



China Vanadium Titano-Magnetite Mining Company Limited  
中國鈇鈦磁鐵礦業有限公司

## **China VTM Mining Announces Business Restructuring Leading to Disposal of Loss-making Mining Operations for RMB 550.0 million**

Hong Kong, 29 January 2019 – **China Vanadium Titano-Magnetite Mining Company Limited** (“**China VTM Mining**” or the “**Company**”, together with its subsidiaries, the “**Group**”) (Stock code: 00893.HK) announced today the disposal of 100% equity interest in its indirect wholly-owned subsidiary Huili County Caitong Iron and Titanium Co., Ltd (“**Huili Caitong**”) – the operators and owners of the Group’s existing loss-making Low Fe and Inactive Mines (the “**Disposal Group**”) – to a connected person, Chengyu Vanadium Titano Technology Ltd. (the “**Vendor**”) for a consideration of RMB 550.0 million. The proposed disposal of the loss-making operations, if completed, is expected to result in positive financial effects on profit, net assets, cash flows and gearing of the Group.

The sale proceeds of RMB 550.0 million will be settled by offsetting certain inter-group debts of up to RMB 465.0 million with the remaining RMB 85.0 million to be paid in cash by the Vendor. In addition, the Vendor will, upon completion, procure the release of the Company’s guarantees of indebtedness owing by the Disposal Group to certain banks of up to RMB 730.0 million. An independent qualified valuer has estimated a fair value range of RMB 420.0 million to RMB 560.0 million for the Disposal Group as at 30 June 2018.

The proposed disposal will eliminate major loss-making business units from the Group and could pave the way for a potential turnaround for the Group. Financially, the Disposal Group has incurred substantial losses since 2015, with the accumulated losses attributable to its owners reaching approximately RMB 2.2 billion over the past 3.5 years ended 30 June 2018. Operationally, the recent drastic shift in demand to high-grade iron concentrates on the back of stringent emission control has caused an abrupt fall in prices of low-grade iron concentrates which had adversely affected the operations of the already loss-making Low Fe Mines.

The proposed disposal and business restructuring came under the new leadership of Group Chairman Teh Wing Kwan (“**Mr. Teh**”), who was appointed in July 2017. Mr. Teh has also been the Executive Chairman and CEO of the SGX-listed Advance SCT Limited (“**ASCT**”) since July 2018, for which he has recently initiated key turnaround plans to diversify and invest in smart city initiatives. He was also the Managing Director and Group CEO of the SGX-listed Sapphire Corporation Ltd (“**Sapphire**”) from October 2013 to December 2017, during which he successfully restructured and transformed Sapphire by acquiring one of the largest privately-owned urban rail transit engineering groups in China. Mr. Teh, a sophisticated investor, specialises in corporate restructuring, corporate finance and merger & acquisition.

Mr. Teh has, since his appointment as Chairman of the Board, initiated and led the strategic reviews for the Group jointly with the key management. Arising from which, CVT has since reorganised under-utilised mining assets, streamlined its loss-making operations, capped capital investments on mining rights acquisition and is in the midst of transforming its operating models with key objectives to improve efficiencies and stabilise operating cash flows for the operations. The Company has since then appointed two new executive directors, Mr. Hao Xiemin and Mr. Wang Hu, to focus on strengthening financial management and legal compliance for the Group's mining operations, respectively.

**Mr. Teh, Chairman of China VTM Mining, said, “Whilst the commercial decisions leading to the disposal have not been easy, we are well aware of those business risks ahead if the Group remains reactive rather than proactive in this fast-changing business environment and the volatile mining industry. We have seen a very sharp fall in demand for the more polluting ore while that for the higher grade ore is rising as the environment compliance standards for the industry have become more onerous”.**

**“This disposal, being part of our major restructuring exercise, aims to streamline the disappointing loss-making mines, improve financial performance, strengthen financial position, reduce working capital burdens and improve gearing position of the Group as a whole,”** added Mr. Teh

Upon completion of the Disposal, the Group plans to allocate more resources towards investing in environmental-related compliance, expanding capacity and improving efficiencies for production of high-grade iron concentrates given the recent shift in market demand that seems encouraging for the Group's High Fe Mines.

While focusing on improving economies of scale and stabilising operating cash flows for the Group's remaining mining operations, the Group may explore business diversification initiatives beyond the mining industry. Based on the foregoing investment strategies, the Group will emphasise assets-light strategies and evaluate businesses in those industries, which the Chinese government has been promoting and is supportive. The Group may also work on various business collaboration models and joint venture structures with other strategic partners who are backed by proven track records in their relevant areas of expertise.

**“Whilst stabilising the existing mining operations is our immediate focus, we hope to revamp our investment strategies and evaluate other earning-accretive business diversification plans as well, over a longer term. In this aspect, we must deliberate strategic plans and obviously, we must place emphasis on execution capabilities. While I am newly appointed to the Board, I take note that shareholders can't afford to take another set of deteriorating results and see another round of disappointing decisions, moving forward. Whilst business risks apply, I certainly share their views,”** Mr. Teh further commented.

The proposed Disposal constitutes a very substantial disposal and connected transaction under the listing rules of the Hong Kong Stock Exchange and is thus subject to approval of independent shareholders at an extraordinary general meeting to be convened in due course.

**About China VTM Mining**

China VTM Mining has been listed on the main board of The Stock Exchange of Hong Kong Limited since 8 October 2009. The Group is primarily engaged in mining and ore processing, sale of self-produced products, trading of coals and steels, and providing specialist mining services.

The Group currently owns the Baicao mine, the Xiushuihe mine (including expansion), the Yangqueqing mine, the Cizhuqing mine, the Maoling-Yanglongshan mine, the Haibaodang mine and the Shigou gypsum mine. Furthermore, the Group owns the Baicao processing plant, the Xiushuihe processing plant, the Hailong processing plant, the Heigutian processing plant and the iron pelletising plant in the Panxi region, and also owns the Maoling processing plant in the Aba prefecture.

For more information, please visit: <http://www.chinavtmmining.com>

**For media enquiries, please contact:**

**Cornerstones Communications Limited**

Kylie Yeung / Karen Chu / Elaine Chan

Tel: (852) 2903 9293 / 2903 9213 / 2903 9288

Fax: (852) 2887 1712

E-mail: [chinavtm@cornerstonescom.com](mailto:chinavtm@cornerstonescom.com)