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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: 00893)**

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

**(i) ACQUISITION OF MINORITY INTEREST IN HUILI COUNTY  
CAITONG IRON AND TITANIUM CO., LTD.\***

**AND**

**(ii) ACQUISITION OF THE ENTIRE EQUITY INTEREST IN  
ABA MINING COMPANY LIMITED\***



*Financial adviser to the Company*

On 15 November 2010 (after trading hours), Lingyu, an indirect wholly-owned subsidiary of the Company, entered into the Huili Caitong Acquisition Agreement with Chuan Wei whereby Lingyu has agreed to purchase the Huili Caitong Equity Interest held by Chuan Wei at the consideration of RMB445,403,526 (equivalent to approximately HK\$520,720,545 as calculated with reference to the exchange rate between RMB and HK\$ stipulated in the Huili Caitong Acquisition Agreement). After completion of the Huili Caitong Acquisition, Huili Caitong will become an indirect wholly-owned subsidiary of the Company.

On 15 November 2010 (after trading hours), Lingyu entered into the Aba Mining Acquisition Agreement with Chuan Wei whereby Lingyu has agreed to purchase the Aba Equity Interest held by Chuan Wei at the consideration of RMB150 million (equivalent to approximately HK\$174 million).

As one or more than one of the aggregate applicable percentage ratios of the Agreements exceeds 5% but below 25%, the entering into of the Agreements constitute discloseable transactions for the Company and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

As the Founders (other than Mr. Yang Xianlu), being the Substantial Shareholders of the Company, and companies controlled by them together hold over 30% equity interest in Chuan Wei, Chuan Wei is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules. As such, the Agreements constitute connected transactions for the Company under the Listing Rules.

As one or more than one of the aggregate applicable percentage ratios of the Agreements exceeds 5% and the total consideration is more than HK\$10,000,000, the entering into of the Agreements constitute connected transactions for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened at which resolutions will be proposed to seek the approval of the Independent Shareholders for the transactions contemplated under the Agreements. The Founders, including Mr. Wang Jin, and their associates will abstain from voting in the EGM.

A circular containing, among other things, further details of the Acquisitions, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisitions, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions, the valuation report on the Aba Equity Interest from an independent valuer and a notice convening the EGM, will be despatched to the Shareholders on or before 6 December 2010 (being 15 business days after the publication of this announcement).

The Company has appointed Citigroup Global Markets Asia Limited as the financial adviser to the Company in respect of the Acquisitions.

## **INTRODUCTION**

On 15 November 2010 (after trading hours), Lingyu, an indirect wholly-owned subsidiary of the Company, entered into the Huili Caitong Acquisition Agreement with Chuan Wei whereby Lingyu has agreed to purchase the Huili Caitong Equity Interest held by Chuan Wei.

On 15 November 2010 (after trading hours), Lingyu entered into the Aba Mining Acquisition Agreement with Chuan Wei whereby Lingyu has agreed to purchase the Aba Equity Interest held by Chuan Wei.

