
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Vanadium Titano-Magnetite Mining Company Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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China Vanadium Titano-Magnetite Mining Company Limited
中國鈦鈷磁鐵礦業有限公司

(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 China Vanadium Titano-Magnetite Mining Company Limited



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



China Everbright Capital Limited

A letter from the Board is set out on pages 8 to 27 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 28 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 29 to 44 of this circular.

A notice convening an extraordinary general meeting to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 16 December 2010 at 9:30 a.m. is set out in Appendix III to this circular. Whether or not you are able to attend the extraordinary general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

* for identification purpose only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions have the meaning set out below:

“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 circular, 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

DEFINITIONS

“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國鈦鈷磁鐵礦業有限公司), 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 3 rd 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”	the 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

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“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 the Group beneficially owned as to 45.38% by Simply Rise, 47.39% by First China and 7.23% by Chuan Wei as at the Latest Practicable Date
“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 circular
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors
“Independent Financial Adviser” or “China Everbright”	China Everbright Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions
“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
“JLLS” or “Valuer”	Jones Lang LaSalle Sallmanns Limited, an independent valuer
“km”	kilometre(s), a metric unit measure of distance

DEFINITIONS

“Latest Practicable Date”	26 November 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“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 area covering the existing mining permit 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

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“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); (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) and (iv) 《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
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	the shareholders of the Company

DEFINITIONS

“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* (西昌釩鈦製品有限公司), 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

DEFINITIONS

For the purpose of this circular, unless otherwise specified:

- (a) *all references to the volume of mineral resources and reserves 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 circular 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.*

* *for identification purpose only*

LETTER FROM THE BOARD



China Vanadium Titano-Magnetite Mining Company Limited

中國鈾鈦磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

Executive Directors

Mr. Jiang Zhong Ping (*Chairman*)
Mr. Liu Feng (*Chief Executive Officer*)
Mr. Yu Xing Yuan (*Chief Investment Officer*)

Non-executive Directors

Mr. Wang Jin
Mr. Teo Cheng Kwee

Independent Non-executive Directors

Mr. Yu Haizong
Mr. Gu Peidong
Mr. Liu Yi

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal place of business and address
of headquarters in the PRC:*

7/F, Longwei Mansion
198 Longdu South Road
Longquanyi District
Chengdu 610100
Sichuan
PRC

Principal place

of business in Hong Kong:
Room 2201, 22/F, Wheelock House
20 Pedder Street
Central
Hong Kong

30 November 2010

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 15 November 2010 pursuant to which it was announced, among other things, that the Agreements were entered into.

The main purpose of this circular is to provide you with, among other things, (a) further details of the Acquisitions; (b) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions; (c) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Acquisitions; (d) the valuation report of the Aba Equity Interest from the Valuer; and (e) the notice of the EGM.

THE DISCLOSEABLE AND CONNECTED TRANSACTIONS CONSTITUTED BY THE AGREEMENTS

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.

LETTER FROM THE BOARD

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.

