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China Vanadium Titano-Magnetite Mining Company Limited

中國鈮鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
FACILITY MANAGEMENT SERVICES
FRAMEWORK AGREEMENTS**

THE FRAMEWORK AGREEMENTS

On 21 March 2022 (after trading hours), Sichuan Lingwei (an indirect wholly-owned subsidiary of the Company) entered into (i) the Huili FM Agreement with Huili Caitong and Xiushuihe Mining; and (ii) the Yanyuan FM Agreement with Yanyuan Xigang. Pursuant to the Framework Agreements, Sichuan Lingwei has agreed to provide facility management services, comprising operational site routine services and mining engineering support and consultancy services, to the mining camps of Huili Caitong, Xiushuihe Mining and Yanyuan Xigang from 1 April 2022 to 31 December 2022.

LISTING RULES IMPLICATIONS

(1) Huili FM Agreement

As at the date of this announcement, Xiushuihe Mining is the non-wholly owned subsidiary of Huili Caitong, which is in turn wholly owned by Chengyu Vanadium Titano. Chengyu Vanadium Titano is collectively held directly and indirectly as to more than 30% by the Relevant CVT Substantial Shareholders. Accordingly, Huili Caitong and Xiushuihe Mining are the associates of the Relevant CVT Substantial Shareholders and therefore connected persons of the Company under Rule 14A.07 of the Listing Rules, and the transactions contemplated under the Huili FM Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

(2) Yanyuan FM Agreement

As at the date of this announcement, Yanyuan Xigang is ultimately held indirectly as to more than 30% by the Relevant CVT Substantial Shareholders. Accordingly, Yanyuan Xigang is an associate of the Relevant CVT Substantial Shareholders and therefore connected persons of the Company under Rule 14A.07 of the Listing Rules, and the transactions contemplated under the Yanyuan FM Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios in respect of the annual cap for the transactions contemplated under the Framework Agreements for the Agreement Period (as defined below), as calculated on an aggregated basis in accordance with the Listing Rules, is less than 5%, such transactions contemplated thereunder, together with the annual cap thereof, constitute continuing connected transactions of the Company which are subject to the reporting and announcements requirements but are exempt from the circular and Shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 21 March 2022 (after trading hours), Sichuan Lingwei (an indirect wholly-owned subsidiary of the Company) entered into (i) the Huili FM Agreement with Huili Caitong and Xiushuihe Mining and (ii) Yanyuan FM Agreement with Yanyuan Xigang. Pursuant to the Framework Agreements, Sichuan Lingwei has agreed to provide facility management services, comprising operational site services and mining engineering support and consultancy, to the mining camps of Huili Caitong, Xiushuihe Mining and Yanyuan Xigang from 1 April 2022 to 31 December 2022 (the “**Agreement Period**”).

HUILI FM AGREEMENT AND YANYUAN FM AGREEMENT

The principal terms of the Huili FM Agreement and the Yanyuan FM Agreement are substantially the same, except for the parties and the service fees.

A summary of the salient terms of the Huili FM Agreement and the Yanyuan FM Agreement are set out below:

Date: 21 March 2022

Parties: **In respect of the Huili FM Agreement:**

- (i) Huili Caitong (as customer);
- (ii) Xiushuihe Mining (as customer); and
- (iii) Sichuan Lingwei (as service provider)

In respect of the Yanyuan FM Agreement:

(i) Yanyuan Xigang (as customer); and

(ii) Sichuan Lingwei (as service provider)

Term: From 1 April 2022 to 31 December 2022 (both days inclusive)

Service Scope: Sichuan Lingwei is responsible for providing with a wide range of facility management services, including:

(i) **Operational Site Services** comprising miscellaneous environmental services, site maintenance, catering services, ancillary facilities management, preserving the cleanliness and maintaining order of the relevant areas.

