a result of rigorous environmental protection measures implemented on downstream titanium dioxide producers by the Sichuan government.

The Disposal, if completed, is expected to significantly improve the financial performance of the Group, reduce working capital burdens, improve gearing position and allows the Group to direct its resources and steer its focus towards the high-grade iron concentrates to take advantage of the recent market shift that is expected to achieve better economies of scale and deliver greater economic value. Meanwhile, it will further free up the Group's resources in evaluating other business diversification opportunities and earning-accretive strategies.

Based on the above reasons and the below positive estimated financial effects, the Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the IBC to be included in the circular), are of the view that the Disposal is conducted by the Company in its ordinary and usual course of business, on normal commercial terms, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Positive financial effects of the Disposal by the Group

The proposed Disposal, upon Completion, is expected to result in positive financial effects on profit, nets assets, cash flows and gearing ratio of the Group. Details of which are as follows:

(a) Estimated gain on Disposal of RMB40.4 million

Based on (i) the Consideration of RMB550.0 million less estimated cost to sell of approximately RMB5.0 million; (ii) de-consolidation of the unaudited net asset value of the Disposal Group of approximately RMB518.6 million as of 30 June 2018; and (iii) de-recognition of non-controlling interests after the Completion of RMB14.0 million, the estimated gain on the Disposal is approximately RMB40.4 million;

(b) Estimated net increase in net assets by RMB26.4 million

Taking into account of the estimated gain on Disposal of approximately RMB40.4 million, the net assets is expected to increase by approximately RMB26.4 million to RMB967.8 million, net of effects from de-recognition of non-controlling interests;

(c) Estimated cash inflows of RMB79.9 million from Disposal

The estimated net cash position of the Group is expected to be improved by RMB79.9 million to RMB93.5 million on Completion of the Disposal; and

(d) Significant improvement in gearing ratio

Given the exclusion of the net debts of RMB810.6 million attributable to the Disposal Group, the estimated increase in net assets and the improvement in estimated net cash position of the Group on Completion of the Disposal, the gearing ratio is expected to improve from 48.4% as at 30 June 2018 to zero after the Completion *(Note: Gearing ratio is calculated by dividing Net Debt by Total Equity plus Net Debt. Net Debt is defined as all interest-bearing loans, net of cash and cash equivalents. Equity includes equity attributable to owners of the Company and non-controlling interests)*.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the actual financial position of the Remaining Group will be upon Completion. The final amount of the gain on Disposal is subject to the Completion and finalisation of the audit on the Disposal.

Moving forward

On Completion of the Disposal, the Group will continue to operate within its existing scope of business and allocate more resources for the operations for high-grade iron concentrates to take advantage of the market shift that is expected to achieve better economies of scale and deliver greater economic value while focusing on stabilising and improving operating cash flows for the Group. The Group will also explore other business diversification initiatives focusing on assets-light strategies while evaluating businesses in those industries, which the PRC government is promoting and supportive. The Company will update Shareholders in due course.

Based on the foregoing investment strategies, the Company may potentially explore businesses opportunities outside the mining industry. However, in the event that the Group undertakes any acquisition, investment or transaction, joint venture or collaboration in future, the Company will comply with the applicable requirements under the Listing Rules.

USE OF PROCEEDS FROM THE DISPOSAL

The Group intends to use the net sale proceeds of approximately RMB85.0 million for (i) equipment upgrade and environmental compliance related investments for the existing operations of high-grade iron concentrates; (ii) working capital; and (iii) business diversification as and when investment opportunities arise.

INFORMATION ON THE DISPOSAL GROUP COMPANIES

Huili Caitong

Huili Caitong is located in Huili County, Sichuan, the PRC and is a foreign equity joint venture since 29 December 2010 established under the laws of the PRC with a registered capital of RMB610,520,000. The principal business of Huili Caitong is 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

Xiushuihe Mining is located in Huili County, Sichuan, the PRC and is a limited liability company established on 26 June 2007 under the laws of the PRC with a registered capital of RMB200,000,000. The principal business of Xiushuihe Mining is 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.

Panzhihua Yixingda

Panzhihua Yixingda is located in the Panzhihua City, Sichuan, the PRC and is a limited liability company established on 9 July 2009 under the laws of the PRC with a registered capital of RMB1,000,000. Panzhihua Yixingda is the holder of the exploration right of Haibaodang Mine.