SUMMARY OF THE MATERIAL TERMS OF THE AGREEMENTS AND RELEVANT INFORMATION

(a) The Huili Caitong Acquisition Agreement

Date

15 November 2010

Parties

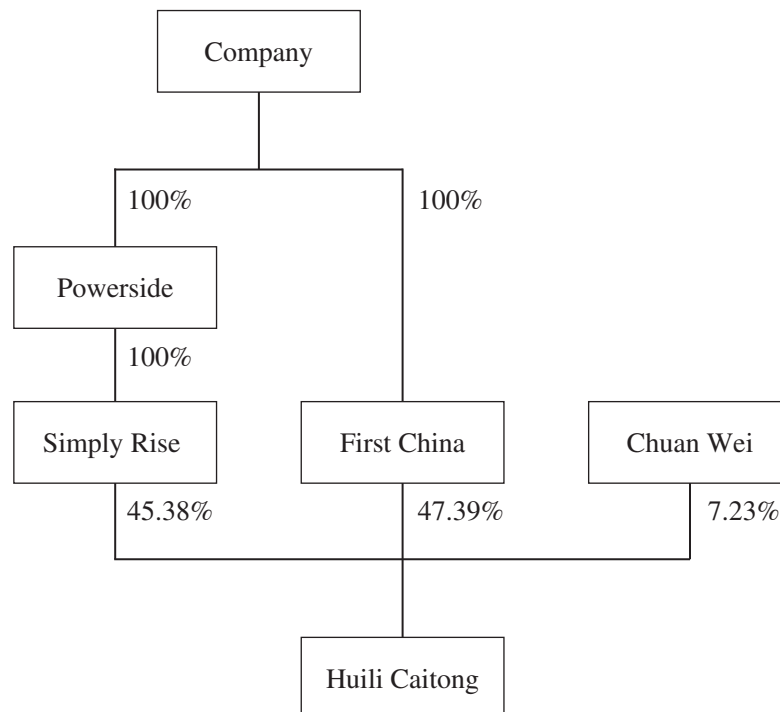
Transferee: Lingyu

Transferor: Chuan Wei

Assets to be acquired

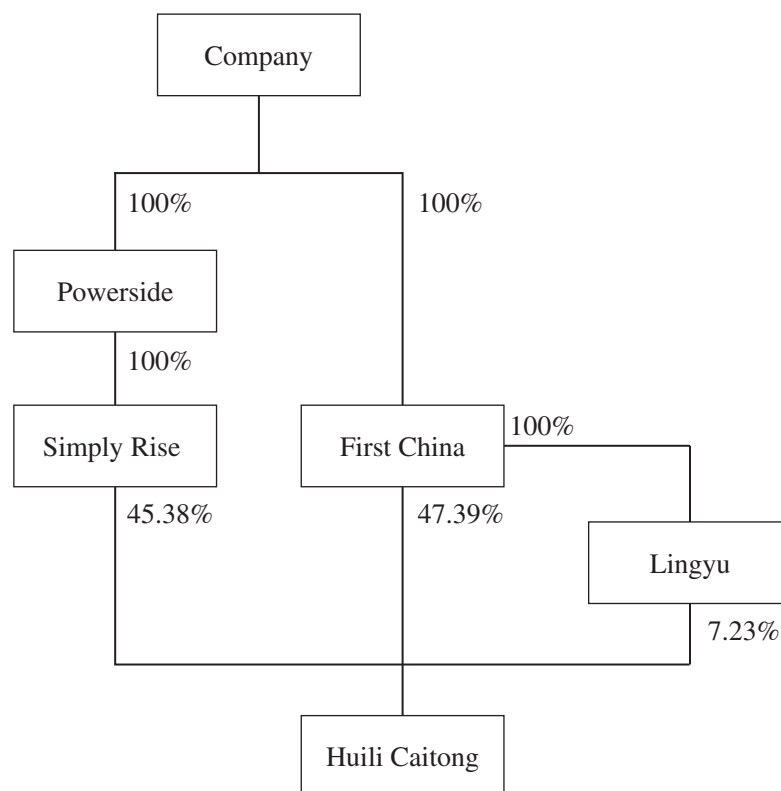
Huili Caitong Equity Interest

As at the Latest Practicable Date, the shareholding structure of Huili Caitong is as follows:



LETTER FROM THE BOARD

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).

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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, among 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 whose opinion are set out in the letter from the Independent Board Committee contained in this circular) 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;

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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 JLLS, an independent valuer, details of which are set out in Appendix I to this circular. 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 whose opinion are set out in the letter from the Independent Board Committee contained in this circular) 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;

LETTER FROM THE BOARD

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:

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

LETTER FROM THE BOARD

- (i) In the event that Chuan Wei is in breach of the warranties on the resources and reserves in the Maoling Extended Exploration Area or 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.

LETTER FROM THE BOARD

(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 or 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 or 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 profit (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 standards) will be at least RMB8 million (equivalent to approximately HK\$9.28 million); and

(ii) the audited net profit (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 standards) will be at least RMB40.0 million (equivalent to approximately HK\$46.4 million).

