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

**中國鈮鈦磁鐵礦業有限公司**

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

**(Stock Code: 00893)**

**DISCLOSEABLE TRANSACTION – ACQUISITION OF  
PANZHIHUA YIXINGDA INDUSTRIAL TRADING CO., LTD.#**

On 28 December 2011 (after trading hours), Lingyu, an indirect wholly-owned subsidiary of the Group, entered into the Acquisition Agreement pursuant to which the Sellers have conditionally agreed to sell the Equity Interests, being the entire paid-up registered capital of Panzhihua to Lingyu for a consideration of at least RMB600,000,000 (subject to increase depending on the volume of mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above in the Mine), which will be settled by cash in the following manner: (i) payment of RMB200,000,000 to be made within 5 business days of execution of the Acquisition Agreement; (ii) payment of a further RMB100,000,000 to be made within 30 business days of the date on which the Panzhihua Mine Volume Note is issued; (iii) payment of a further sum depending on the volume of mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above in the Mine, within 90 business days of the completion of the sale and purchase of the Equity Interests as evidenced by the registration with the relevant Administration of Industry and Commerce of the transfer of the Equity Interests to Lingyu; and (iv) payment of a further RMB50,000,000 within 30 business days of the receipt by Panzhihua of the Mining Permit.

The Acquisition Agreement is subject to a number of conditions which may or may not be fulfilled and the Acquisition may or may not be completed. One of the conditions precedent to completion of the Acquisition is the determination of the final consideration for the Acquisition. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in securities of the Company.

The only asset of Panzhihua is the Mine.

As certain applicable percentage ratios of the Acquisition exceeds 5% but are less than 25%, the entering into of the Acquisition Agreement constitute a discloseable transaction pursuant to Rule 14.07 of the Listing Rules. Accordingly, the Company is required to make an announcement in respect of the Acquisition but is exempt from shareholders' approval under the Listing Rules.

When the final consideration for the Acquisition is finally determined, the Company will issue further announcement as and when required in accordance with the Listing Rules. The Company will also issue further announcement in respect of the Acquisition as and when appropriate in addition to any requirement under the Listing Rules.

## **BACKGROUND**

The Company is pleased to announce that on 28 December 2011 (after trading hours), Lingyu, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Sellers whereby the Sellers conditionally agreed to sell the Equity Interests, being the entire paid-up registered capital of Panzhihua, to Lingyu.

Panzhihua is a limited liability company registered in the PRC on 9 July 2009 with a paid-up registered capital of RMB1,000,000. Haokun, Haihuitian, Jiashide and Xinzhou are currently the registered owners of 30%, 28%, 25% and 17% equity interests in Panzhihua respectively. The only asset of Panzhihua is the Mine.

All of the Sellers are limited liability companies incorporated in the PRC principally engaged in the business of general trading. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Sellers and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

# THE ACQUISITION AGREEMENT

## Date:

28 December 2011

## Parties:

Purchaser:           Lingyu

Sellers:               Haokun

Haihuitian

Jiashide; and

Xinzhou

## Transaction:

Pursuant to the Acquisition Agreement, the Sellers have conditionally agreed to sell the Equity Interests, being the entire paid-up registered capital of Panzhihua, to Lingyu. Further information on Panzhihua is set out in the paragraph headed “Information on Panzhihua” below.

## Consideration:

The consideration for the Acquisition is calculated based on the progressive rates set out in the table below in this section with reference to the volume of mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above in the Mine, with a minimum consideration of RMB600,000,000. The minimum consideration is calculated based on (i) the fact that completion of the Acquisition is conditional upon the Mine having a minimum of 100,000,000 tonnes of mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above; and (ii) the following progressive rates for each tonne of such mineral resources and reserves:

<b>Mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above</b>	<b>Progressive rates (RMB per tonne)</b>
Within the first 149,999,999 tonnes	6
Between the 150,000,000th tonne and 200,000,000th tonne	5.5
Above the 200,000,000th tonne	5

As one of the conditions precedent to completion of the Acquisition, Lingyu and the Sellers will have to confirm and agree on the volume of mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above in the Mine for the purpose of determining the final consideration for the Acquisition prior to completion.

The consideration will be settled by cash in the following manner: (i) payment of RMB200,000,000 to be made within 5 business days of execution of the Acquisition Agreement; (ii) payment of a further RMB100,000,000 to be made within 30 business days of the date on which the Panzhihua Mine Volume Note is issued; (iii) within 90 business days of the completion of the sale and purchase of the Equity Interests as evidenced by the registration with the relevant Administration of Industry and Commerce of the transfer of the Equity Interests to Lingyu, payment of a further sum calculated by (A) firstly applying the progressive rates set out in the table above in this section with respect to the finally determined volume of the mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above in the Mine and (B) subsequently subtracting the outcome in (A) by RMB350,000,000; and (iv) payment of a further RMB50,000,000 within 30 business days of the receipt by Panzhihua of the Mining Permit.

