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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 TRANSACTIONS – ASSETS TRANSFER AGREEMENT FOR THE ACQUISITION OF CERTAIN ASSETS AT THE HEIGUTIANSHE PRODUCTION FACILITY AND TERMINATION OF THE ASSETS LEASE AGREEMENT**



**Financial Advisor to the Company**

The Board is pleased to announce that on 11 March 2010, Huili Caitong and Yanbian Caitong, being subsidiaries of the Group, entered into an assets transfer agreement with Yanbian Hongyuan and the Guarantors. Under this assets transfer agreement, Huili Caitong has agreed to exercise the option as stated in the Assets Lease Agreement to acquire certain assets at an iron concentrates and high-grade titanium concentrates production facility at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan which have been previously leased by Yanbian Hongyuan to Yanbian Caitong. Upon entering into the assets transfer agreement, the existing Assets Lease Agreement has been simultaneously terminated.

The Acquisition and the termination of the Assets Lease Agreement constitute discloseable transactions for the Company under the Listing Rules and are 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 Transactions.

#### **1. BACKGROUND**

On 22 December 2009, the Transferor and the Transferee entered into a non-binding framework agreement relating to the acquisition of the Target Assets at the Heigutianshe Production Facility (“**Framework Agreement**”). Pursuant to the Framework Agreement and prior to the execution of the Agreement, the Transferee paid to the Transferor RMB88.76 million as the Deposit and agreed that it could be applied as part payment of the Consideration in the event that the parties enter into a definitive assets transfer agreement for the Acquisition.

On 3 February 2010, Yanbian Caitong, Huili Caitong, Yanbian Hongyuan and the Guarantors entered into the Assets Lease Agreement for leasing certain assets at the Heigutianshe Production Facility. During the term of the Assets Lease Agreement, Huili Caitong has the option to acquire the leased assets which is subject to the results of due diligence and at its sole discretion (“**Option**”). For details, please refer to the announcement of the Company titled “*Discloseable Transaction – Assets Lease Agreement with Option to Acquire the Leased Assets*” published on 4 February 2010.

As due diligence against the Target Assets has been completed to the satisfaction of Huili Caitong, Huili Caitong has decided to exercise the Option and proceed with the completion of the Acquisition.

## 2. SUMMARY OF THE AGREEMENT

The key provisions of the Agreement are as follows:

Date of Agreement : 11 March 2010

Parties

(1) Transferor : Yanbian Hongyuan

(2) Transferee : Huili Caitong

(3) Yanbian Caitong : Yanbian County Caitong Iron and Titanium Co. Ltd.\* (鹽邊縣財通鐵鈦有限責任公司)

(4) Guarantors : Mr. Luo and Ms. Ma

Target Assets : See section 3 of this announcement for details

Consideration : RMB550 million, consisting of the Deposit and five separate installments payable to the Transferor. For details of the conditions of payment of the five separate installments after applying the Deposit as part payment, please refer to the section 5 of this announcement for details.

Basis of the determination of Consideration : The Consideration is based on the valuation conducted by an independent PRC assets valuer. The appraised value of the Target Assets as at 31 December 2009 was RMB549.36 million and the valuation method adopted was the replacement cost method.

PRC deeds tax : The Transferee shall pay the PRC deeds tax of approximately RMB17.94 million to the PRC authorities with respect to the Agreement under applicable PRC laws and regulations before 30 June 2010.

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

### 3. INFORMATION OF THE TARGET ASSETS

Pursuant to the Agreement, details on the Target Assets are as follows:

- (a) a recently revamped iron concentrates production line 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, Sichuan owned by the Transferor,
- (b) land use rights for Land Parcel 1, Land Parcel 2 and Land Parcel 3,
- (c) machinery and equipment at the Heigutianshe Production Facility, and
- (d) permanent right of way of a pavement at the length of 9.18km at the Heigutianshe Production Facility (“**Right of Way**”)

(collectively, “**Target Assets**”).

### 4. FINANCIAL INFORMATION OF THE TARGET ASSETS

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

|                 | <b>For the year ended<br/>31 December 2008</b><br><i>(RMB'000)</i> | <b>For the year ended<br/>31 December 2009</b><br><i>(RMB'000)</i> |
|-----------------|--|--|
| Before taxation | 41,812 <sup>▲</sup>  | 6,784 <sup>▲</sup>   |
| After taxation  | 31,359 <sup>▲</sup>  | 5,088 <sup>▲</sup>   |

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

### 5. CONSIDERATION AND METHOD OF PAYMENT

After applying the Deposit as part payment of the Consideration, the Consideration is payable on the following conditions:

- First installment : Within 30 business days from the signing of the Agreement and subject to certain conditions, the Transferee shall pay to the Transferor RMB106 million to the Transferor’s designated account.
  
- Second installment : Within 5 business days from the date on which the Transferee has legally obtained the State-owned Land Use Right Certificate for the Land Parcel 1 and the fulfillment of certain conditions, the Transferee shall pay to the Transferor RMB251.5 million to the Transferor’s designated account.

- Third installment : Within 5 business days from the receipt of various recordal documents, permits and licenses from the PRC authorities relating to (i) the iron concentrates production line and the tailing storage at the Heigutianshe Production Facility and (ii) the letter of undertaking for usage of the Right of Way, the Transferee shall pay RMB10 million to the Transferor's designated account.
- Fourth installment : Within 5 business days from the effective change of owner to the Transferee under the State-owned Land Use Right Certificate of the Land Parcel 1 and upon due payment of the related taxes and fees by the Transferor, the Transferee shall pay RMB10 million to the Transferor's designated account.
- Fifth installment : Within 5 business days from the receipt of various permits and licenses for the operating entity of the Transferee from the PRC authorities, the Transferee shall pay RMB83.74 million to the Transferor's designated account.

