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China Vanadium Titano-Magnetite Mining Company Limited

中國鈦鉭磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF PANZHIHUA YIXINGDA
INDUSTRIAL TRADING CO., LTD.*
THIRD SUPPLEMENTAL AGREEMENT TO
THE ACQUISITION AGREEMENT**

References are made to the Announcements in relation to the acquisition of Panzhihua.

THE THIRD SUPPLEMENTAL AGREEMENT

On 29 December 2014, the Sellers, Lingyu and Huili Caitong entered into the Third Supplemental Agreement to modify or supplement certain terms and conditions of the Acquisition Agreement (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement), including, among other things, the replacement of Lingyu (a wholly-owned subsidiary of the Company) by Huili Caitong (a wholly-owned subsidiary of the Company) as the purchaser of the Acquisition, and the adjustment and finalisation of the Final Consideration to approximately RMB301.3 million (equivalent to approximately HK\$379.6 million).

LISTING RULES IMPLICATION

As disclosed in the December 2011 Announcement, as certain applicable percentage ratios (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Acquisition as at the date of the December 2011 Announcement exceeded 5% but were less than 25%, the Acquisition constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and was subject to notification and announcement requirements but exempt from shareholders' approval requirement under the Listing Rules.

As the Final Consideration of approximately RMB301.3 million (equivalent to approximately HK\$379.6 million) has been finally determined, and one of the applicable percentage ratios (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Acquisition under the Acquisition Agreement (as supplemented by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement) exceeds 5% but is less than 25%, the Acquisition remains a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements but exempt from shareholders' approval requirement under the Listing Rules.

BACKGROUND

References are made to the announcements of China Vanadium Titano-Magnetite Mining Company Limited (the “**Company**”) dated 29 December 2011 in relation to the acquisition of Panzhihua Yixingda Industrial Trading Co., Ltd.* (攀枝花易興達工貿有限責任公司) (“**Panzhihua**”) (the “**December 2011 Announcement**”) and dated 22 April 2013 in relation to the extension of time for the fulfilment of a condition precedent to the Acquisition (the “**April 2013 Announcement**”) and dated 28 May 2014 in relation to the execution of the Second Supplemental Agreement (the “**May 2014 Announcement**”) (collectively, the “**Announcements**”). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

On 29 December 2011, the Sellers and Lingyu entered into the Acquisition Agreement whereby the Sellers conditionally agreed to sell the Equity Interests, being the entire paid-up registered capital of Panzhihua, to Lingyu. Completion of the Acquisition is conditional upon, amongst other things, the Mineral Resources and Reserves Report having been issued by the Geological Agent before 30 March 2013 (the “**Report Date**”) 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.

On 22 April 2013, Lingyu and the Sellers entered into a supplemental agreement (the “**First Supplemental Agreement**”) to extend the Report Date from 30 March 2013 to 30 March 2014 or such later date as Lingyu and the Sellers may agree (the “**Extended Report Date**”).

In March 2014, the Geological Agent issued the Mineral Resources and Reserves Report, in which it was estimated that the Mine had approximately 40 million tonnes of mineral resources and reserves with a minimum average iron content (Type 333 or above) of 15% or above. This was well below the 100 million tonnes required to satisfy the condition precedent to the completion of Acquisition under the Acquisition Agreement.

As a result, on 28 May 2014, Lingyu and the Sellers entered into the Second Supplemental Agreement, whereby the Sellers would instruct the Geological Agent to carry out further exploration works on the Mine for a period of six months from 1 June 2014.

In August 2014, the Geological Agent issued a Mineral Resources and Reserves Survey Report on the findings of the exploration works. Meanwhile, Lingyu also appointed the Exploration Team of Sichuan Bureau of Geological Exploration and Exploitation of Mineral Resources (四川省地質礦產勘查開發局化探隊) (the “**Exploration Team**”) to supervise the further exploration works on the Mine conducted by the Geological Agent appointed by the Sellers. In September 2014, the Exploration Team issued the Mineral Resources and Reserves Supervision Report accordingly (collectively, the “**Reports**”).

According to the Reports, it was estimated that the Mine had approximately 107.6 million tonnes of mineral resources and reserves with a minimum average iron content (Types 332 + 333) of 15% or above, and hence satisfying the aforesaid condition precedent.

On 29 December 2014, the Sellers, Lingyu and Huili County Caitong Iron Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司) (“**Huili Caitong**”) entered into a third supplemental agreement to the Acquisition Agreement (the “**Third Supplemental Agreement**”) to modify or supplement certain terms and conditions of the Acquisition Agreement (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement).

A summary of the principal terms of the Third Supplemental Agreement is set out below:

THE THIRD SUPPLEMENTAL AGREEMENT

Date: 29 December 2014

Parties:

- (1) the Sellers (including Haokun, Haihuitian, Jiashide and Xinzhou)
- (2) Lingyu (a wholly-owned subsidiary of the Company)
- (3) Huili Caitong (a wholly-owned subsidiary of the Company)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Sellers (and their respective ultimate beneficial owners) are third parties independent of the Company and its connected persons.

Replacement of purchaser:

Pursuant to the Third Supplemental Agreement, the parties have agreed that Huili Caitong (a wholly-owned subsidiary of the Company) will replace Lingyu (a wholly-owned subsidiary of the Company) as the purchaser of the Acquisition. The rights and obligations mentioned in the Acquisition Agreement (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement) will be assigned from Lingyu to Huili Caitong accordingly.