In the event that the Acquisition does not proceed to completion, Lingyu will be entitled to a full reimbursement of all payments which have been made to the Sellers.

The consideration is determined based on arm's length negotiations between the parties with reference to (i) the expected volume of mineral resources and reserves with iron contents in the Mine as shown by the forecast dated 28 December 2011 issued by an independent geological agent; and (ii) the market value of mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above. Taking into account the matter disclosed above and the reasons stated in the section headed "Reasons for and benefits derived from the Acquisition", the Directors consider the terms of the Acquisition Agreement as fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Conditions precedent:**

The completion of the Acquisition is conditional upon satisfaction of the conditions precedent set out below:

1. the Mineral Resources and Reserves Report issued by an independent geological agent before 30 March 2013 showing that the Mine has a minimum of 100 million tonnes of mineral resources and reserves with a minimum average iron content (Type 333 or above) of 15% or above;

2. Lingyu and the Sellers having confirmed and agreed on the volume of mineral resources and reserves with minimum average iron content (Type 333 or above) of 15% or above in the Mine for the purpose of determining the final consideration for the Acquisition;
3. all necessary consents and approvals in respect of the terms of the Acquisition Agreement as required under the Listing Rules having been obtained;
4. at completion, there being no material changes in respect of the financial status, operation and performance of Panzhihua from the date of the Acquisition Agreement; and
5. there being no litigation, arbitration, enforcement action or penalty against Panzhihua prior to completion of the Acquisition.

## **INFORMATION ON PANZHIHUA**

Panzhihua is a limited liability company registered in the PRC on 9 July 2009 with a paid-up registered capital of RMB1,000,000. It does not hold any equity interest in any other companies. Haokun, Haihuitian, Jiashide and Xinzhou are currently the registered owners of 30%, 28%, 25% and 17% equity interests respectively in Panzhihua.

The current business scope of Panzhihua includes installation of plastic steel doors and windows and sale of ore, machinery and equipment, construction material, metal and rubber products. Panzhihua holds the Exploration Permit. The only asset of Panzhihua is the Mine which covers an area of 20.37 sq. km. at Renhe District, Panzhihua City, Sichuan Province. The term of the Exploration Permit runs from 14 November 2011 to 31 December 2013. It is estimated by an independent geological agent that the Mine has a minimum of 100 million tonnes of resources and reserves with minimum average iron content (Type 333 or above) of 15% or above.

Subject to all necessary governmental approvals and licenses having been granted, it is currently expected that mining with respect to the Mine will commence before 31 December 2014.

The following financial information is based on the unaudited management accounts of Panzhihua prepared in accordance with the PRC generally accepted accounting standards for the financial year ended 31 December 2010:

**As at 31 December 2010**

*approximately*

Net assets value	1,000,000
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Panzhihua has not had any business operation since its incorporation and therefore there was no revenue (and accordingly net profit or net loss was not applicable) for the two financial years ended 31 December 2009 and 2010.

## **REASONS FOR AND BENEFITS DERIVED FROM THE ACQUISITION**

As one of the key expansion strategies of the Group is to identify and acquire iron ore mines, the Mine, for the reasons set forth below, presents an opportunity for the Group to further develop its current business by increasing its iron ore resources and reserves and iron concentrates production capacity.

### **The Mine is a vanadium-bearing titano-magnetite mine which is suitable for large scale open-pit mining and processing operation**

The Mine is a vanadium-bearing titano-magnetite mine with an expectedly large volume of mineral resources and reserves, which renders open-pit mining operation more feasible. In addition, there is sufficient water and power supply within close proximity of the Mine, which, coupled with the convenient transportation system connecting to the Mine, makes it ideal for large scale mining operation and construction of large scale processing plant for the Mine. Accordingly, acquisition of the Mine will efficiently facilitate the Group's new iron concentrates production line, which in turn will enable the Group to increase its production capacity substantially, in the next three years.

## **Significant iron ore resources and reserves in the Mine**

As disclosed above, it is estimated by an independent geological agent that the Mine has a minimum of 100 million tonnes of resources and reserves with minimum average iron content (Type 333 or above) of 15% or above.

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

The Directors expect that the iron content of the vanadium-bearing iron concentrates from the Mine could reach 55% or more through magnetic beneficiation.

In view of the above, the Directors believe that the Acquisition will increase the Group's growth potential and are of the view that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE GROUP**

The Group is primarily engaged in mining, ore processing, iron pelletising and sales of iron concentrates, iron pellet and titanium concentrates in the PRC.

