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

**中國鈦鈦磁鐵礦業有限公司**

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

**(Stock Code: 893)**

### **DISCLOSEABLE TRANSACTION ASSET TRANSFER AGREEMENT FOR THE TRANSFER OF YANGQUEQING IRON MINE**



**Financial Advisor to the Company**

The Board is glad to announce that on 16 January 2010, the Group has successfully entered into a definitive agreement to obtain the Mining Right of Yangqueqing Iron Mine at a consideration of RMB200 million, under which there is currently 17.92 mt of iron ore resources. In addition, the Transaction provides Huili Caitong, a subsidiary of the Company with the opportunity to expand the current permitted mining area and to explore at a low cost the neighboring iron ore resources, which is estimated to be up to 81.60 mt. This would significantly increase the iron ore resources of the Company, facilitate the expansion of the Group in respect of its iron mining area in the Huili County region in Sichuan and further improve the profitability and competitiveness of the Group.

The Company has appointed Citigroup Global Markets Asia Limited as its financial advisor in respect of the Transaction, which 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.

#### **1. BACKGROUND**

On 22 December 2009, the Transferor and the Transferee entered into a non-binding framework agreement relating to the transfer of the Mining Right of the Yangqueqing Iron Mine (“**Framework Agreement**”). On 11 January 2010, the Transferee paid to the Transferor RMB61 million as the Deposit under the provisions of the Framework Agreement. Such Deposit could be applied as part payment of the consideration for the Transaction in the event that the Transferor and the Transferee agree to enter into a definitive asset transfer agreement.

## 2. SUMMARY OF THE TRANSFER AGREEMENT

On 16 January 2010, parties to the Framework Agreement agreed to enter into the Transfer Agreement containing the key provisions below:

Date of Agreement : 16 January 2010

Parties:

(1) Transferor : HYIM, together with Mr. Luo, being the sole proprietor of HYIM

(2) Transferee : Huili Caitong

Subject of the Transaction : Mining Right of Yangqueqing Iron Mine

Consideration : RMB200 million, payable to the Transferor by five separate installments. For details of the conditions of payment of the five separate installments, please refer to the section headed "Consideration and Method of Payment" below.

Basis of the Consideration : The Consideration is based on the valuation conducted by an independent PRC valuer. The appraised value of the Yangqueqing Iron Mine as of 31 December 2009 was RMB200.4 million.

## 3. TRANSFER OF MINING RIGHT

Upon signing of the Transfer Agreement, Transferor shall assist the Transferee in liaising with the relevant PRC authorities for matters relating to the transfer and registration of the ownership of the Mining Right. Parties to the Transfer Agreement shall further enter into an asset transfer contract for the purpose of completing the said transfer and registration procedures with the PRC authorities.

## 4. CONSIDERATION AND METHOD OF PAYMENT

After applying the Deposit as part payment of the Consideration, the Consideration is payable by 5 installments as detailed below:

First installment : Within 5 days from the Transfer Agreement, the Transferee shall pay to the Transferor RMB19 million to the Transferor's designated account.

Second installment : Subject to certain conditions, the Transferee shall pay to the Transferor RMB40 million ("**Second Installment**") to the Transferor's designated account.

- Third installment : After payment of the Second Installment and subject to certain conditions, the Transferee shall pay to the Transferor RMB20 million to the Transferor's designated account.
- Fourth installment : Upon receipt of the Mining Right permit issued by the SPLRD with the Transferee as the new Mining Right owner, the Transferee shall pay RMB50 million to the Transferor's designated account.
- Fifth installment : Within 5 days from the receipt of various permits and license for the operating entity of the Transferee from the PRC authorities, the Transferee shall pay RMB10 million to the Transferor.

## 5. INFORMATION ON YANGQUEQING IRON MINE

The technical data of Yangqueqing Iron Mine are as follows:

Yangqueqing Iron Mine is located in Huili County, Liangshanzhou, Sichuan and has a mining area of 0.25 sq.km. Its method of iron ore extraction is open-pit mining with the annual production capacity of 150 kt.