LETTER FROM THE BOARD

If Chuan Wei is in breach of the profit guarantee described above, it is obliged to pay the full amount representing the difference between the amount of the guaranteed net profit and the amount of the audited net profit.

Pursuant to the Listing Rules, the Company will (i) publish an announcement in accordance with rule 2.07C of the Listing Rules if the audited net profit is less than the amount guaranteed and will include details in its next published annual report and accounts and (ii) the independent non-executive Directors will provide an opinion in the Company's next published annual report and accounts as to whether Chuan Wei has fulfilled its obligations under the guarantee.

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, beneficiation and sale 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:

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

LETTER FROM THE BOARD

	As at 31 December	
	2009	2008
	(RMB million)	(RMB million)
	approximately	approximately
Net assets value	1,163.2	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 an ore 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%.

LETTER FROM THE BOARD

Potential extension of the exploration area of the Maoling Mine

Pursuant to the Aba Mining Acquisition Agreement, Chuan Wei warrants 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. It is currently expected that such acquisition can be completed before the Completion Date. In this connection, Aba Mining and the holder of the remaining 25% interest in the exploration right to the Yanglongshan Mine have entered into an agreement dated 23 November 2010 pursuant to which, among other things, Aba Mining agreed to pay to that holder a compensation in the amount of RMB12,800,000 (equivalent to approximately HK\$14,848,000) within 10 working days of the date of that agreement after which that holder shall have no right, entitlement or claim against Aba Mining in respect of the exploration right of the Yanglongshan Mine and that Aba Mining shall be entitled to 100% of the exploration right to the Yanglongshan Mine. Pursuant to the Aba Mining Acquisition Agreement, if Aba Mining fails to acquire the remaining 25% interest in the exploration right to the Yanglongshan Mine as stipulated in the Aba Mining Acquisition Agreement before 17 December 2010 or such later date as Lingyu may decide in its sole discretion, Chuan Wei is obliged to pay to Lingyu an amount equivalent to the benefits which Aba Mining pays to the holder of the 25% interest in the exploration right to the Yanglongshan Mine. Whether the acquisition of the remaining 25% interest in the exploration right to the Yanglongshan Mine can be completed will not affect the completion of the Aba Mining Acquisition Agreement. If the acquisition of the remaining 25% interest in the exploration right to the Yanglongshan Mine cannot be completed before completion of the Aba Mining Acquisition Agreement, the Company will proceed to complete the Aba Mining Acquisition and procure Aba Mining to complete the acquisition of the remaining 25% interest in the exploration right to the Yanglongshan Mine after completion of the Aba Mining Acquisition Agreement.

LETTER FROM THE BOARD

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:

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

LETTER FROM THE BOARD

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. Lingyu is primarily engaged in the business of investment in the scope which the PRC government encourages and permits foreign investors to invest in.

INFORMATION ON CHUAN WEI

Chuan Wei is primarily engaged in iron smelting, steel smelting, steel rolling process, and non-ferrous metal smelting and processing. The ultimate beneficial owners of Chuan Wei are the Founders (other than Mr. Yang Xianlu).

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.

LETTER FROM THE BOARD

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:

	Type 333 or above (tonne) (in million)
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
	<hr/>
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 Exploration 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 by 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

LETTER FROM THE BOARD

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. From there the iron concentrates can be transported through the Dujiangyan (都江堰)-Wenchuan freeway to Dujiangyan rail station about 85 km away. A freeway that connects Dujiangyan 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 landslides 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 whose opinion are set out in the letter from the Independent Board Committee contained in this circular) 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.

Mr. Wang Jin, a Director, had declared to the Board that he was interested in the Agreements by virtue of him being a director and a holder of equity interest in Chuan Wei. Since Mr. Wang Jin is materially interested in the Acquisitions, pursuant to the Articles of Association of the Company, Mr. Wang Jin was not allowed to vote in the Board meeting of the Company held for the purpose of considering the Acquisitions and his attendance had not been counted towards the quorum of the meeting.