## **THE AGREEMENTS**

### **(a) The Huili Caitong Acquisition Agreement**

#### **Date**

15 November 2010

#### **Parties**

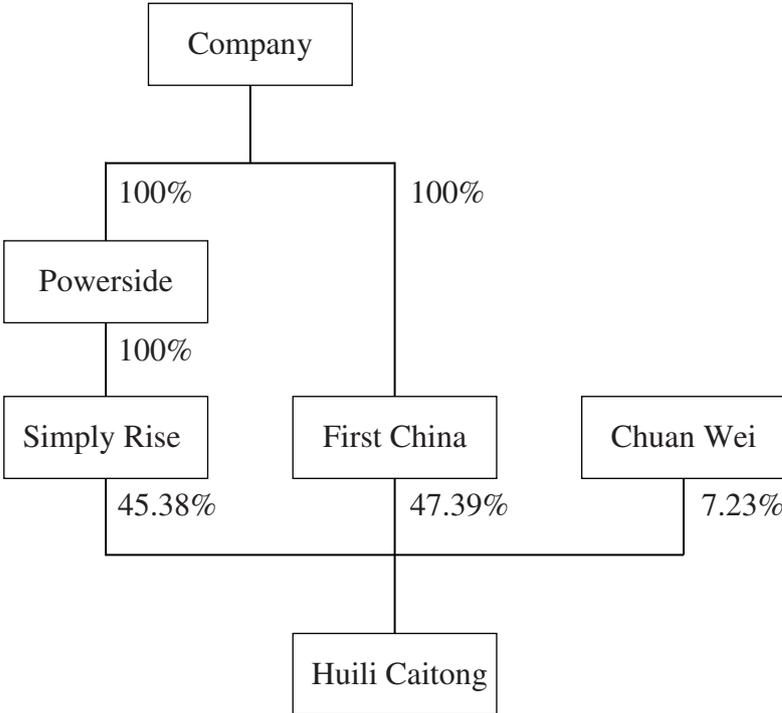
Transferee: Lingyu

Transferor: Chuan Wei

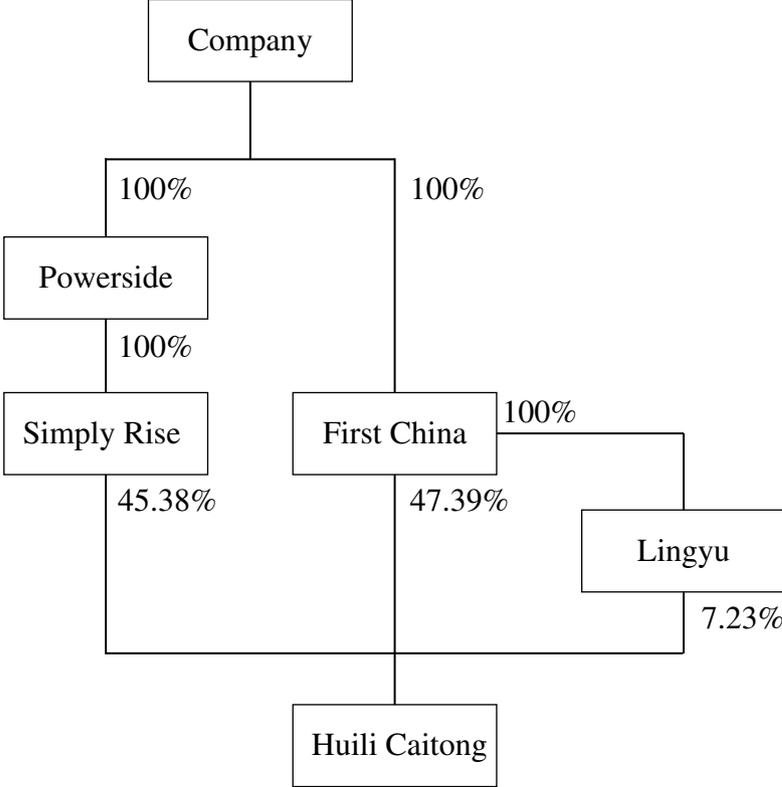
**Assets to be acquired**

Huili Caitong Equity Interest

As at the date of this announcement, the shareholding structure of Huili Caitong is as follows:



Upon completion of the Huili Caitong Acquisition Agreement, the Company will hold the entire equity interest in Huili Caitong, as shown in the following chart:



As disclosed in the Prospectus, pursuant to an entrustment agreement dated 6 May 2005, Xichang Vanadium agreed to hold 96.8% equity interest in Huili Caitong to be acquired by Xichang Vanadium on behalf of the Founders. Pursuant to two equity transfer agreements, both dated 9 May 2005, Chuan Wei agreed to transfer 96.8% equity interest in Huili Caitong to Xichang Vanadium for a consideration of RMB48.4 million.

The original investment cost of the 96.8% equity interest in Huili Caitong to Xichang Vanadium was therefore RMB48.4 million. Since then, there have been changes to the shareholding in Huili Caitong. The Huili Caitong Equity Interest represents approximately 34.0% equity interest of the original 96.8% equity interest in Huili Caitong. On this basis, the initial investment cost for the 7.23% equity interest in Huili Caitong was approximately RMB17.0 million (equivalent to approximately HK\$19.7 million). On 24 February 2010, Xichang Vanadium made a capital contribution of RMB15.2 million (equivalent to approximately HK\$17.6 million) to Huili Caitong. The total original investment cost for the 7.23% equity in Huili Caitong was therefore RMB32.2 million (equivalent to approximately HK\$37.4 million).

The Founders (other than Mr. Yang Xianlu), being the beneficial holders of the Huili Caitong Equity Interest, have entered into an entrustment agreement dated 21 October 2010 with Chuan Wei pursuant to which Chuan Wei agreed to hold the Huili Caitong Equity Interest for and on behalf of the Founders (other than Mr. Yang Xianlu). Pursuant to the written instructions given by the Founders (other than Mr. Yang Xianlu) on 15 November 2010, Chuan Wei was instructed to, amongst other things, sign the Huili Caitong Acquisition Agreement and to complete the transfer of the Huili Caitong Equity Interest contemplated by the Huili Caitong Acquisition Agreement.

### **Consideration and payment**

The consideration for the Huili Caitong Acquisition is RMB445,403,526 (equivalent to approximately HK\$520,720,545 as calculated with reference to the exchange rate between RMB and HK\$ stipulated in the Huili Caitong Acquisition Agreement), which will be paid by way of cash on the Completion Date. The consideration payment will be satisfied by the Company from its internal resources.

The consideration is determined based on arm's length negotiations between the parties with reference to the final offer price of HK\$3.50 per Share in the Company's initial public offering in Hong Kong in October 2009 with a discount of 8% of the final offer price, the percentage of the indirect interest of the Company in Huili Caitong, the percentage of equity interest in Huili Caitong to be transferred under the Huili Caitong Acquisition Agreement and the exchange rate between HK\$ and RMB as announced by the People's Bank of China on the date of the Huili Caitong Acquisition Agreement. Taking into account the matters disclosed above and the reasons stated in the section headed "Reasons for entering into the transactions", the Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the terms of the Huili Caitong Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent**

The completion of the Huili Caitong Acquisition is conditional upon satisfaction (or waiver) of the conditions precedent set out below:

1. all the necessary consents and approvals as required under the Listing Rules being obtained in respect of the terms of the Huili Caitong Acquisition Agreement, including the approval of the Independent Shareholders at the EGM;
2. approval being granted by the relevant approval authority in respect of the equity interest transfer under the Huili Caitong Acquisition Agreement;
3. each of the representations and warranties in the Huili Caitong Acquisition Agreement is true and accurate as of the date of the Huili Caitong Acquisition Agreement and the Completion Date;
4. there is no material adverse change in the financial status and operation performance of Huili Caitong from the date of the Huili Caitong Acquisition Agreement; and
5. all the consents necessary from third parties (including governments and relevant authorities) being obtained, and no government or relevant authority proposes or enacts any rules, regulations or decisions or takes any actions which would prohibit, restrict or materially delay the proposed transaction contemplated in the Huili Caitong Acquisition Agreement or the business of Huili Caitong or its subsidiaries after the Completion Date.