The Consideration and PRC deeds tax will be paid by Huili Caitong in cash.

## **6. TERMINATION OF THE ASSETS LEASE AGREEMENT**

Upon 11 March 2010 being the effective date of the Agreement, the Assets Lease Agreement has been simultaneously terminated. Yanbian Caitong shall settle all outstanding rent as at 11 March 2010 payable to Yanbian Hongyuan at the total amount of approximately RMB3.08 million under the Assets Lease Agreement within 15 days from the effective date of the Agreement.

## **7. GUARANTEE**

Pursuant to the Agreement, the Guarantors shall procure the Transferor to perform its obligations under the Agreement. In particular, the Guarantors and the Transferor are obliged to procure the Transferee or its operating entity to enter into a water supply and sewage treatment agreement with an independent third party. If the Transferor fails to perform all or part of its obligations pursuant to the Agreement, the Guarantors shall perform such obligations on behalf of the Transferor or bear unlimited joint liability for the Transferor's default.

## **8. REASONS FOR ENTERING INTO THE TRANSACTIONS**

The Group specializes in the mining and processing of iron ore into iron concentrates, iron pellets and titanium concentrates for subsequent sale. By terminating the Assets Lease Agreement and exercise the Option to acquire the Target Assets, the Group will internalize the increase in production capacities and integrate the Target Assets in our production facilities. The Acquisition will increase our iron concentrates production capacity by 800kt per annum, and that of high-grade titanium concentrates by 120kt per annum. This will yield greater production output and contribute to our long-term revenue generation.

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

## **9. INFORMATION ABOUT THE TRANSFEROR**

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

## **10. INFORMATION ABOUT THE TRANSFEREE**

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

## **11. INFORMATION ABOUT YANBIAN CAITONG**

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

## **12. 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, iron pelletizing and sales of iron concentrates, iron pellets and titanium concentrates.

## **13. LISTING RULES IMPLICATIONS**

The Acquisition and the termination of the Assets Lease Agreement constitute discloseable transactions for the Company under the Listing Rules and are 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 Transactions.

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

## TERMS USED IN THIS ANNOUNCEMENT

|                                    |  |
|------------------------------------|--|
| “Acquisition”                      | the acquisition of the Target Assets pursuant to the Agreement   |
| “Agreement”                        | the assets transfer agreement entered into among the Transferor, the Transferee, Yanbian Caitong and the Guarantors on 11 March 2010   |
| “Assets Lease Agreement”           | the assets lease agreement entered into among Yanbian Caitong, Huili Caitong, Yanbian Hongyuan and the Guarantors in respect of the rental of certain assets at the Heigutianshe Production Facility on 3 February 2010          |
| “Baicao Mine”                      | the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan and operated by Huili Caitong   |
| “Board”                            | the board of Directors   |
| “Company”                          | China Vanadium Titano-Magnetite Mining Company Limited   |
| “Deposit”                          | the deposit of RMB88.76 million  |
| “Directors”                        | the directors of the Company   |
| “Group”                            | the Company and its subsidiaries   |
| “Guarantors”                       | Mr. Luo Ming who holds 60% equity interests of the Transferor and Ms. Ma Tianhui who holds 40% equity interests of the Transferor, both of whom are PRC residents  |
| “Heigutianshe Production Facility” | an iron concentrates and high-grade titanium concentrates production facility at Heigutianshe, Xinjiu Town, Yanbian County, Sichuan  |
| “Huili Caitong” or “Transferee”    | 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 the Group and operates the Baicao Mine |
| “km”                               | kilometres   |
| “kt”                               | thousand tonnes  |
| “Land Parcel 1”                    | a piece of land occupied by an iron concentrates production line and tailing storage facility with an area of 41,934m <sup>2</sup> which forms part of the Target Assets   |
| “Land Parcel 2”                    | a piece of land occupied by an iron concentrates production line and tailing storage facility with an area of 33,066m <sup>2</sup> which forms part of the Target Assets   |

|                                       |  |
|---------------------------------------|--|
| “Land Parcel 3”                       | a piece of land occupied by iron concentrates production line and tailing storage facility with an area of 149,598m <sup>2</sup> which forms part of the Target Assets |
| “Listing Rules”                       | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “m <sup>2</sup> ”                     | square metre   |
| “Mr. Luo”                             | Luo Ming* (羅明), a PRC resident who holds 60% equity interests of the Transferor and is one of the Guarantors   |
| “Ms. Ma”                              | Ma Tianhui* (馬天會), a PRC resident who holds 40% equity interests of the Transferor 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  |
| “Target Assets”                       | is defined in section 3 of this announcement   |
| “Transactions”                        | the Acquisition and the termination of the Assets Lease Agreement  |
| “Yanbian Caitong”                     | Yanbian County Caitong Iron and Titanium Co. Ltd.* (鹽邊縣財通鐵鈦有限責任公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Huili Caitong  |
| “Yanbian Hongyuan”<br>or “Transferor” | 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   |

\* For identification purpose only.

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

Hong Kong, 12 March 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.*

Website: [www.chinavtmmining.com](http://www.chinavtmmining.com)