## **INFORMATION ON THE SELLERS**

All of the Sellers are limited liability companies incorporated in the PRC principally engaged in the business of general trading. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Sellers and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

## **LISTING RULES IMPLICATION**

As certain applicable percentage ratios in respect of the Acquisition exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company. The Company is therefore subject to the announcement requirements but exempt from shareholders' approval under the Listing Rules. When the final consideration for the Acquisition is finally determined, the Company will issue further announcement as and when required in accordance with the Listing Rules.

## DEFINITION

In this announcement, the following expressions shall have the following meanings, unless the context otherwise requires:

“Acquisition”	the acquisition of the Equity Interests as contemplated by the Acquisition Agreement
“Acquisition Agreement”	the equity transfer agreement dated 28 December 2011 entered into between Lingyu (as purchaser), Haokun, Haihuitian, Jiashide and Xinzhou (as sellers) under which the Equity Interests is being transferred
“Board”	the board of Directors
“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國鈦鉭磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 00893)
“Directors”	the director(s) of the Company
“Equity Interests”	the aggregate of: <ul style="list-style-type: none"><li>(i) 30% fully paid-up equity interests in Panzhihua beneficially owned by Haokun;</li><li>(ii) 28% fully paid-up equity interests in Panzhihua beneficially owned by Haihuitian;</li><li>(iii) 25% fully paid-up equity interests in Panzhihua beneficially owned by Jiashide; and</li><li>(iv) 17% fully paid-up equity interests in Panzhihua beneficially owned by Xinzhou.</li></ul>

“Exploration Permit”	the Exploration Permit no. T51120080402005289 in respect of the Mine issued by Ministry of Land and Resources of Sichuan Province, the PRC to Panzihua, which runs from 14 November 2011 to 31 December 2013
“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
“Group”	the Company and its subsidiaries
“Haihuitian”	Sichuan Haihuitian Trading Co., Ltd.# (四川省海匯天貿易有限公司), a limited liability company established in the PRC on 9 January 2010
“Haokun”	Sichuan Haokun Trading Co., Ltd.# (四川省昊坤貿易有限公司), a limited liability company established in the PRC on 21 April 2010
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiashide”	Chengdu Jiashide Trading Co., Ltd.# (成都佳仕德貿易有限公司), a limited liability company established in the PRC on 21 June 2011
“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

“Mine”	the Haibaodang vanadium-bearing titano-magnetite mine <sup>#</sup> (海保函鈦鐵礦) located at Renhe District, Panzhihua City, Sichuan Province <sup>#</sup> (四川省攀枝花市仁和區), covering an area of 20.37 sq. km.
“Mineral Resources and Reserves Report”	the Mineral Resources and Reserves Report in respect of the Mine to be issued by an independent geological agent
“Mining Permit”	the Mining Permit in respect of the Mine which will be applied by Panzhihua
“Panzhihua”	Panzhihua Yixingda Industrial Trading Co., Ltd. <sup>#</sup> (攀枝花易興達工貿有限責任公司), a limited liability company registered in the PRC on 9 July 2009 with a paid-up registered capital of RMB1,000,000
“Panzhihua Mine Volume Note”	a preliminary exploratory note to be issued by an independent geological agent, showing that the Mine has not less than 100 million tonnes of resources and reserves with minimum average iron content (Type 333 or above) of 15% or above, following its preliminary exploration in respect of the Mine
“PRC” or “China”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“PRC Classification of Solid Mineral Resources and Reserves”	Classification of Solid Mineral Resources/Reserves <sup>#</sup> 《固體礦產資源／儲備分類》 (GB/T17766-1999) of the PRC National Standard
“PRC National Standard”	(i) 《固體礦產資源／儲備分類》 (Classification of Solid Mineral Resources/Reserves <sup>#</sup> ) (GB/T17766-1999, 1999-06-08) and (ii) 《固體礦產地質勘查規範總則》 (General Requirements for Solid Mineral Exploration <sup>#</sup> ) (GB/T13908-2002, 2003-01-01)

“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	collectively, Haokun, Haihuitian, Jiashide and Xinzhou
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of the Company
“sq. km.”	square kilometer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Type 333”	inferred intrinsic economic resources <sup>#</sup> (推斷的內蘊經濟資源量) (Type 333) as defined in the PRC Classification of Solid Mineral Resources and Reserves
“Xinzhou”	Chongqing Xinzhou Metallic Material Co., Ltd. <sup>#</sup> (重慶市鑫宙金屬材料有限公司), a limited liability company established in the PRC on 24 February 2004
“%”	per cent.

<sup>#</sup> denotes an English translation of a Chinese name and is for identification purpose only. If there is any inconsistency between the Chinese name and the English translation, the Chinese version shall prevail.

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

Hong Kong, 29 December 2011

*As of 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.*

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