Lingyu has the right to waive the satisfaction of any or all of the conditions precedent above (except for items 1 and 2) or extend the time for satisfaction of the conditions precedent by written notice.

## **Completion**

The conditions precedent of the Huili Caitong Acquisition Agreement shall be fulfilled on or before 31 January 2011. If any of the conditions precedent above is not satisfied or waived on or before 31 January 2011 or such time as extended by Lingyu, the Huili Caitong Acquisition Agreement shall terminate (save and except otherwise stated in the Huili Caitong Acquisition Agreement) and no party shall have any claim against the others except in respect of any antecedent breach of the terms of the Huili Caitong Acquisition Agreement.

Under the laws of the PRC, the Huili Caitong Acquisition Agreement will only come into effect after the relevant PRC governmental authority approves the Huili Caitong Acquisition Agreement.

## **(b) The Aba Mining Acquisition Agreement**

### **Date**

15 November 2010

### **Parties**

Transferee: Lingyu

Transferor: Chuan Wei

### **Assets to be acquired**

Aba Equity Interest

As disclosed in the Prospectus, under an undertaking from Aba Mining dated 17 June 2009, Aba Mining undertook to the Company, among other things, that it will transfer to the Company the mining rights and related assets of the Maoling Mine upon the Company exercising its option to purchase. It is also disclosed in the Prospectus that the Maoling Mine has not been in operation since October 2007 after a landslide occurred and it is the intention of the Company to exercise its option to acquire the mining rights and related assets of Maoling Mine after its operation resumes.

As disclosed in the announcement of the Company dated 13 May 2010, the Company understands that Aba Mining plans to recommence its mining operations of the Maoling Mine in the first quarter of 2011. The Company has agreed with Aba Mining that it shall proceed with the acquisition of Maoling Mine in accordance with the undertaking dated 17 June 2009 in relation to the transfer of the mining rights of Maoling Mine to the Company, on the condition that Aba Mining obtains all necessary governmental approvals by the end of 2010 to recommence its mining operations of the Maoling Mine.

As Aba Mining has obtained all necessary governmental approvals to recommence its mining operations of the Maoling Mine, the Company decides that Lingyu shall acquire the Aba Equity Interest from Chuan Wei.

Upon completion of the Aba Mining Acquisition Agreement, the Company will hold the entire equity interest in Aba Mining.

The original investment cost of the Aba Equity Interest to Chuan Wei was approximately RMB65.6 million (equivalent to approximately HK\$76.1 million), representing the total amount of the consideration payments paid by Chuan Wei for the acquisition of the Aba Equity Interest.

## Consideration and payment

The consideration for the Aba Mining Acquisition is RMB150 million (equivalent to approximately HK\$174 million), which will be paid by way of cash in the following manner:

- (a) RMB100 million (equivalent to approximately HK\$116 million) will be paid on the Completion Date;
- (b) RMB20 million (equivalent to approximately HK\$23.2 million) will be paid within 10 working days after the issue of both (i) the Geological Exploration Report on the Yanglongshan Mine\* (羊龍山鐵礦勘探地質報告) and (ii) the Geological Exploration Report on the Extended Exploration Area of the Maoling Mine\* (毛嶺鐵礦延深地質勘查報告) (collectively “**Technical Reports**”) as approved by Mineral Resources and Reserves Evaluation Centre of Sichuan Province\* (四川省礦產資源儲量評審中心) before 30 June 2011 and subject to the resources and reserves warranted by Chuan Wei under the Aba Mining Acquisition Agreement in respect of (A) the area covered by the exploration right of the Yanglongshan Mine and (B) the Maoling Extended Exploration Area not less than the relevant figures contained in the Technical Reports. Please refer to the section headed “Warranties and Guarantees” for particulars of the warranties and guarantees given by Chuan Wei in respect of such mineral resources and reserves; and
- (c) RMB30 million (equivalent to approximately HK\$34.8 million) will be paid within 10 working days after both the mining permit in respect of the Yanglongshan Mine and the New Maoling Mining Permit have been issued.

The consideration payment will be satisfied by the Company from the proceeds of its Hong Kong initial public offering.