The Low Fe and Inactive Mines

The following table summarises the Low Fe and Inactive Mines owned and/or operated by each company of the Disposal Group Companies and their status as at 30 June 2018. The Company had also previously disclosed the following details in the Interim Report 2018.

Name of Disposal Group companies	Relevant mines/processing plants owned and/or operated by the relevant Disposal Group companies	Status as at 30 June 2018
Huili Caitong	Baicao Processing Plant (Baicao Mine)	Producing vanadium-bearing iron concentrates of low Fe contents (within the range of 53% TFe to 55% TFe)
	Heigutian Processing Plant (Baicao Mine)	Suspended since 2015 and has no intention to resume production
	Cizhuqing Mine	Inactive; vanadium-bearing titano-magnetite of low Fe contents (average grade of 21.41% TFe)
	Iron Pelletising Plant (Xiushuihe Mine)	Suspended since 2013 and has no intention to resume production
	Hailong Processing Plant (Xiushuihe Mine)	Producing vanadium-bearing iron concentrates of low Fe contents (within the range of 53% TFe to 55% TFe)
	Yangqueqing Mine	Inactive; vanadium-bearing titano-magnetite of low Fe contents (average grade of 25.09% TFe)
Xiushuihe Mining	Xiushuihe Processing Plant (Xiushuihe Mine)	Producing vanadium-bearing iron concentrates of low Fe contents (within the range of 53% TFe to 55% TFe)
Panzhihua Yixingda	Haibaodang Mine	Inactive; vanadium-bearing titano-magnetite of low Fe contents

Summarised Financial information of the Disposal Group

The financial information of the Disposal Group for the financial years ended each of 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 is as follows:

	Year ended 31 December 2015 *RMB'000*	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	Six months ended 30 June 2018 *RMB'000*
Financial Performance				
Revenue	219,926	325,993	440,296	198,258
Loss before tax	(950,789)	(632,661)	(188,351)	(390,005)
Loss after tax	(1,054,992)	(630,162)	(167,158)	(404,933)
Loss attributable to the Disposal Group	(1,047,458)	(627,320)	(163,673)	(402,193)
Financial Position				
Total assets	3,629,344	3,190,846	2,858,247	2,364,897
Total liabilities	(1,908,470)	(2,100,134)	(1,934,693)	(1,846,276)
Net assets	1,720,874	1,090,712	923,554	518,621
Equity attributable to owners of the Disposal Group	1,697,799	1,070,479	906,806	504,613

BACKGROUND INFORMATION OF THE GROUP AND THE PURCHASER

The Group

The Group is principally engaged in mining and ore processing, sale of self-produced products such as iron concentrates and titanium concentrates, trading of coals and steels, management of strategic investments and rendering of specialised mining services. The Group currently sells its iron concentrates and titanium concentrates to distributors in the Sichuan region.

Subsequent to Disposal, the Remaining Group will continue to principally engage 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 specialized mining services.

The following table briefly summarizes the mines owned and/or operated by each company of the Remaining Group and their status as at 30 June 2018:

Name of Remaining Group companies	**Relevant mines/processing plants owned and/or operated by the relevant Remaining Group companies**	**Status as at 30 June 2018**
Aba Mining Co., Ltd.	Maoling Processing Plant (Maoling-Yanglongshan Mine)	Producing iron concentrates of high iron contents (within the range of 65% TFe to 72% TFe)
Sichuan Haoyuan New Materials Co., Ltd. and its subsidiaries	Shigou Gypsum Mine	Conducted feasibility studies and started trail production in small quality; to observe and monitor consistency of trial production results if they are satisfactory

The Purchaser

The Purchaser is a company established in the PRC in which Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests. Accordingly, the Purchaser is a connected person for the purposes of the Disposal. The Purchaser is principally engaged in the manufacturing, processing and sales of structural steels and other self-produced products such as vanadium pentoxide.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal are more than 75%, the Disposal constitutes a very substantial disposal transaction of the Company under Rule 14.06 of the Listing Rules. In addition, as the Relevant CVT Substantial Shareholders collectively hold more than 30% equity interests in the Purchaser, the Purchaser is a connected person of the Company pursuant to the Listing Rules, and the Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Under the Listing Rules, Trisonic International, any other Shareholders and their respective close associates having a material interest in the Disposal, the SPA and the transactions contemplated thereunder are therefore required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Disposal, the SPA and the transactions contemplated thereunder.