Adjustment and finalisation of consideration:

Pursuant to the Third Supplemental Agreement, in view of the current market condition of the iron ore industry, the parties have agreed to adjust the progressive rate for the first 149,999,999 tonnes of the mineral resources and reserves with a minimum average iron content (Type 333 or above) of 15% or above in the Mine from RMB6 per tonne to RMB2.8 per tonne.

Accordingly, the final consideration of the Acquisition has been adjusted from the minimum consideration of RMB600 million (equivalent to approximately HK\$756 million) as disclosed in the December 2011 Announcement to approximately RMB301.3 million (equivalent to approximately HK\$379.6 million) (the “**Final Consideration**”).

The Final Consideration is determined based on arm’s length negotiations between the parties with reference to (i) the estimated volume of mineral resources and reserves with iron contents in the Mine as shown in the Reports; and (ii) the market value of mineral resources and reserves with a minimum average iron content (Type 333 or above) of 15% or above.

Change of Payment Terms:

Pursuant to the Third Supplemental Agreement, the Deposit of RMB200 million (equivalent to approximately HK\$252 million) paid by Lingyu to the Sellers will be settled as part of the Final Consideration and Huili Caitong will repay the Deposit to Lingyu accordingly.

After deducting the paid Deposit of RMB200 million (equivalent to approximately HK\$252 million), the parties have agreed that the balance of the Final Consideration in the sum of approximately RMB101.3 million (equivalent to approximately HK\$127.6 million) will be settled by Huili Caitong in cash in the following manner: (i) RMB58.9 million (equivalent to approximately HK\$74.2 million) will be payable to the Sellers within 10 business days following the date of the Third Supplemental Agreement; (ii) RMB22.4 million (equivalent to approximately HK\$25.2 million) will be payable to the creditors of the Panzhihua within 10 business days following the date of the Third Supplemental Agreement; and (iii) the remaining balance of RMB20 million (equivalent to approximately HK\$25.2 million) will be payable to the Sellers within 30 business days after receipt by Panzhihua of the mining permit of the Mine. The parties have agreed Haokun as designated by the Sellers to receive the payment of the above balance of the Final Consideration from Huili Caitong.

As at the date of this announcement, all the conditions precedent have been fulfilled. Pursuant to the Third Supplemental Agreement, the Sellers shall transfer the Equity Interests to Huili Caitong within 5 business days following the payment of such amounts mentioned in (i) and (ii) above.

Save for the abovementioned, all other terms and conditions of the Acquisition Agreement (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement) as disclosed in the Announcements remain unchanged.

INFORMATION ON PANZHIHUA

Panzhuhua 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 (being the Sellers) are currently the registered owners of 30%, 28%, 25% and 17% equity interests respectively in Panzhuhua.

The current business scope of Panzhuhua includes installation of plastic steel doors and windows and sales of ore, machinery and equipment, construction materials, metal and rubber products. Panzhuhua holds the Exploration Permit. The only material asset of Panzhuhua is the Mine which covers an area of 20.37 sq. km. at Renhe District, Panzhuhua City, Sichuan Province.

The term of the Exploration Permit is from 31 December 2013 to 31 December 2015.

Panzhuhua has not commenced any business operation since its establishment and, based on the unaudited management accounts of Panzhuhua, has recorded net loss of approximately RMB1.3 million and RMB0.4 million respectively for the two financial years ended 31 December 2013.

The following financial information is based on the unaudited management accounts of Panzhuhua prepared in accordance with the PRC generally accepted accounting standards for the ten months ended 31 October 2014:

**As at
31 October 2014**

Net liabilities	RMB1,106,347
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INFORMATION ON THE SELLERS

All of the Sellers, being limited liability companies established in the PRC, principally engage in the business of general trading.

INFORMATION ON THE GROUP

The principal activities of the Group are mining, ore processing, iron pelletising and sales of iron concentrates, iron pellets and high-grade titanium concentrates in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE THIRD SUPPLEMENTAL AGREEMENT

As one of the key expansion strategies of the Group is to identify and acquire iron ore mines, the Mine, for the reasons set out in the Announcements, presents an opportunity for the Group to further develop its current business by increasing its iron ore resources and reserves. However, in view of the current market condition of the iron industry, the Directors consider that the entering into the Third Supplemental Agreement will be beneficial to the Group as the adjustment to the Final Consideration will reflect the prevailing market of the iron industry.

Accordingly, the Directors consider that the Third Supplemental Agreement has been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the entering into the Third Supplemental Agreement are in the interests of the Company and the Shareholders as a whole.

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* *denotes an English translation of a Chinese name and is for identification purposes only. If there is any inconsistency between the Chinese name and the English translation, the Chinese name shall prevail.*

Unless otherwise specified, the exchange rate adopted in this announcement, for illustration purpose, is RMB1.00=HK\$1.26. 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, 29 December 2014

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping, Mr. Tang Wei and Mr. Roy Kong Chi Mo as executive Directors; Mr. Teo Cheng Kwee and Mr. Yu Xing Yuan as non-executive Directors; and Mr. Yu Haizong, Mr. Wu Wen and Mr. Liu Yi as independent non-executive Directors.

Website: www.chinavtmmining.com