(ii) **Mining Engineering Support and Consultancy Services** comprising (a) maintenance engineering services; (b) information engineering services (including asset management and system integration) for productivity improvement and process monitoring; and (c) consultancy for mine reclamation services, mine planning and designs; and mine scheduling.

Service Fees Pursuant to the terms of the Framework Agreements, with respect to the operational site services, Huili Caitong, Xiushuihe Mining and Yanyuan Xigang shall pay Sichuan Lingwei a monthly fee of RMB370,000, RMB340,000 and RMB165,000, respectively.

With respect to the mining engineering support and consultancy services, the parties shall, depend on specific scopes for each individual project to be agreed upon, further enter into individual separate agreement for each project in relation to detailed service scopes and fees based on the principles as agreed in the Framework Agreements.

The above service fees under the Framework Agreements are arrived after arm's length negotiation between the parties, with reference to (i) the scope of services required; (ii) the types and locations of the facilities; (iii) the number of labours involved; and (iv) cost-plus pricing model taking into account of the anticipated operational costs to be incurred for rendering the services, among others, labour costs, material costs, administration costs and sub-contracting costs (if any) plus a profit margin and subject to inflationary adjustments.

HISTORICAL AMOUNT

There was no historical amount in respect of the transactions under each of the Framework Agreements. However, the Group had previously provided technical consultancy services to Huili Caitong from 1 January 2018 to 31 December 2020 for an annual service fee of RMB8.6 million during this period (the “**Previous Agreement**”). The provision of technical consultancy services under the Previous Agreement had expired on 31 December 2020. For further details, please refer to the announcement of the Company dated 30 July 2019.

ANNUAL CAP AND ITS BASIS OF DETERMINATION

The annual cap for the transactions contemplated under the Framework Agreements for the year ending 31 December 2022 (“**FY2022**”) is RMB12,900,000.

The annual cap for the transactions contemplated under the Framework Agreements are arrived at after taking into consideration of, among others, the following:

- (i) the scope of services required;
- (ii) the types and locations of the facilities;
- (iii) the number of labours involved;
- (iv) cost-plus pricing model taking into account of the anticipated operational costs to be incurred for rendering the services, among others, labour costs, material costs, administration costs and sub-contracting costs (if any) plus a profit margin and subject to inflationary adjustments;
- (v) the anticipated demand based on the existing operational requirements, including the potential expansion of scope of services as identified for the said mining camps during the Agreement Period; and
- (vi) with reference to the above factors, subject to the actual demand of services but within the limit of the annual cap, the estimated transaction amounts for the operational site services and mining engineering support and consultancy services under the Framework Agreements for FY2022 of approximately RMB7.9 million and RMB5.0 million, respectively.

In the event the amount of transactions contemplated under the Framework Agreements are expected to exceed the annual cap due to variation order or operation needs from the customers, the Company will re-comply with the relevant requirements under the Listing Rules as and when appropriate, including publication of a further announcement or to seek approval from independent Shareholders, if applicable, prior to proceeding further with the transactions.

INTERNAL CONTROL MEASURES

To safeguard the interests of the Shareholders, the Company has adopted internal control measures relating to the transactions contemplated under the Framework Agreements, which include the following:

- (i) the finance department of the Company will compile and consolidate the transaction amounts under the Framework Agreements and any other ancillary separate individual agreements derived for every quarter for peer review of the compliance department and the details will then be reported to the management of the Company and the Board. The finance department and compliance department will inform the management of the Company and the Board on a timely basis in the event there is deviation from basis as set out the Framework Agreements;
- (ii) the finance department and the compliance department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under the Framework Agreements and any other ancillary separate individual agreements are conducted on normal commercial terms (including conduct of market comparison check if necessary), in accordance with the terms set out in the respective agreements and whether the service fees and relevant contract terms are in the interest of the Company and the Shareholders as a whole;
- (iii) the Company's internal auditor will conduct an annual review of the internal control system is effectively in place to ensure that the connected transactions are entered into in accordance with the terms set out in the Framework Agreements;
- (iv) the Company's external auditor will conduct an annual review of the transactions entered into under the Framework Agreements to ensure that the connected transactions are entered into in accordance with the terms set out in the Framework Agreements; and
- (v) the Company's independent non-executive Directors will conduct quarterly reviews of the status of the transactions contemplated under the Framework Agreements to ensure that the Company has complied with its internal approval process, the terms of the Framework Agreements and the relevant requirements under the Listing Rules.

