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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 TRANSACTION –
ACQUISITION OF THE 51% EQUITY INTEREST IN SICHUAN
HAOYUAN NEW MATERIALS CO., LTD.#**

On 22 May 2014 (after trading hours), Huili Caitong, an indirect wholly-owned subsidiary of the Company, and the Seller entered into the Equity Transfer Agreement pursuant to which the Seller has conditionally agreed to sell the Equity Interest, being 51% of the paid-up registered capital of the Target Company to Huili Caitong at a consideration of RMB370 million, which will be settled by cash in the following manner: (i) payment of RMB111 million (30% of the Consideration) to be made within 15 business days after the effective date of the Equity Transfer Agreement; (ii) payment of a further RMB185 million (50% of the Consideration) to be made within 150 days after the effective date of the Equity Transfer Agreement; and (iii) payment of the remaining RMB74 million (20% of the Consideration) within 15 business days after the completion of the sale and purchase of the Equity Interest as evidenced by the registration with the competent PRC administration for industry and commerce of the transfer of the Equity Interest to Huili Caitong.

Subject to and in accordance with the terms and conditions of the Equity Transfer Agreement, the Target Company and its wholly-owned subsidiary, Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司), shall become indirect non-wholly owned subsidiaries of the Company upon completion of the Acquisition.

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

BACKGROUND

The Company is pleased to announce that on 22 May 2014 (after trading hours), Huili Caitong, an indirect wholly-owned subsidiary of the Company, and the Seller entered into the Equity Transfer Agreement pursuant to which the Seller has conditionally agreed to sell the Equity Interest, being 51% of the paid-up registered capital of the Target Company to Huili Caitong at a consideration of RMB370 million.

The Target Company is a limited liability company established in the PRC on 18 July 2011 with a paid-up registered capital of RMB20 million. The Seller and a PRC individual (who, to the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, is a third party independent of the Company and its connected persons as defined under the Listing Rules) are currently the registered owners of 51% and 49% equity interests in the Target Company respectively.

The Seller is a limited liability company established in the PRC principally engaged in the business of construction contract. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Seller and each of its ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

Date: 22 May 2014

Parties:

Purchaser: Huili Caitong

Seller: Panzihua Shuhai Construction Co., Ltd.# (攀枝花蜀海建设工程有限公司)

Transaction:

Pursuant to the Equity Transfer Agreement, the Seller has conditionally agreed to sell the Equity Interest, being 51% of the paid-up registered capital of the Target Company, to Huili Caitong. Further information on the Target Company is set out in the section headed "Information on the Target Company" below.

Consideration:

The total consideration for the Acquisition is RMB370 million, which will be settled by cash in the following manner: (i) payment of RMB111 million (30% of the Consideration) to be made within 15 business days after the effective date of the Equity Transfer Agreement; (ii) payment of a further RMB185 million (50% of the Consideration) to be made within 150 days after the effective date of the Equity Transfer Agreement; and (iii) payment of the remaining RMB74 million (20% of the Consideration) within 15 business days after the completion of the sale and purchase of the Equity Interest as evidenced by the registration with the competent PRC administration for industry and commerce of the transfer of the Equity Interest to Huili Caitong.

The Consideration is determined based on arm's length negotiations between the Parties after taking into account the legal and financial due diligence reports of the Target Company and the valuation report in respect of the Shigou Gypsum Mine. Having considered the matter disclosed above and the reasons stated in the section headed "Reasons for and benefits of the Acquisition", the Directors consider the terms of the Equity Transfer Agreement as fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will be satisfied by way of internal resources of the Group.

Conditions precedent:

The completion of the Acquisition is conditional upon satisfaction of the conditions precedent, which include, amongst others, the following:

1. At completion, there has not been any material changes in respect of the financial status, operation and performance of the Target Company and its wholly-owned subsidiary, Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司), from the date of the Equity Transfer Agreement;
2. The Target Company and Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司) have not initiated any procedures or signed (or agreed to sign) any documents to restructure, spin-off, merge, dissolve, liquidate or wind-up the Target Company and Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司);
3. The Target Company and Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司) have not entered into any new transactions with their respective connected persons (as defined under the Listing Rules) which exceed the scope and/or conditions of the relevant existing transactions; and
4. The Target Company and Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司) have not employed new employees or amended the employment conditions with their existing employees save as required by relevant laws and regulations.

Upon the completion of the Acquisition, the Target Company and Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司), shall become indirect non-wholly owned subsidiaries of the Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 18 July 2011 with a paid-up registered capital of RMB20 million. The Seller and a PRC individual (who, to the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, is a third party independent of the Company and its connected persons as defined under the Listing Rules) are currently the registered owners of 51% and 49% equity interests respectively in the Target Company. The Target Company has a wholly-owned subsidiary, namely, Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司) currently holds the Mining Permit of the Shigou Gypsum Mine with an annual output of 300,000 tonnes of gypsum raw ore (Mining Permit number C5100002013117110132032). The term of the Mining Permit runs from 12 November 2013 to 12 November 2039.

The Target Company did not commence operation in 2012 as it was still under the development period. The following financial information is based on the unaudited consolidated financial statements of the Target Company prepared in accordance with the PRC generally accepted accounting standards for each of the two years ended 31 December 2012 and 31 December 2013 respectively:

	For the year ended 31 December 2012 RMB	For the year ended 31 December 2013 RMB
Net loss before taxation	—	1,496,376.90
Net loss after taxation	—	1,496,401.90
	As at 31 December 2012 RMB	As at 31 December 2013 RMB
Net assets	15,000,000.00	18,503,598.10

According to the "Sichuan Hanyuan County Shigou Gypsum Mine Geological Exploration Report" # 《四川省漢源縣石溝礦區石膏礦勘探地質報告》 issued by Brigade 606 of Sichuan Metallurgical and Geological Exploration Bureau# (四川省冶金地質勘查局606大隊) in November 2011, there are 10,369,700 tonnes of gypsum ore resources (Types 331 and 333) with average gypsum grade 90.64% through gypsum exploration activities.