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.

LETTER FROM THE BOARD

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.

Please refer to the section headed "Letter from the Independent Board Committee" in this circular for the view of the Independent Board Committee on the Acquisitions.

An independent financial adviser has been 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.

Please refer to the section headed "Letter from the Independent Financial Adviser" in this circular for the advice of the Independent Financial Adviser to the Independent Board Committee.

EGM

The EGM will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 16 December 2010, at 9:30 a.m. to consider, and if thought fit, approve, among other things, the Acquisitions.

A notice convening an EGM is set out in Appendix III to this circular. Whether or not you are able to attend the EGM, you are advised to read and complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

The Founders, including Mr. Wang Jin and their associates, who were in aggregate interested in 1,006,754,000 Shares, representing approximately 48.52% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in the EGM. The votes of the Independent Shareholders regarding the resolutions to approve the Agreements and the transactions contemplated thereunder will be taken by way of a poll.

CLOSURE OF REGISTER OF MEMBERS AND ELIGIBILITY FOR ATTENDING THE EGM

The register of members of the Company will be closed from Wednesday, 15 December 2010 to Thursday, 16 December 2010 (both days inclusive) during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company maintained in Hong Kong at the close of business on Tuesday, 14 December 2010 are entitled to attend the EGM.

In order to be eligible to attend the EGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Tuesday, 14 December 2010.

RECOMMENDATIONS

The Directors (excluding the independent non-executive Directors whose opinion is set out in the letter from the Independent Board Committee contained in this circular) are of the view that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the relevant Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions relating to the Acquisitions to be proposed at the EGM to approve the Acquisitions.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Acquisitions. China Everbright has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions.

The Independent Board Committee, having considered the factors and reasons considered by and the opinion of China Everbright as stated in its letter of advice in this circular, is of the view that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions relating to the Acquisitions to be proposed at the EGM to approve the Acquisitions.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 28 of this circular, the letter of advice from China Everbright to the Independent Board committee and the Independent Shareholders set out on pages 29 to 44 of this circular, the valuation report of Aba Mining set out in Appendix I to this circular and the general information on the Group set out in Appendix II to this circular.

By order of the Board

China Vanadium Titano-Magnetite Mining Company Limited

Jiang Zhong Ping

Chairman



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)

30 November 2010

To the Independent Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

We refer to the circular to the Shareholders dated 30 November 2010 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meaning when used herein unless the context otherwise requires.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 8 to 27 of the Circular and the letter from China Everbright, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisitions, set out on pages 29 to 44 of the Circular.

Having considered the factors and reasons considered by and the opinion of China Everbright as stated in its letter of advice contained in the Circular, we are of the view that the terms of the Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions relating to the Acquisitions to be proposed at the EGM to approve the Acquisitions.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Yu Haizong

*Independent Non-executive
Director*

Mr. Gu Peidong

*Independent Non-executive
Director*

Mr. Liu Yi

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the “Letter from the Independent Financial Adviser” to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



30 November 2010

*To: the Independent Board Committee and the Independent Shareholders of
China Vanadium Titano-Magnetite Mining Company Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the acquisitions of equity interest in Huili Caitong and Aba Mining (collectively, “**Target Companies**”) contemplated under the Agreements.

The details of the Acquisitions are set out in the Letter from the Board in the circular (“**Circular**”) to the Shareholders dated 30 November 2010, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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. In addition, 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, and subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The independent board committee (“**Independent Board Committee**”), comprising all of the three independent non-executive Directors, namely Mr. Yu Haizong, Mr. Gu Peidong and Mr. Liu Yi, has been formed to consider the fairness and reasonableness of the Acquisitions, and to make recommendations to the Independent Shareholders in respect thereof. We, China Everbright Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our role as the independent financial adviser to the Independent Board Committee and the Independent Shareholders is to give our opinion as to whether (i) the Acquisitions are in the ordinary and usual course of business of the Group; (ii) the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and benefits from the parties to the Agreements or any of their respective associates. We are independent from and not connected with the parties to the Agreements or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and is accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisitions.

BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management (“**Management**”) of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Directors that no material factors have been omitted from the information supplied and opinions expressed to us.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Group and the Target Companies, and we have not been furnished with any such evaluation or appraisal, save and except for the business valuation report (the “**Valuation Report**”) on Aba Equity Interest prepared by JLLS, an independent qualified international valuer, as contained in Appendix I to the Circular. We are not expert in the valuation of companies or mining rights and therefore have relied solely upon the Valuation Report for the Aba Equity Interest as at 15 November 2010. Nevertheless, in order for us to form a better understanding on the Valuation Report, we have taken various steps for our due diligence purpose, including but not limited to (i) conducting discussions with JLLS regarding the methodology, basis and assumptions with regards to the valuation of Aba Equity Interest; and (ii) requesting for and obtaining the supporting documents in relation to the valuation of Aba Equity Interest as available to the JLLS. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation and are in compliance with Rule 13.80 of the Listing Rules.

In addition, we have not conducted any independent investigation into the business, operations or financial condition of the Company and the Target Companies. We have assumed that all statements and presentations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular.

We consider we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our views on the Acquisitions, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

(I) Background of and reasons for the Acquisitions

(1) The Group and its iron ore mining business

The Group is the second largest operator and the largest non-state owned operator of iron ore mines in Sichuan Province, the PRC in terms of actual output volume of iron ore during the first half of 2010 according to the Sichuan Metallurgy Economic Association. The Group is primarily engaged in mining, ore processing, iron pelletising and sale of iron concentrates, iron pellets and titanium concentrates.

As stated in the financial report of Company for the first six months of 2010 (“**Interim Report**”), the Group achieved remarkable profit growth and its revenue boosted by 41.1% to approximately RMB685.9 million as compared to the six months ended 30 June 2009.

As advised by the Management, such significant growth was mainly attributable to growing demand of iron ore from PRC’s steel producers and increasing market price of iron ore in the PRC. Benefited from the proactive stimulating policies initiated by the PRC government to further boost investments and jump-start domestic demand, domestic industries started to rebound and add growth momentum to the economy during the first half of 2010. Together with the development of the country’s western region, ongoing post-earthquake construction in Sichuan and the Chengdu-Chongqing Economic Zone development, all these favourable market conditions have further stimulated strong demand for steel in Sichuan and thus boosting that for iron ore. Driven by the growing demand of the PRC’s steel market and domestic supply-demand shortage, the iron ore prices have continued to surge. The continuous demand for iron ore, coupled with high iron ore prices, further bolstered the development of domestic iron ore industry.

In order to capture the rising business opportunities, the Group continued to implement its growth strategies through expansion of mineral resources and processing capacity during the first half of 2010. As stated in the Interim Report, on 16 January 2010, the Group successfully entered into a definitive agreement to obtain the mining rights of Yangqueqing Mine. In addition, the transaction provides the Group with the opportunity to expand the current permitted mining area and to explore the neighbouring iron ore resources, which is estimated to be up to 81.6 million tonnes at a low cost. Furthermore, on 3 February 2010, the Group entered into an assets transfer agreement to acquire the exploration right of the Cizhuqing Mine. This would significantly increase the iron ore resources of the Group and facilitate the expansion of the Group in respect of its iron mining area in Sichuan, thus further improving its profitability and competitiveness.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Maoling Mine upon the Company exercising its option to purchase. It is also disclosed in the Prospectus that Maoling Mine has not been in operation since October 2007 due to a landslide 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 to 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 stated in the Letter from the Board, Aba Mining has obtained all necessary governmental approvals to recommence its mining operations of the Maoling Mine, therefore, the Company decides that Lingyu shall acquire the Aba Equity Interest from Chuan Wei.

(2) *The Target Companies*

Huili Caitong

Huili Caitong is a non-wholly-owned subsidiary of our Group and its principal business activities are iron ore mining and beneficiation and sales of self-produced products. As stated in the Letter from the Board, 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. Huili Caitong 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.