The consideration is determined based on arm’s length negotiations between the parties with reference to the valuation of the Aba Equity Interest as shown in a valuation report of Jones Lang LaSalle Sallmanns Limited, an independent valuer, details of which will be set out in the circular of the Company in relation to the Acquisitions to be despatched to the Shareholders pursuant to the Listing Rules. Taking into account the matter disclosed above and the reasons stated in the section headed “Reasons for entering into the transactions”, the Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the terms of the Aba Mining Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Conditions precedent

The completion of the Aba Mining Acquisition is conditional upon satisfaction (or waiver) of the conditions precedent set out below:

1. all the necessary consents and approvals as required under the Listing Rules being obtained in respect of the terms of the Aba Mining Acquisition Agreement, including the approval of the Independent Shareholders at the EGM;
2. approval being granted by the relevant approval authority in respect of the equity interest transfer under the Aba Mining Acquisition Agreement;

3. each of the representations and warranties in the Aba Mining Acquisition Agreement is true and accurate as of the date of the Aba Mining Acquisition Agreement and the Completion Date;
4. there is no material adverse change in the financial status and operation performance of Aba Mining from the date of the Aba Mining Acquisition Agreement; and
5. all the consents necessary from third parties (including governments and relevant authorities) being obtained, and no government or relevant authority proposes or enacts any rules, regulations or decisions or takes any actions which would prohibit, restrict or materially delay the proposed transaction contemplated in the Aba Mining Acquisition Agreement or the business of Aba Mining after the date of completion.

Lingyu has the right to waive the satisfaction of any or all of the conditions precedent above or extend the time for satisfaction of the conditions precedent (except for items 1 and 2) by written notice.

### **Warranties and Guarantees**

A summary of the warranties and guarantees given by Chuan Wei to Lingyu under the Aba Mining Acquisition Agreement is set out as follows:

**(a) *Maoling Proposed Exploration Permit***

Chuan Wei warrants to Lingyu that Aba Mining has already submitted the application for the Maoling Proposed Exploration Permit to the Land and Resources Department of Sichuan Province\* (四川省國土資源廳) and that Aba Mining will obtain this permit before 31 December 2010.

**(b) *Resources and Reserves in the Maoling Extended Exploration Area and Yanglongshan Mine***

Chuan Wei warrants to Lingyu that the Maoling Extended Exploration Area and Yanglongshan Mine has the following volume of resources and reserves with the following minimum average iron content:

	<b>Type 333 or above (tonnes) (in million) approximately</b>	<b>Average iron content of ore (%)</b>
Maoling Extended Exploration Area	15	23
Yanglongshan Mine	20	23

- (i) In the event that Chuan Wei is in breach of the warranties on the resources and reserves in the Maoling Extended Exploration Area and Yanglongshan Mine as shown by the relevant Technical Report, Chuan Wei is liable to pay an amount calculated by reference to the following formula:

$$[(A - B)/C] \times D$$

where:

A = the aggregate volume of the resources and reserves of Type 333 or above warranted by Chuan Wei under the Aba Mining Acquisition Agreement in respect of the Maoling Extended Exploration Area or Yanglongshan Mine (as the case may be)

B = the aggregate volume of the resources and reserves of Type 333 or above warranted in respect of the Maoling Extended Exploration Area or Yanglongshan Mine (as the case may be) as shown in the relevant Technical Report

C = 78.16 million tonnes, being the total volume of resources and reserves of Type 333 or above in the Maoling Mine, Maoling Extended Exploration Area and the Yanglongshan Mine based on the Resources and Reserves Verification Report in respect of the Maoling Mine, the Geological Exploration Work Implementation Plan on the Extended Exploration Area of the Maoling Mine, and the Geological Exploration Work Implementation Plan on the Yanglongshan Mine

D = RMB150 million, being the consideration for the acquisition of Aba Equity Interest

If the actual loss suffered by Lingyu is less than the amount determined in accordance with the formula above, Chuan Wei is only obliged to compensate the actual loss suffered by Lingyu.

(ii) In the event that Chuan Wei is in breach of the warranties on the average iron content of the ore at the Maoling Extended Exploration Area and Yanglongshan Mine, as shown in the relevant Technical Report:

(1) in the event that the average iron content of the ore is below 23% but above 20%, Chuan Wei is liable to pay an amount calculated by reference to the following formula for each of the categories of resources and reserves:

$$[(M - N)/M] \times P$$

where:

M = 23%, being the minimum average iron content of ore at the Maoling Extended Exploration Area and Yanglongshan Mine (as the case may be) warranted by Chuan Wei under the Aba Mining Acquisition Agreement

N = the average iron content of ore at the Maoling Extended Exploration Area or Yanglongshan Mine (as the case may be) as shown in the relevant Technical Report

P = RMB150 million, being the consideration for the acquisition of Aba Equity Interest

- (2) in the event that the average iron content of the ore as shown in the relevant Technical Report is below 20%, Lingyu has the right to require Chuan Wei to buy back the Aba Equity Interest for the same amount of consideration that it has already paid to Chuan Wei under the Aba Mining Acquisition Agreement.

**(c) *Profit guarantee on the profits of Aba Mining***

The following is the profit guarantee given by Chuan Wei to Lingyu:

- (i) the audited net profits (after taxation and extraordinary items) of Aba Mining attributable to the equity holders for year 2011 (to be determined in accordance with the PRC generally accepted accounting standard) will be at least RMB8 million (equivalent to approximately HK\$9.28 million); and
- (ii) the audited net profits (after taxation and extraordinary items) of Aba Mining attributable to the equity holders for year 2012 (to be determined in accordance with the PRC generally accepted accounting standard) will be at least RMB40.0 million (equivalent to approximately HK\$46.4 million).

Chuan Wei is obliged to pay the full amount representing the difference between the amount of the guaranteed net profits and the amount of the audited net profits.

