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## **China Vanadium Titano-Magnetite Mining Company Limited**

**中國鈇鈦磁鐵礦業有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 893)**

### **DISCLOSEABLE TRANSACTION ASSETS LEASE AGREEMENT WITH OPTION TO ACQUIRE THE LEASED ASSETS**



**Financial Advisor to the Company**

The Board is pleased to announce that on 3 February 2010, Huili Caitong and Yanbian Caitong, being subsidiaries of the Group, entered into an assets lease agreement with the Lessor and the Guarantors, under which Yanbian Caitong has agreed to rent the Leased Assets at an iron concentrates and high-grade titanium concentrates production facility at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan and Huili Caitong has the option to acquire the Leased Assets during the term of the assets lease agreement.

The Transaction constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirements under Chapter 14 of the Listing Rules. The Company has appointed Citigroup Global Markets Asia Limited as the financial adviser to the Company in respect of the Transaction.

#### **1. BACKGROUND**

The Lessor is the owner of an iron and high-grade titanium concentrates production line at Heigutianshe, Xinjiu Town, Yanbian County, a tailing storage facility and other related assets at the Heigutianshe Production Facility. On 3 February 2010, the Lessee and Huili Caitong have entered into the Lease Agreement with the Lessor and the Guarantors for the Lessee to rent the Leased Assets for the purpose of iron and high-grade titanium concentrates processing, with an option for Huili Caitong to acquire the Leased Assets during the term of the Lease Agreement.

## 2. SUMMARY OF THE LEASE AGREEMENT

The key provisions of the Lease Agreement are as follows:

Date of Agreement	:	3 February 2010
Parties		
(1) Lessor	:	Yanbian County Hongyuan Mining Co. Ltd.* (鹽邊縣宏緣礦業有限責任公司)
(2) Lessee	:	Yanbian Caitong
(3) Guarantors	:	Mr. Luo and Ms. Ma
(4) Option holder	:	Huili Caitong
Leased Assets	:	See section 6 of this announcement for details
Term	:	Approximately six months commencing from 3 February 2010 to 31 July 2010, renewable by mutual agreement between the Lessor and the Lessee (“ <b>Term</b> ”)
Rent	:	RMB2.5 million per month (“ <b>Rent</b> ”). The Rent will be calculated on a daily basis if the actual Term is less than six months
Basis of the determination of Rent	:	The Rent is based on arm’s length negotiation with reference to market rate
Termination	:	By either: (i) completion of all rights and obligations under the Lease Agreement, or (ii) mutual agreement amongst all parties to the Lease Agreement, or (iii) unilateral termination by either the Lessor or the Lessee if the other party is in default

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Lessor, the Guarantors and the ultimate beneficial owners of the Lessor and the Guarantors are third parties independent of the Group and connected persons of the Group.

## 3. FINANCIAL INFORMATION OF THE LEASED ASSETS

The total net book value of the Leased Assets as at 31 December 2009 was approximately RMB548.52 million<sup>▲</sup>. In addition, the net profits attributable to the Leased Assets for the years ended 31 December 2008 and 31 December 2009 are as follows:

	For the year ended 31 December 2008	For the year ended 31 December 2009
Before taxation	RMB41,812,000 <sup>▲</sup>	RMB6,784,000 <sup>▲</sup>
After taxation	RMB31,359,000 <sup>▲</sup>	RMB5,088,000 <sup>▲</sup>

<sup>▲</sup> Based on Generally Accepted Accounting Principles of the PRC

#### 4. OPTION TO ACQUIRE THE LEASED ASSETS

During the Term of the Lease Agreement, Huili Caitong has the option to acquire the Leased Assets which is subject to the results of due diligence against the Leased Assets and at its sole discretion (“**Option**”). In the event that Huili Caitong decides to exercise the Option by serving written notice to the Lessor, the Lessor shall diligently conduct negotiation with Huili Caitong to procure the signing of a definitive assets transfer agreement.

#### 5. GUARANTEE

The parties agreed that the Guarantors shall procure the Lessor to perform its obligations under the Lease Agreement, including the Option to acquire the Leased Assets. If the Lessor fails to perform all or part of its obligations pursuant to the Lease Agreement, the Guarantors shall perform such obligations on behalf of the Lessor or bear unlimited joint liability for the Lessor’s default.

#### 6. INFORMATION OF THE LEASED ASSETS

Pursuant to the Lease Agreement, the Leased Assets which are subject to rental include the following:

- (a) a recently revamped iron concentrates production line which commenced production on 1 August 2008 with an annual capacity of 800kt iron concentrates and 120kt high-grade titanium concentrates, together with a tailing storage facility at Heigutianshe, Xinjiu Town, Yanbian County,
- (b) premises occupied by the iron concentrates production line and the tailing storage facility with a total area of 224,598m<sup>2</sup>,
- (c) certain buildings, machinery and equipment at the Heigutianshe Production Facility, and
- (d) a pavement road at the length of 6.7km at the Heigutianshe Production Facility

(collectively, “**Leased Assets**”).