As at the Latest Practicable Date, Huili Caitong was owned as to 92.77% by the Company and as to 7.23% by Chuan Wei. Upon the completion of the Acquisitions, Huili Caitong will become a wholly-owned subsidiary of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is audited consolidated accounts of Huili Caitong prepared in accordance with the PRC generally accepted accounting standards:

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

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

Aba Mining

Aba Mining is a limited liability company established in the PRC on 27 February 2004 with a registered capital of RMB20.0 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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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.

As at the Latest Practicable Date, Aba Mining was a wholly-owned subsidiary of Chuan Wei. Upon the completion of the Acquisitions, Aba Mining will become a wholly-owned subsidiary of the Company.

Set out below is audited consolidated accounts of Aba Mining prepared in accordance with the PRC generally accepted accounting standards:

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

As Maoling Mine has not been in operation since October 2007 after due to a landslide occurred, it incurred net loss for the two years ended 31 December 2009. After Aba Mining will recommence its mining operations of the Maoling Mine in the first quarter of 2011, the Management expects that the financial performance and condition of Aba Mining will improve gradually.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) Reasons for and benefit of the Acquisitions

As stated in the Letter from the Board, the Board is of the view that (i) the Huili Caitong Acquisition 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 Company upon the Completion Date; and (ii) it is an opportunity for the Group to further develop its current business by expanding its iron ore resources and reserves and iron concentrates production capacity through the Aba Mining Acquisition.

In addition, 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).

Having considered the above and (i) the business nature, iron ore resources and reserve and production capacity of the Target Companies; (ii) the Huili Caitong Acquisition, being merely an acquisition of the remaining interest in Huili Caitong, can allow the Group to minimise its execution risk on the further investment on Huili Caitong; (iii) Huili Caitong achieved profitable track record in 2008 and 2009, and the first half of 2010; and (iv) the Group can continue to implement its growth strategies through acquisition of iron ore resources and reserve, and processing capacity of Aba Mining, we consider that the Acquisitions are consistent with the overall corporate strategy of the Group and in the interests of the Company and the Independent Shareholders as a whole.

(II) The major terms under the Agreements

Huili Caitong Acquisition Agreement

(i) Consideration and payment terms

The consideration (“**Huili Caitong Consideration**”) for the Huili Caitong Acquisition is approximately RMB445.4 million (equivalent to approximately HK\$520.7 million), 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.

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Aba Mining Acquisition Agreement

(i) Consideration and payment terms

The consideration (“**Aba Mining Consideration**”) for the Aba Mining Acquisition is RMB150 million (equivalent to approximately HK\$174 million), which will be paid by way of cash and will be satisfied by the Company from the proceeds of its Hong Kong initial public offering, in the following manner:

1. RMB100 million (equivalent to approximately HK\$116 million) will be paid on the Completion Date;
2. 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
3. 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 Aba Mining 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 the Valuation Report.

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(ii) *Warranties and guarantees provided by the vendor under the Aba Mining Acquisition Agreement*

As stated in the Letter from the Board, 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:

	Type 333 or above (tonnes) (in million) approximately	Average iron content of ore (%)
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

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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.

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(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.

Pursuant to the Listing Rules, the Company will (i) publish an announcement in accordance with rule 2.07C if the profits are less than the amount guaranteed and will include details in its next published annual report and accounts and (ii) the independent non-executive Directors will provide an opinion in the Company's next published annual report and accounts as to whether the connected person has fulfilled its obligations under the guarantee.

For the details of the warranties and guarantees, please refer to the Letter from the Board.

Based on the above warranties and guarantees, we consider that it can reduce the execution and investment risk of the Group under the Aba Acquisition, and therefore it can safeguard the interest of the Group and is in the interest of the Company and the Independent Shareholders.

(iii) Business valuation (“Valuation”) on Aba Equity Interest

According to the Valuation Report, the valuation of the Aba Equity Interest was RMB304,000,000 as at 15 November 2010.