**Completion**

The conditions precedent of the Aba Mining Acquisition Agreement shall be fulfilled on or before 31 January 2011. If any of the conditions precedent above is not satisfied or waived on or before 31 January 2011 or such time as extended by Lingyu, the Aba Mining Acquisition Agreement shall terminate (save and except otherwise stated in the Aba Mining Acquisition Agreement) and no party shall have any claim against the others except in respect of any antecedent breach of the terms of the Aba Mining Acquisition Agreement.

Under the laws of the PRC, the Aba Mining Acquisition Agreement will only come into effect after the relevant PRC governmental authority approves the Aba Mining Acquisition Agreement.

## INFORMATION ON HUILI CAITONG AND ABA MINING

### (a) Huili Caitong

Huili Caitong is a subsidiary of the Group and its principal business activities are iron ore mining and beneficiation and sales of self-produced products. It operates the Baicao Mine and Yangqueqing Mine and is the holder of the mining permit for such mines. It is the holder of the exploration permit of Cizhuqing Mine. It also holds 95.0% equity interest in Xiushuihe Mining which operates the Xiushuihe Mine.

The following financial information is based on the audited consolidated accounts of Huili Caitong prepared in accordance with the PRC generally accepted accounting standards:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	<b>2008</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
	<i>approximately</i>	<i>approximately</i>
Net profit before taxation and extraordinary items	<b>442.2</b>	383.5
Net profit after taxation and extraordinary items	<b>372.7</b>	355.4

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
	<i>approximately</i>	<i>approximately</i>
Net assets value	<b>1,163.2</b>	632.1

### (b) Aba Mining

#### *General information*

Aba Mining is a limited liability company established in the PRC on 27 February 2004 with a registered capital of RMB20 million (equivalent to approximately HK\$23.2 million). It is a wholly-owned subsidiary of Chuan Wei. It does not hold equity interest in any other companies.

The current major business scope of Aba Mining includes that of mining, beneficiation and sale of ore products. Aba Mining holds a mining permit in respect of the Maoling Mine issued by the Land and Resources Department of Sichuan Province (四川省國土資源廳) covering an area of approximately 1.9 sq. km. which permits a production capacity of 300,000 tonnes per annum by way of underground mining. The term of this permit is 30 years commencing from October 2004 to October 2034.

The major assets of Aba Mining include the following:

- Maoling Mine
- Potential extension of the exploration area of the Maoling Mine
- Yanglongshan Mine
- Production line with a production capacity of 150,000 tonnes of iron concentrates per annum

Details of these assets are set out below.

### ***Maoling Mine***

According to the Resources and Reserves Verification Report in respect of the Maoling Mine, based on PRC Classification of Solid Mineral Resources and Reserves, it is estimated that the Maoling Mine has approximately 10.40 million tonnes of resources and reserves of Type 333 or above in October 2007.

The main type of ore in the ore field within which the Maoling Mine is situated is magnetite ore (磁鐵礦石). The average iron content of the ore of the Maoling Mine is approximately 34.47%.

### ***Potential extension of the exploration area of the Maoling Mine***

Pursuant to the Aba Mining Acquisition Agreement, Chuan Wei has warranted that Aba Mining will obtain the Maoling Proposed Exploration Permit before 31 December 2010. Based on the Geological Exploration Work Implementation Plan on the Extended Exploration Area of the Maoling Mine, it is estimated that based on the PRC National Standard and the PRC Geological and Mining Industry Standard, the exploration area to be covered by the Maoling Proposed Exploration Permit has approximately 34.17 million tonnes of resources and reserves of Type 333 or above.

### ***Yanglongshan Mine***

Aba Mining also holds an exploration permit in respect of the Yanglongshan Mine issued by the Land and Resources Department of Sichuan Province (四川省國土資源廳) covering an area of approximately 8.8 sq. km. The term of this permit commenced from 24 August 2010 and will be expired on 30 September 2012. In the announcement of the Company dated 13 May 2010, it was announced that Aba Mining owned 75% interest of the exploration right to the Yanglongshan Mine and the remaining 25% was owned by an independent third party. Pursuant to the Aba Mining Acquisition Agreement, Chuan Wei warrants that Aba Mining will acquire the remaining 25% interest in the exploration right to the Yanglongshan Mine currently held by an independent third party before 17 December 2010 or such later date as Lingyu may decide in its sole discretion.

Based on the Geological Exploration Work Implementation Plan on the Yanglongshan Mine, based on the PRC National Standard and the PRC Geological and Mining Industry Standard, it is estimated that approximately 33.59 million tonnes of resources and reserves of Type 333 or above can be found in the third stage of the geological exploration work for the Yanglongshan Mine.

Subject to all necessary governmental approvals and licences having been granted, it is currently expected that the Yanglongshan Mine will commence production in 2013. If the Yanglongshan Mine commences production in 2013, it is expected that Aba Mining will have a production capacity of approximately 250,000 tonnes of iron concentrates per annum.

***Production line of annual production capacity of 150,000 tonnes of iron concentrates***

After the Wenchuan (汶川) earthquake in May 2008, Aba Mining has reconstructed and expanded its original production line for Maoling Mine whose current production capacity of iron concentrates is approximately 150,000 tonnes per annum. It is estimated that trial production will commence in December 2010 and it is expected that the annual production volume of iron concentrates will reach approximately 150,000 tonnes by 2012.