The detailed information of the Mining Permit held by Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司) is as follows:

Mining Permit number	C5100002013117110132032
Location	Hanyuan County, Ya'an City, Sichuan Province
Business type	Limited liability company
Permit date	12 November 2013
Expiration date	12 November 2039
Minerals	Gypsum
Mining Permit area	0.1228 square kilometers
Mining method	Underground mining
Planned time to start commercial production	December 2015
Processing capacity	Super-high Strength Gypsum powder: 50,000 tonnes per year; and Common-high Strength Gypsum powder: 100,000 tonnes per year
Planned capex	2014: RMB106.4 million 2015: RMB129.6 million

REASONS FOR AND BENEFITS OF THE ACQUISITION

Expanding the resources and reserves through selective acquisitions is one of the Group's key strategies. The Group has been active in exploring new business opportunities to expand and diversify its scope of business by acquiring new types of mine in the PRC and overseas. The Acquisition thus allows the Group to possess gypsum mine resources and reserves, which are not previously possessed by the Group, and expand the Group's revenue and investment return potential given the potential large gypsum resources, high grade and good production condition of the Shigou Gypsum Mine.

Gypsum is a new construction material which is, amongst others, energy-saving, heatproof, fireproof, decorative, white in colour, light, strong, easy to process and a good insulator. Therefore, it is widely used for industrial, medical and construction purposes. Gypsum can also be used in cement retarder, gypsum building products, model making, medical food additives, sulfuric acid production, paper filler, paint filler and fracture fixation. Gypsum can be further processed into wood materials, furniture and chemical raw materials. The Board expects that gypsum's prospect to continue developing in the high-tech fields is promising.

The Directors are of the view that the Acquisition is based on normal commercial terms which are fair and reasonable, negotiated on an arm's length basis between the Parties, 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 pellets and high-grade titanium concentrates in the PRC.

INFORMATION ON THE SELLER

The Seller is a limited liability company established in the PRC principally engaged in the business of construction contract. To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, the Seller and each of its ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

LISTING RULES IMPLICATION

As certain applicable percentage ratios of the Acquisition exceeds 5% but are less than 25%, the entering into of the Equity Transfer Agreement constitutes a discloseable transaction for the Company 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.

DEFINITION

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

“Acquisition”	the acquisition of the Equity Interest as contemplated by the Equity Transfer Agreement
“Board”	the board of Directors
“Common-high Strength Gypsum”	a gypsum product with 2-hour wet flexural strength between 2.5MPa and 6.5MPa and dry compressive strength between 15MPa and 40MPa
“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國鈇鈦磁鐵礦業有限公司), 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)
“Consideration”	the aggregate consideration of RMB370 million for the sale and purchase of the Equity Interest

“Directors”	the directors of the Company
“Equity Interest”	51% of paid-up registered capital of the Target Company beneficially owned by Panzhihua Shuhai Construction Co., Ltd.# (攀枝花蜀海建设工程有限公司)
“Equity Transfer Agreement”	the equity transfer agreement dated 22 May 2014 entered into between Huili Caitong (as Purchaser) and Panzhihua Shuhai Construction Co., Ltd.# (攀枝花蜀海建设工程有限公司) (as Seller) under which the Equity Interest is being transferred
“Group”	the Company and its subsidiaries
“Gypsum”	a soft sulfate mineral which is mainly composed of calcium sulfate dihydrate and is a sediment found in salt or lagoon lakes
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huili Caitong” or “Purchaser”	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 on 7 July 1998 and has been a foreign equity joint venture in the PRC since 29 December 2010, an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mining Permit”	the Mining Permit number C5100002013117110132032 in respect of the Shigou Gypsum Mine issued by The Land and Resources Department of Sichuan Province to Hanyuan County Xinjin Mining Co., Ltd.# (漢源縣鑫金礦業有限公司), a wholly-owned subsidiary of the Target Company
“Parties”	the Purchaser and the Seller, being the parties to the Equity Transfer Agreement
“PRC”	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
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Panzhihua Shuhai Construction Co., Ltd.# (攀枝花蜀海建设工程有限公司), a limited liability company established in the PRC on 26 December 2002

“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
“Shigou Gypsum Mine”	Shigou gypsum mine located at Hanyuan County, Ya’an City, Sichuan Province covering an area of 0.1228 square kilometres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Super-high Strength Gypsum”	a gypsum product with 2-hour wet flexural strength greater than 7MPa and dry compressive strength greater than 50MPa
“Target Company”	Sichuan Haoyuan New Materials Co., Ltd.# (四川省浩遠新材料有限公司), a limited liability company established in the PRC on 18 July 2011
“%”	per cent

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, 22 May 2014

As at the date of this announcement, the Board of the Company comprises Mr. Jiang Zhong Ping (Chairman), Mr. Tang Wei and Mr. Roy Kong Chi Mo as executive Directors; Mr. Wang Jin, Mr. Teo Cheng Kwee and Mr. Yu Xing Yuan as non-executive Directors; and Mr. Yu Haizong, Mr. Gu Peidong and Mr. Liu Yi as independent non-executive Directors.

Website: www.chinavtmmining.com