By implementing the above procedures and measures, the Directors consider that the Company has established an adequate internal control system to ensure the relevant continuing connected transactions under the Framework Agreements are conducted in accordance with the terms of such agreement, on normal commercial terms and in accordance with the pricing policies of the Company, which are fair and reasonable and in the interest of the Company and its Shareholders.

INFORMATION OF THE PARTIES

Huili Caitong is a company established in the PRC with limited liability which is principally engaged in iron ore mining, iron ore beneficiation and sale of self-produced products. As at the date of this announcement, Huili Caitong is wholly owned by Chengyu Vanadium Titano, which is effectively (i) 67.5% owned by the Relevant CVT Substantial Shareholders; and (ii) 32.5% owned by 15 individuals and one union. As at the date of this announcement, none of such 15 individuals and/or union effectively owns more than 30% of the equity interests in Chengyu Vanadium Titano and thus, they are all Independent Third Parties. Huili Caitong was formerly an indirect wholly-owned subsidiary of the Company before the completion of its disposal on 30 July 2019.

Xiushuihe Mining is a company established in the PRC with limited liability which is principally engaged in iron ore mining, iron ore beneficiation and sale of self-produced products. As at the date of this announcement, Xiushuihe Mining is 95% and 5% owned by Huili Caitong and Xichang Vanadium and Titanium Products Co., Ltd* (西昌钒钛製品有限公司), respectively; and the latter is ultimately controlled by the Relevant CVT Substantial Shareholders. It was formerly an indirect subsidiary of the Company which was held as to 95.0% by Huili Caitong (a then indirect wholly-owned subsidiary of the Company before the completion of its disposal on 30 July 2019).

Yanyuan Xigang is a company established in the PRC with limited liability which is principally engaged in coal mining, processing, refining and sales of coal. As at the date of this announcement, Yanyuan Xigang is effectively (i) 53.0% owned by the Relevant CVT Substantial Shareholders; and (ii) 47.0% owned by 13 individuals. None of such 13 individuals effectively owns more than 30% of the equity interests in Yanyuan Xigang and thus, they are all Independent Third Parties.

Sichuan Lingwei is a company established in the PRC with limited liability which is principally engaged in rendering facility management and consultancy services. It is an indirect wholly-owned subsidiary of the Company.

RATIONALE AND BENEFITS OF THE CONTEMPLATED TRANSACTIONS

The Group is principally engaged in mining and ore processing. As disclosed in the previous announcements, the Group has placed all the mining facilities management activities as a standalone business unit in order to strengthen the operational system capability of a specialised facilities management team which may also facilitate allocation of relevant management resources for the facilities management operations that such coordinated efforts may potentially allow diversification of such expertise beyond mining industry should opportunities arise for the Group. While the Group is building up its facilities management capabilities to capture project opportunities under the China's future economy across multiple sectors, the Group will continue to stay focused in its existing business strategies across the volatile business environment and market cycles amidst China's existing "Zero-Covid" stance in containing the pandemic.

The contemplated transactions under the Framework Agreements are income-accretive, which will improve the economies of scale of the reorganised facilities management business unit and broaden recurring income stream for the Group as part of its existing asset-light business strategies amidst the current business environment. As facilities management continue to hold an increasingly important and integral role in other industries and sectors, the Group believes that the services to be provided and management resources to be allocated under the Framework Agreements serves as a base to allow progressive expansion of the level of such relevant expertise (including future investments in relevant skilled personnel and technological support) such that the Group could potentially market its facilities management capabilities, procure additional service contracts, forge partnership with strategic partners so that it could explore more innovative and technology-driven facilities management strategies in managing the entire value chain of the facilities management business for other third party clients as well.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Framework Agreements (and the proposed service fees thereunder) are fair and reasonable and are thus 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.