The following financial information is based on the audited consolidated accounts of Aba Mining prepared in accordance with the PRC generally accepted accounting standards:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2009</b>	2008
	<i>(RMB million)</i>	<i>(RMB million)</i>
	<i>approximately</i>	<i>approximately</i>
Net loss before taxation and extraordinary items	<b>3.3</b>	14.4
Net loss after taxation and extraordinary items	<b>3.8</b>	14.1
	<b>As at 31 December</b>	
	<b>2009</b>	2008
	<i>(RMB million)</i>	<i>(RMB million)</i>
	<i>approximately</i>	<i>approximately</i>
Net assets value	<b>54.7</b>	55.5

## INFORMATION ON THE GROUP

The Group owns and operates iron ore mines in Sichuan Province, the PRC. The ore in the Group's mines is vanadium bearing titano-magnetite ore which is used for producing iron ore products and titanium products. The Group is primarily engaged in mining, ore processing, iron pelletising and sales of iron concentrates, iron pellets and titanium concentrates.

## INFORMATION ON CHUAN WEI

Chuan Wei is primarily engaged in iron smelting, steel smelting, steel rolling process, and non-ferrous metal smelting and processing.

## REASONS FOR ENTERING INTO THE TRANSACTIONS

### Huili Caitong Acquisition

Huili Caitong is a major operating subsidiary of the Group. It contributed over 90% of the Group's total revenue and net profit in the last three financial years. Upon completion of the Huili Caitong Acquisition Agreement, Huili Caitong will become a wholly-owned subsidiary of the Group. This will allow the Company to have an absolute control over the operations of Huili Caitong and account for its entire profit in the consolidated accounts of the Group.

### Aba Mining Acquisition

As one of the key expansion strategies of the Group is to identify and acquire iron ore mines, the Aba Mining Acquisition represents an opportunity for the Group to further develop its current business by increasing its iron ore resources and reserves and iron concentrates production capacity.

After considering the following factors, the Directors believe that the Aba Mining Acquisition will increase the Group's growth potential.

### *Significant iron ore resources and reserves in Maoling Mine and Yanglongshan Mine*

As disclosed above, it is estimated that the Maoling Mine, Maoling Extended Exploration Area and Yanglongshan Mine have the following resources and reserves:

	<b>Type 333 or above (tonne) (in million)</b>
Maoling Mine ( <i>Note 1</i> )	10.40
Maoling Extended Exploration Area ( <i>Note 2</i> )	34.17
Yanglongshan Mine ( <i>Note 3</i> )	33.59
Total	<u>78.16</u>

Notes:

1. *Based on Resources and Reserves Verification Report in respect of the Maoling Mine*
2. *Based on the Geological Exploration Work Implementation Plan on the Extended Area of the Maoling Mine*
3. *Based on the Geological Exploration Work Implementation Plan on the Yanglongshan Mine with respect to the resources and reserves that can be found in the third stage of the geological exploration work*

***Significant economic benefits as iron concentrates of a higher iron content can be yielded from the ore of Maoling Mine through magnetic beneficiation***

The Directors expect that the iron content of the iron concentrates from the ore of the Maoling Mine could reach 65% or more through magnetic beneficiation. Iron concentrates with such high level of iron content could be sold at a higher price (compared to those with a lower iron content).

***Increase in production capacity***

As disclosed above, the current production capacity of iron concentrates is approximately 150,000 tonnes per annum. The trial production of the Maoling Mine is expected to begin in December 2010 and the annual production volume of iron concentrates is expected to reach 150,000 tonnes in 2012. The production capacity is expected to increase further to 250,000 tonnes per annum in 2013 after the production of Yanglongshan Mine commences.

***Quick ramp up and readily available production facilities and infrastructure for Aba Mining***

As disclosed in the Prospectus, Maoling Mine has not been in operation since October 2007 due to a landslide. Prior to the ceasing of operation in October 2007, Maoling Mine was a fully operational mine under Aba Mining since 2004. Through these years of managing the Maoling Mine, the management of Aba Mining has gained extensive knowledge about the Maoling Mine. In addition, unlike other undeveloped mines, the production facilities of the Maoling Mine and infrastructure around the Maoling Mine are readily available. The Directors believe that all of these factors would contribute to a quick ramp up for the Maoling Mine.

The processing plant that processes ore from the Maoling Mine is located approximately 3.4 km from Wenchuan county city. From there the iron concentrates can be transported through the Dujiangyan – Wenchuan freeway to Dujiangyan rail station about 85 km away. A freeway that connects Dujiangyan (都江堰) and Wenchuan is expected to open in 2012. After the opening of the freeway, the travel distance will be around 70 km from Wenchuan to Chengdu. The Chengdu-Lanzhou Railroad is under construction and is expected to open in 2014. One of the stations of the Chengdu-Lanzhou Railroad will be located in Mao County of the Aba Prefecture, which is less than 40 km away from the processing plant of the Maoling Mine.

***Protective measures against geological disasters for Aba Mining***

Aba Mining engaged a number of professional organisations, including the Sichuan Metallurgy Design Institute (四川省冶金設計院), to assist in the design of the Maoling Mine for the protection of the Maoling Mine against geological disasters, such as landslide and earthquakes. Aba Mining has been implementing the design plan. Examples of such protective measures include ore grounding production line and magnetic separation production line that meet the seismic protection standards against earthquakes with Richter Magnitude Scale of 8 or below, the construction of which has been completed.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more than one of the aggregate applicable percentage ratios of the Agreements exceeds 5% but below 25%, the entering into of the Agreements constitute discloseable transactions and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules.