We have reviewed the Valuation Report and observed that the Valuation is developed through the application of the Market Approach – Guideline Company Method. Under this method, different value measure or market multiples of the comparable companies are calculated and analyzed to induce a series of multiples that are considered representative of the industry average. Then, JLLS applied the relevant industry multiples to Aba Mining to determine the value of Aba Equity Interest based on a freely traded basis.

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According to the Valuation Report, JLLS indicated that it, on a best effort basis, conducted a search of companies that are listed on the Hong Kong Stock Exchange based on the principal business engaged, place of principal business conducted and operational and market profiles. Based on such criteria, JLLS has, to the best of its knowledge, identified 5 comparable companies which principally engaged in metal mining industry in the PRC market which JLLS considers representing the closest comparison to the main business of Aba Mining Company Limited.

As set out in the Valuation Report, JLLS has conducted its valuation in accordance with International Valuation Standards issued by the International Valuation Standards Committee. JLLS planned and performed its valuation so as to obtain all the information and explanations which JLLS considered necessary in order to provide it with sufficient evidence to express its opinion on the Aba Equity Interest.

We have enquired into JLLS on the methodology adopted and the basis and assumptions made in arriving at the Valuation. In this regard, we understand from JLLS that (i) the cost approach was regarded not appropriate for the Valuation as it does not directly incorporate information about the economic benefits contributed by Aba Mining; and (ii) since the mining plan is still being processed, the income approach was also considered inappropriate for the Valuation as the basis for constructing a reasonable and justifiable financial forecast at this moment has too many uncertainties.

JLLS further confirmed that the Guideline Company Method under the market approach was the most appropriate for the Valuation as it involves less assumptions and uncertainties.

We have also discussed with JLLS regarding other basis and assumptions used in the Valuation Report. Based on the due diligence work we performed and JLLS's representation and professional judgement, we consider the basis and assumptions in arriving at the Valuation to be acceptable.

Taking into account all the foregoing, we are, therefore, of the view that (i) the Valuation Report is reasonably prepared and normal in nature; and (ii) the major assumptions and the basis of the Valuation are fair and reasonable. As such, we consider the Valuation is a reasonable reference for Independent Shareholders to assess the fairness and reasonableness of the Aba Mining Consideration.

Based on the fact that the consideration of the Aba Mining Acquisition of RMB150 million represents a discount of approximately 50.7% to the Valuation of the Aba Equity Interest of approximately RMB304 million, we consider the Aba Mining Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the Huili Caitong Consideration and Aba Mining Consideration (collectively, “**Consideration**”), we have, to the best of our knowledge and as far as we are aware of, identified and included all PRC and Hong Kong listed companies (“**Comparable Companies**”), that are engaged in the same industry of the Target Companies, iron ore mining, ore processing and/or production of iron and steel products. We noted that (i) the scale of iron ore reserves and resources; and (ii) the geographical location of business operation of the Comparable Companies may not be exactly identical to those of the Target Companies, but they are engaged in iron ore mining and ore processing in the PRC, and therefore we consider that they are relevant and would have reflected the market’s collective valuation for the similar nature of business conducted by the Target Companies. The following table illustrates the price to earnings multiple (the “**P/E ratio**”) and the price to book multiple (the “**P/B ratio**”) of the Comparable Companies as at the Latest Practicable Date:

Stock Code	Company name	Business description	P/E ratio <i>(Note 1)</i>	P/B ratio <i>(Note 1)</i>
893. HK	The Company	Mainly operates in mining, ore processing and iron pelletising	15.58	2.57
000655.CH	Shandong Jinling Mining Co., Ltd.	Mainly engages in iron ore mining, produces and sells iron ore concentrate	28.03	7.89
000709.CH	Hebei Iron & Steel Company Limited	Mainly engages in iron ore mining, produces and sells iron and steel products	14.18	0.93
600231.CH	Lingyuan Iron & Steel Co., Ltd.	Mainly engages in iron ore mining, produces and sells iron and steel products	13.38	2.33
600307.CH	Gansu Jiu Steel Group Hongxing Iron & Steel Co., Ltd.	Mainly engages in iron ore mining, produces and sells iron and steel products	21.05	2.05
600282.CH	Nanjing Iron & Steel Co., Ltd.	Mainly engages in iron ore mining, produces and sells iron and steel products	43.51	1.39