GENERAL

The Company will convene an EGM to seek the approval of the Independent Shareholders by way of poll on the Disposal, the SPA and the transactions contemplated thereunder.

The IBC comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Disposal, the SPA and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The IFA has been appointed by the Company to advise the IBC and the Independent Shareholders in this regard.

A circular containing, among other things, (1) further information on the Disposal, the SPA and the transactions contemplated thereunder; (2) the recommendation of the IBC to the Independent Shareholders; (3) the advice from the IFA to the IBC and the Independent Shareholders; and (4) a notice of the EGM is expected to be despatched to the Shareholders on or before 29 March 2019, as the Company expects that additional time is required to collate the information to be included in the circular.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

"Baicao Mine"	Baicao Mine*（白草鐵礦）, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan with a mining area of 1.88 sq.km. and operated by Huili Caitong
"Baicao Processing Plant"	the ore processing plant located near the Baicao Mine and operated by Huili Caitong
"Board"	the board of Directors
"Business Day"	any day (other than Saturdays, Sunday and statutory holidays) on which licensed banks in PRC are open for business
"Cizhuqing Mine"	Cizhuqing Mine*（茨竹箐鐵礦）, the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and owned by Huili Caitong, with a mining area of 1.279 sq.km.
"Company"	China Vanadium Titano-Magnetite Mining Company Limited（中國釩鈦磁鐵礦業有限公司）, a limited liability company incorporated in the Cayman Islands on 28 April 2008, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 00893)
"close associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Completion"	completion of the SPA in accordance with its terms
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"Consideration"	consideration for the sum of RMB550.0 million payable by the Purchaser to the Vendor for the acquisition of the Sale Interest pursuant to the SPA

"Counter Indemnity"	a moveable asset pledge contract (動產質押合同) to be entered into between the Purchaser and the Company for the provision of counter-indemnity by the Purchaser in favour of the Company in respect of the Company's liabilities and claims under the CVT Guarantees (if any), and the pledge of the Purchaser's inventories (including but not limited to structural steels, coals etc) as security for such counter-indemnity
"CP Completion Date"	day of fulfillment of all the conditions for the Completion as set out in the SPA
"CVT Guarantees"	guarantees given by the Company in favour of the Disposal Group guaranteeing, inter alia, the indebtedness owing by the Disposal Group Companies to certain banks in the PRC with maximum guaranteed amount of RMB730.0 million
"Director(s)"	director(s) of the Company
"Disposal"	the disposal by the Vendor of the Sale Interest pursuant to the SPA
"Disposal Group"	Huili Caitong and its subsidiaries, namely Xiushuihe Mining and Panzhihua Yixingda
"Disposal Group Company(ies)"	any company(ies) in the Disposal Group
"Fe"	chemical symbol of iron element
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and approve the Disposal
"Group"	the Company and its subsidiaries
"Haibaodang Mine"	Haibaodang Mine* (海保凼鈦鐵礦), the vanadium-bearing titano-magnetite mine located in Renhe District, Panzhihua City, Sichuan, with an exploration area of 26.2 sq.km. and owned by Panzhihua Yixingda
"Hailong Processing Plant"	the ore processing plant located near the Cizhuqing Mine and operated by Huili Caitong
"Heigutian Processing Plant"	the ore processing plant located near the Yangqueqing Mine and owned by Huili Caitong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huili Caitong"	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), established in the PRC on 7 July 1998 is an indirect wholly-owned subsidiary of the Company