As the Founders (other than Mr. Yang Xianlu), being the Substantial Shareholders of the Company, and companies controlled by them together hold over 30% equity interest in Chuan Wei, Chuan Wei is a connected person to the Company for the purposes of Chapter 14A of the Listing Rules. As such, the Agreements constitute connected transactions for the Company under the Listing Rules.

As one or more than one of the aggregate applicable percentage ratios of the Agreements exceeds 5% and the total consideration is more than HK\$10,000,000, the entering into of the Agreements constitute connected transactions and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all of the independent non-executive Directors has been appointed to advise the Independent Shareholders as to whether the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **EGM**

The EGM will be convened at which resolutions will be proposed to seek the approval of the Independent Shareholders for the transactions contemplated under the Agreements. The Founders, including Mr. Wang Jin, and their associates will abstain from voting in the EGM.

## **GENERAL INFORMATION**

A circular containing, among other things, further details of the Acquisitions, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisitions, the advice of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions, the valuation report on the Aba Equity Interest from an independent valuer and a notice convening the EGM, will be despatched to the Shareholders on or before 6 December 2010 (being 15 business days after the publication of this announcement).

## DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the following meaning:

“Aba Equity Interest”	the entire equity interest in Aba Mining
“Aba Mining”	Aba Mining Company Limited* (阿壩礦業有限公司), a limited liability company established in the PRC on 27 February 2004
“Aba Mining Acquisition”	the acquisition of the Aba Equity Interest contemplated by the Aba Mining Acquisition Agreement
“Aba Mining Acquisition Agreement”	the equity interest transfer agreement dated 15 November 2010 entered into between Lingyu (as transferee) and Chuan Wei (as transferor) under which the Aba Equity Interest is being transferred
“Acquisitions”	Huili Caitong Acquisition and Aba Mining Acquisition
“Agreements”	the Huili Caitong Acquisition Agreement and the Aba Mining Acquisition Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Baicao Mine”	the vanadium-bearing titano-magnetite mine located in Xiaoheiqing Townlet, Huili County, Sichuan, the PRC and operated by Huili Caitong
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chuan Wei”	Sichuan Chuanwei Group Co., Ltd.* (四川省川威集團有限公司), a limited liability company established in the PRC on 29 March 1998 and a connected person to the Company
“Cizhuqing Mine”	Cizhuqing Mine (茨竹箐鐵礦) located in Huili County, Sichuan, the PRC
“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國釩鈦磁鐵礦業有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange

“Completion Date”	in respect of any of the Agreements, the date on which completion of the equity interest transfer contemplated under the relevant agreement will take place, being the 3rd working day after satisfaction (or waiver) of the conditions precedent set out in the relevant agreement
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Shareholders to be convened by the Company to consider and, if thought fit, to approve (among other things) the Acquisitions
“First China”	First China Limited (三民有限公司), a company incorporated in Hong Kong on 5 March 2008 and a wholly-owned subsidiary of the Company
“Founders”	Messrs Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuangui and Li Hesheng, parties acting in concert
“Geological Exploration Work Implementation Plan on the Extended Exploration Area of the Maoling Mine”	the Geological Exploration Work Implementation Plan on the Extended Exploration Area of the Maoling Mine of Wenchuan County, Sichuan Province* (四川省汶川縣毛嶺鐵礦延深地質勘查工作實施方案) submitted by the Sichuan Provincial Bureau of Geology and Mineral Exploration and Development Exploration Team* (四川省地質礦產勘查開發局化探隊) to Aba Mining in July 2010
“Geological Exploration Work Implementation Plan on the Yanglongshan Mine”	Geological Exploration Work Implementation Plan on the Yanglongshan Mine of Wenchuan County, Sichuan Province* (四川省汶川縣羊龍山鐵礦勘探地質工作實施方案) submitted by the Sichuan Provincial Bureau of Geology and Mineral Exploration and Development Exploration Team* (四川省地質礦產勘查開發局化探隊) to Aba Mining in May 2010
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huili Caitong”	Huili County Caitong Iron and Titanium Co. Ltd.* (會理縣財通鐵鈦有限責任公司), a sino-foreign equity joint venture enterprise established in the PRC on 22 September 2006 and is a member of our Group beneficially owned as to 45.38% by Simply Rise, 47.39% by First China and 7.23% by Chuan Wei as at the date of this announcement
“Huili Caitong Acquisition”	the acquisition of the Huili Caitong Equity Interest contemplated by the Huili Caitong Acquisition Agreement
“Huili Caitong Acquisition Agreement”	the equity interest transfer agreement dated 15 November 2010 entered into between Lingyu (as transferee) and Chuan Wei (as transferor) under which the Huili Caitong Equity Interest is being transferred