No Director has a material interest in the Framework Agreements, and therefore none of the Directors are required to abstain from voting in the Board meeting approving the contemplated transactions under the Framework Agreements.

LISTING RULES IMPLICATIONS

(1) Huili FM Agreement

As at the date of this announcement, Xiushuihe Mining is the non-wholly owned subsidiary of Huili Caitong, which is wholly owned by Chengyu Vanadium Titano. Chengyu Vanadium Titano is in turn collectively held directly and indirectly as to more than 30% by the Relevant CVT Substantial Shareholders. Accordingly, Huili Caitong and Xiushuihe Mining are the associates of the Relevant CVT Substantial Shareholders and therefore connected persons of the Company under Rule 14A.07 of the Listing Rules, and the transactions contemplated under the Huili FM Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

(2) Yanyuan FM Agreement

As at the date of this announcement, Yanyuan Xigang is ultimately held indirectly as to more than 30% by the Relevant CVT Substantial Shareholders. Accordingly, Yanyuan Xigang is an associate of the Relevant CVT Substantial Shareholders and therefore connected persons of the Company under Rule 14A.07 of the Listing Rules, and the transactions contemplated under the Yanyuan FM Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual cap for the transactions contemplated under the Framework Agreements for the Agreement Period, as calculated on an aggregated basis in accordance with the Listing Rules, is less than 5%, such transactions contemplated thereunder, together with the annual cap thereof, constitute continuing connected transactions of the Company which are subject to the reporting and announcements requirements but are exempt from the circular and Shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Chengyu Vanadium Titano”	Chengyu Vanadium Titano Technology Ltd.* (成渝鈮鈦科技有限公司), formerly known as Weiyuan Steel Co., Ltd.* (威遠鋼鐵有限公司), a limited liability company established in the PRC, and is controlled by the Relevant CVT Substantial Shareholders
“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國鈮鈦磁鐵礦業有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Framework Agreements”	the Huili FM Agreement and the Yanyuan FM Agreement
“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), a limited liability company established in the PRC
“Huili FM Agreement”	the facility management services framework agreement entered into between Huili Caitong and Xiushuihe Mining and Sichuan Lingwei on 21 March 2022 in relation to the provision of facility management services by Sichuan Lingwei to Huili Caitong and Xiushuihe Mining
“Independent Third Party(ies)”	independent third party(ies) who is(are) not connected with the Company and its connected person(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant CVT Substantial Shareholders”	Mr. Wang Jin (王勁), Mr. Shi Yinjun (石銀君), Mr. Zhang Yuangui (張遠貴), Mr. Li Hesheng (李和勝) and Mr. Wu Wendong (吳文東), parties acting in concert and some of the substantial Shareholders
“Shareholder(s)”	holder(s) of issued share(s) of the Company
“Sichuan Lingwei”	Sichuan Lingwei Property Services Co., Ltd.* (四川省凌威物業服務有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“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
“Yanyuan FM Agreement”	the facility management services framework agreement entered into between Yanyuan Xigang and Sichuan Lingwei on 21 March 2022 in relation to the provision of facility management services by Sichuan Lingwei to Yanyuan Xigang
“Yanyuan Xigang”	Yanyuan Xigang Clean Coal Co., Ltd.* (鹽源西鋼精煤有限責任公司), a limited liability company established in the PRC
“%”	per cent

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

Hong Kong, 21 March 2022

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, and Mr. Yu Haizong, Mr. Liu Yi and Mr. Wu Wen as independent non-executive Directors.

Website: www.chinavtmmining.com

** For identification purpose only*