#### 7. REASONS FOR ENTERING INTO THE TRANSACTION

The Group specializes in the mining and processing of iron ore into iron concentrates, iron pellets and titanium concentrates for subsequent sale. The Lease Agreement will immediately increase our annual production capacity of iron concentrates from currently 1,200kt to 2,000kt; and that of high-grade titanium concentrates from 100kt to 220kt. The increase in production capacity will yield greater production output, which in turn will increase our revenue.

Upon the exercise of the Option to purchase the Leased Assets, the Group will internalize the increase in production capacities and integrate the Leased Assets in our production facilities. The increase in production capacity will yield greater production output and contribute to long-term revenue generation.

Considering the reasons above, the Directors are of the view that the Transaction is in the interest of the Company and the Shareholders as a whole, and the terms of the Lease Agreement are on normal commercial terms and are fair and reasonable to the Company.

## **8. INFORMATION ABOUT THE LESSOR**

The Lessor is established in the PRC with limited liability and located in Liushu Village, Xinjiu Town, Yanbian County. The principal business activities of the Lessor include the processing and sales of iron and titanium concentrates.

## **9. INFORMATION ABOUT THE LESSEE**

Yanbian Caitong is a wholly-owned subsidiary of Huili Caitong and a member of our Group. Its core business activities include the trading of steel, hardware and construction materials and providing employment consultancy services.

## **10. INFORMATION ABOUT HUILI CAITONG**

Huili Caitong is a subsidiary of the Group and its core business activities include the operation of the Baicao Mine.

## **11. INFORMATION ABOUT THE GROUP**

The Group owns and operates iron ore mines in Sichuan. The ore in our mines is vanadium-bearing titanomagnetite ore which is used for producing iron ore products and titanium products. The Group primarily engages in mining, ore processing and iron palletizing and sales of iron concentrates, iron pellets and titanium concentrates.

## **12. LISTING RULES IMPLICATIONS**

The Transaction constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the announcement requirements under Chapter 14 of the Listing Rules. The Company has appointed Citigroup Global Markets Asia Limited as the financial adviser to the Company in respect of the Transaction.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

## **TERMS USED IN THIS ANNOUNCEMENT**

“Baicao Mine”	the vanadium-bearing titanomagnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan, PRC and operated by Huili Caitong
“Company”	China Vanadium Titano-Magnetite Mining Company Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Luo Ming who holds 60% equity interests of the Lessor and Ms. Ma Tianhui who holds 40% equity interests of the Lessor, both of whom are PRC residents
“Heigutianshe Production Facility”	an iron and high-grade titanium concentrates production facility at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan

“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 since 7 July 1998 and currently a Sino-foreign equity joint venture enterprise. It is a member of our Group and operates the Baicao Mine
“Leased Assets”	is defined in section 6 of this announcement
“m <sup>2</sup> ”	square metre
“km”	kilometres
“kt”	thousand tones
“Lease Agreement”	an assets lease agreement entered by Huili Caitong, the Lessor and the Guarantors in respect of the rental of the Leased Assets on 3 February 2010
“Lessee” or “Yanbian Caitong”	Yanbian County Caitong Iron and Titanium Co. Ltd.* (鹽邊縣財通鐵鈦有限責任公司), a company established in the PRC and a wholly-owned subsidiary of Huili Caitong
“Lessor”	Yanbian County Hongyuan Mining Co. Ltd.*, (鹽邊縣宏緣礦業有限責任公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Luo”	Luo Ming* (羅明), a PRC resident who holds 60% equity interests of the Lessor and is one of the Guarantors
“Ms. Ma”	Ma Tianhui* (馬天會), a PRC resident who holds 40% equity interests of the Lessor and is one of the Guarantors
“PRC”	the People’s Republic of China
“PRC authorities”	the relevant local PRC authorities as the context may require
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

\* For identification purpose only.

By order of the Board  
**China Vanadium Titano-Magnetite Mining Company Limited**  
**Jiang Zhong Ping**  
*Chairman*

Hong Kong, 4 February 2010

*As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping, Mr. Liu Feng, Mr. Wang Yun Jian and Mr. Yu Xing Yuan as Executive Directors; Mr. Wang Jin, Mr. Zhu Xiao Lin, Mr. Teo Cheng Kwee and Mr. Devlin Paul Jason as Non-executive Directors; and Mr. Yu Haizong, Mr. Gu Peidong, Mr. Liu Yi and Mr. Wu Wei as Independent Non-executive Directors.*

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