“Huili Caitong Equity Interest”	7.23% equity interest in Huili Caitong held by Chuan Wei as at the date of this announcement
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions to be proposed at the EGM to approve the Acquisitions under the Listing Rules
“km”	kilometre(s), a metric unit measure of distance
“Lingyu”	Sichuan Lingyu Investment Co., Ltd* (四川省凌御投資有限公司), a limited liability company established in the PRC on 9 June 2010 and wholly-owned by First China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maoling Extended Exploration Area”	the extended exploration area to be covered under the Maoling Proposed Exploration Permit
“Maoling Mine”	Maoling mine (毛嶺鐵礦), an iron ore mine located at Maoling Village, Weizhou Town, Wenchuan County, Aba Autonomous Prefecture, Sichuan, the PRC
“Maoling Proposed Exploration Permit”	the exploration permit in respect of the Maoling Mine which Chuan Wei guaranteed to Lingyu that Aba Mining will obtain before 31 December 2010 pursuant to the Aba Mining Acquisition Agreement
“New Maoling Mining Permit”	the new mining permit in respect of the Maoling Mine regarding (i) the areas covering the existing mining permits in relation to the Maoling Mine and (ii) the Maoling Extended Exploration Area, such permit to be issued after completion of the geological exploration of the Maoling Extended Exploration Area and the application and approval procedures prescribed by law
“Powerside”	Powerside Holdings Limited (威方控股有限公司), a company incorporated in the British Virgin Islands on 8 January 2008 and member of the Group wholly-owned by the Company
“PRC Classification of Solid Mineral Resources and Reserves”	Classification of Solid Mineral Resources/Reserves* 《固體礦產資源／儲備分類》(GB/T17766-1999) of the PRC National Standard

“PRC Geological and Mining Industry Standard”	(i) 《鐵、錳、鉻礦地質勘查規範》(DZ/T0200-2002, 2002-12-17); (ii) 《固體礦產勘查原始地質編錄規程》(DD2006-01, 2006-6) and (iii) 《固體礦產勘查地質資料綜合整理、綜合研究規定》(DZ/T0079-1993, 1994-10-01) 《固體礦產勘查／礦山閉坑地質報告編寫規範》(DZ/T0033-2002, 2003-03-01)((i) Specifications for Iron, Manganese and Chromium Mineral Exploration; (ii) Rules for Original Geological Record of Solid Mineral Exploration; (iii) Rules for Summary and Research of Geological Materials of Solid Mineral Exploration and (iv) Specifications for Compilation of Geological Report of Solid Mineral Exploration/mine-closing respectively for identification purposes)
“PRC National Standard”	(i) 《固體礦產資源／儲備分類》(GB/T17766-1999, 1999-06-08) and (ii) 《固體礦產地質勘查規範總則》(GB/T13908-2002, 2003-01-01) (“Classification of Solid Mineral Resources/Reserves” and “General Requirements for Solid Mineral Exploration” respectively for identification purpose)
“Resources and Reserves Verification Report in respect of the Maoling Mine”	the Resources and Reserves Verification Report in respect of the Maoling Mine 2007* (阿壩礦業有限公司汶川毛嶺鐵礦2007年礦產資源／儲量核實報告) submitted by the Sichuan Provincial Bureau of Geology and Mineral Exploration and Development Exploration Team* (四川省地質礦產勘查開發局化探隊) to Aba Mining in October 2007
“Richter Magnitude Scale”	a scale under which a single number is assigned to quantify the amount of seismic energy released by an earthquake
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Simply Rise”	Simply Rise Holdings Limited (易陞控股有限公司), a company incorporated in Hong Kong on 2 January 2008 and a member of the Group wholly-owned by Powerside
“sq. km.”	square kilometre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	has the meaning ascribed to it under the Listing Rules
“Type 333”	inferred intrinsic economic resources (推斷的內蘊經濟資源量) (Type 333) as defined in the PRC Classification of Solid Mineral Resources and Reserves
“Xichang Vanadium”	Xichang Vanadium and Titanium Products Co., Ltd* (西昌鈮鈦製品有限公司), a limited liability company established in the PRC on 19 August 2003 and a connected person to the Company holding 5% equity interest in Xiushuihe Mining

“Xiushuihe Mine”	the vanadium-bearing titano-magnetite mine located in Ailang Townlet, Huili County, Sichuan, the PRC and operated by Xiushuihe Mining
“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 on 26 June 2007 and a member of the Group beneficially owned as to 95% by Huili Caitong and 5% by Xichang Vanadium
“Yanglongshan Mine”	Yanglongshan mine (羊龍山鐵礦), a mine located at Yanglongshan in Wenchuan, Sichuan, the PRC
“Yangqueqing Mine”	Yangqueqing Mine* (陽雀箐鐵礦), located in Huili County, Liangshanzhou, Sichuan whose total permitted mining area is approximately 0.25 sq. km.
“%”	per cent

\* For identification purpose only

*Unless otherwise specified:*

- (a) *all references to the volume of mineral resources and reserves in this announcement are references based on the PRC National Standard and/or the PRC Geological and Mining Industry Standard; and*
- (b) *the exchange rate adopted in this announcement for illustration purpose only is RMB1.00=HK\$1.16. No representation is made and there is no assurance that RMB or HK\$ can be purchased or sold at such rate.*

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

Hong Kong, 15 November 2010

*As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping, Mr. Liu Feng, and Mr. Yu Xing Yuan as Executive Directors; Mr. Wang Jin and Mr. Teo Cheng Kwee as Non-executive Directors; and Mr. Yu Haizong, Mr. Gu Peidong and Mr. Liu Yi as Independent Non-executive Directors.*

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