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COMPANY ALERT**China VTM Mining****Second iron ore mine acquisition within one month****Breaking News****Buy**

Reuters:0893.HK Exchange:HSI Ticker:0893

Price (HKD)	4.36
Price target (HKD)	6.10
52-week range (HKD)	5.61 - 3.45
Market cap (USDm)	1,165
Shares outstanding (m)	1,595.8
Net debt/equity (%)	-72.9
Book value/share (CNY)	1.34
Price/book (x)	2.9

FYE 12/31	2008A	2009E	2010E
Sales (CNYm)	791	1,084	1,495
Net Profit (CNYm)	248.7	336.2	547.7
DB EPS (CNY)	0.17	0.16	0.26
PER (x)	-	23.7	14.5
Yield (net) (%)	-	0.0	1.4

China VTM has just announced to acquire one more iron ore mine in Sichuan. The Company has entered into an agreement to acquire Cizhuqing Mine for RMB310mn. The Cizhuqing Mine has an exploration right covers an exploration area of 2.3 sqkm with an est. resource of 25.57mn tonnes. The iron concentrates production line at its production facility has a capacity of 300k-tpa and was put into operation in Sep 2009. The implied acquisition cost is 0.96x FY09 PBR.

We believe the acquisition on its own will benefit the Company in that:

- The Company's Iron ore resources will increase by 21%
- Production capacity of iron concentrates will increase by about 19%
- Per tonne production cost will likely go down due to economy of scale (the acquired mine is close to the company's existing mines)

This acquisition, combined with the Yangqueqing mine acquisition announced on 18Jan2010, would increase our FY10 earnings est. by 20% to RMB658m, assuming both transactions completed on 01Jan2010.

We expect the Company to complete more mine acquisitions in 1Q10:

The management delivered two iron ore mine acquisitions within one month, further convincing us of the management's strong capacity of resources expansion. More importantly, neither of the acquisition is from the acquisition target list as stated in its prospectus, indicating that the Company has a very strong acquisition pipeline which likely enables it to expand its resources faster-than-expected.

Further upside on iron ore prices: Rio Tinto is reportedly seeking 40% iron ore contract price hike. If this turned out to be true, the spot iron ore prices in China will likely go higher as well due to the huge demand from domestic steelmakers. This means higher ASPs and higher profit for VTM.

We reiterate Buy with a TP of HK\$6.10.

Julian Zhu
Research Analyst
(+852) 2203 6207
julian.zhu@db.com

Steven Tao, CFA
Research Associate
(+852) 2203 6160
steven.tao@db.com

Deutsche Bank AG/Hong Kong

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