"IBC"	the independent board committee of the Board comprising Mr. Yu Haizong, Mr. Wu Wen and Mr. Liu Yi, the independent non-executive Directors, appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Disposal, the SPA and the transactions contemplated thereunder
"IFA"	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, the SPA and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than Trisonic International, any other Shareholders and their respective close associates having a material interest in the Disposal, the SPA and the transactions contemplated thereunder
"Intra-Group Debts"	means the debts in the principal amount of up to RMB465.0 million owing by the Vendor to Huili Caitong.
"Iron Pelletising Plant"	the plant that produces iron pellets and is located in Huili County, Sichuan, which is approximately 5.5 km from the Xiushuihe Mine and owned by Huili Caitong
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	the date falling 120 days after the date of the SPA, or such later date as the Vendor, the Purchaser and Huili Caitong may agree
"Low Fe Mines"	collectively, Baicao Mine, Baicao Processing Plant, Xiushuihe Mine (including expansion), Xiushuihe Processing Plant, Hailong Processing Plant, Heigutian Processing Plant and Iron Pelletising Plant, the information and status of which are set out in the paragraph headed "Information on the Disposal Group Companies" in this announcement
"Low Fe and Inactive Mines"	collectively, Cizhuqing Mine, Yangqueqing Mine, Haibaodang Mine and the Low Fe Mines, the information and status of which are set out in the paragraph headed "Information on the Disposal Group Companies" in this announcement

"Maoling-Yanglongshan Mine"	Maoling-Yanglongshan Mine*（毛嶺－羊龍山鐵礦）, the magnetite mine located in Wenchuan County, Sichuan with an exploration region with a total area of 11.6 sq.km. and operated by the Remaining Group
"Net Profit" or "Net Loss"	means the net profit or loss attributable to the owners of the Company
"Panzhihua Yixingda"	Panzhihua Yixingda Industrial Trading Co., Ltd.*（攀枝花易興達工貿有限責任公司）, a limited liability company established in the PRC on 9 July 2009, which is wholly owned by Huili Caitong
"PRC"	People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Chengyu Vanadium Titano Technology Ltd.*（成渝釩鈦科技有限公司）, formerly known as Weiyuan Steel Co., Ltd.*（威遠鋼鐵有限公司）, a sino-foreign equity joint venture established in the PRC on 3 April 2001, and is controlled by the Relevant CVT Substantial Shareholders
"Registration Completion Date"	date of completion of requisite change of registration at the local Administration for Industry & Commerce in relation to the transfer of the Sale Interest upon completion of the Disposal and the date of issue of the updated business licence of Huili Caitong
"Relevant CVT Substantial Shareholders"	Mr. Wang Jin（王勁）, Mr. Shi Yinjun（石銀君）, Mr. Zhang Yuangui（張遠貴）and Mr. Li Hesheng（李和勝）, parties acting in concert and some of the substantial Shareholders
"Remaining Group"	the Company and its subsidiaries upon the Completion
"RMB"	Renminbi, the lawful currency in the PRC
"Sale Interest"	the entire equity interest in Huili Caitong
"Shareholder(s)"	holder(s) of shares of the Company
"Shigou Gypsum Mine"	Shigou Gypsum Mine*（石溝石膏礦）, the gypsum mine located at Hanyuan County, Ya'an City, Sichuan with a mining area of 0.1228 sq.km. and owned by the Remaining Group

"SPA"	the Sales and Purchase Agreement in relation to the Disposal dated 29 January 2019 entered into between the Vendor and the Purchaser
"sq.km."	square kilometers
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TFe"	the symbol for denoting total iron
"Trisonic International"	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006, a controlling shareholder of the Company and controlled by the Relevant CVT Substantial Shareholders
"Vendor"	Sichuan Lingyu Investment Co., Ltd.* (四川省凌御投資有限公司), a limited liability company established in the PRC on 9 June 2010 and an indirect wholly-owned subsidiary of the Company
"Xiushuihe Mining"	Huili County Xiushuihe Mining Co., Ltd.* (會理縣秀水河礦業有限公司), a limited liability company established in the PRC on 26 June 2007, which is owned as to 95% by Huili Caitong and 5% by Xichang Vanadium and Titanium Products Co., Ltd* (西昌釩鈦制品有限公司)
"Xiushuihe Processing Plant"	the ore processing plant located near the Xiushuihe Mine and operated by Xiushuihe Mining
"Yangqueqing Mine"	Yangqueqing Mine (陽雀箐鐵礦), the vanadium-bearing titano-magnetite mine located in Huili County, Sichuan and owned by Huili Caitong, with a mining area of 0.25 sq.km.

* *denotes an English translation of a Chinese name and is for identification purposes only. If there is any inconsistency between the Chinese name and the English translation, the Chinese version shall prevail*

For and on behalf of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Teh Wing Kwan
Chairman

Hong Kong, 29 January 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.

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