- Mine location : Huili County, Liangshanzhou
- Mine area : 0.25 sq.km.
- Method of extraction : Open-pit mining
- Current production capacity : 150 kt per annum
- Mining permit validity period : From June 2006 to June 2016
- Estimated resources for the entire Yangqueqing Iron Mine area (including Resources under Yangqueqing Mining Right) : 99.52 mt
- Resources under Yangqueqing Mining Right : 17.92 mt (332 + 333 under Chinese resources category)
- Additional potential resources : 81.60 mt
- Average grade : 23.14%
- Strip ratio : 1.18 m<sup>3</sup>/t

Upon completion of the Transaction, Huili Caitong would appoint an independent third party to conduct investigation against the resources within the Yangqueqing Iron Mine. A more detailed feasibility study on the construction plan, implementation procedures and estimate amount of investment would be prepared.

## **6. REASONS FOR THE TRANSFER OF YANGQUEQING IRON MINE**

The Group specializes in the mining and processing of iron ore into concentrates and pellets for subsequent sale. As the identification and acquisition of iron ore mines is one of our key expansion strategies, the Transaction represents an opportunity for us to further develop our current business by increasing our iron ore resources through Yangqueqing Iron Mine which would be controlled by Huili Caitong upon the completion of the Transaction.

The Transaction gives Huili Caitong the opportunity to obtain the Mining Right of Yangqueqing Iron Mine, under which there is currently 17.92 mt of iron ore resources. In addition, the Transaction provides Huili Caitong with the opportunity to expand the current permitted mining area and to explore at a low cost the neighboring iron ore resources, which is estimated to be up to 81.60 mt. Further, as Yangqueqing Iron Mine is located next to the Group's existing Baicao Mine, the Group could capitalize on the economies of scale and leverage on its existing infrastructure. As a result, this would further reduce the per unit overhead cash cost of Huili Caitong and strengthen the Group's position as a leading low cost iron ore producer.

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 Transfer Agreement are on normal commercial terms and are fair and reasonable to the Company.

## **7. INFORMATION ABOUT HYIM AND MR. LUO**

HYIM, whose sole proprietor is Mr. Luo, is the holding vehicle of the Mining Right. HYIM is also an independent third party mining contractor to the Group. To the best knowledge, information and belief of the Directors of the Company, HYIM together with Mr. Luo as the transferor under the Transfer Agreement are independent from the Company and its connected persons (as defined under the Listing Rules).

## **8. INFORMATION ABOUT HUILI CAITONG**

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

## **9. 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 are 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.

## 10. 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 its financial advisor 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
“Consideration”	the consideration of RMB200 million for the Transaction
“Deposit”	the deposit of RMB61 million under the provisions of the Framework Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“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 on July 7, 1998. It is a member of our Group and operates the Baicao Mine
“HYIM”	Huilixian Yangqueqing Iron Mine* (會理縣陽雀箐鐵礦), a sole proprietor enterprise established under the laws of the PRC
“mt”	million tonnes
“kt”	thousand tonnes
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Right”	the mining right of Yangqueqing Iron Mine pursuant to a mining permit issued by the SPLRD dated 28 June 2006
“Mr. Luo”	Luo Hong You, a PRC individual who is the sole proprietor of HYIM
“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
“SPLRD”	the Land Resources Department of Sichuan Province* (四川省國土資源廳)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.km.”	square kilometers
“Transaction”	the transfer of Mining Right pursuant to the terms and conditions of the Transfer Agreement
“Transfer Agreement”	the asset transfer agreement entered into on 16 January 2010 between the HYIM together with Mr. Luo as the transferor and Huili Caitong as the transferee relating to the transfer of the Mining Right
“Yangqueqing Iron Mine”	Yangqueqing Iron Mine* (陽雀箐鐵礦), located in Huili County, Liangshanzhou, Sichuan whose total permitted mining area is approximately 0.25 sq.km.

\* For identification purpose only.

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

Hong Kong, 18 January 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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