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Stock Code	Company name	Business description	P/E ratio <i>(Note 1)</i>	P/B ratio <i>(Note 1)</i>
600117.CH	Xining Special Steel Co., Ltd.	Mainly engages in iron ore mining, produces and sells iron and steel products	43.72	2.69
		High	43.72	7.89
		Low	13.38	0.93
		Average	25.64	2.84
		Huili Caitong Consideration <i>(Note 2)</i>	16.53	5.30
		Aba Mining Consideration <i>(Note 3)</i>	N/A	2.74

Notes:

1. Information from Bloomberg.
2. The P/E ratio of the Huili Caitong Consideration is calculated by the Huili Caitong Consideration of approximately RMB445.4 million over 7.23% of net profits of Huili Caitong for the year ended 31 December 2009 and the P/B ratio of the Huili Caitong Consideration is calculated by the Huili Caitong Consideration of approximately RMB445.4 million over 7.23% of the net assets value of Huili Caitong as at 31 December 2009.
3. The P/E ratio is not applicable to Aba Mining Consideration as Aba Mining incurred net loss in 2009. The P/B ratio of the Aba Mining Consideration is calculated by the Aba Mining Consideration approximately RMB150 million over the net assets value of Aba Mining as at 31 December 2009.

Taking into account that (i) the P/E ratio and the P/B ratio of Huili Caitong Consideration fall within the range of the P/E ratio and the P/B ratio of Comparable Companies; (ii) the P/B ratio of Aba Mining Consideration fall within the range of the P/B ratio of the average of the Comparable Companies; (iii) the Huili Caitong Acquisition, being merely an acquisition of the remaining interest in Huili Caitong, allow the Group to minimise its execution risk on the further investment on Huili Caitong; (iv) through the profit guarantees to be provided by the vendor under the Aba Mining Acquisition Agreement, the Group can reduce its investment risk on Aba Mining, we are of the view that the Consideration is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(III) The possible financial effects of the Acquisitions on the Group

As at the Latest Practicable Date, Huili Caitong was a non-wholly-owned subsidiary of the Company, and the financial result of Huili Caitong has been consolidated into the consolidated accounts of the Group. Upon Completion Date, Huili Caitong and Aba Mining will be accounted for as a wholly-owned subsidiary of the Company, all of its profits and losses will be consolidated in the Group's profit and loss accounts and all of their assets and liabilities will be consolidated in the Group's balance sheet.

The Directors expect there would be positive return generated to the Group in view of (i) the historical profitable performance of Huili Caitong; (ii) the financial performance and condition of Aba Mining, which is expected to be improved gradually after it will recommence mining operations of the Maoling Mine in the first quarter of 2011; (iii) the profit guarantees for the two years ending 31 December 2012 to be provided by the vendor under the Aba Mining Acquisition Agreement; and (iv) the proven iron ore reserve and resources of Huili Caitong and Aba Mining, and thus the Group's net assets value would be enhanced thereafter. Hence, we concur with the Directors' view that the Acquisitions are in the interests of the Group and the Independent Shareholders as a whole.

As set out in the Letter from the Board, the Consideration will amount to approximately RMB595.4 million, of which, (i) the Huili Caitong Consideration will be satisfied by Group's internal funding; and (ii) the Aba Mining Consideration will be satisfied by the Company from the proceeds of its Hong Kong initial public offering, and therefore the Group's cash and bank balances would be reduced by the Consideration. In this respect, we note that from the Interim report of the Company that it had total cash and cash equivalent of approximately RMB1.2 billion as at 30 June 2010.

In light of the above, the Directors believe that the Company has sufficient internal financial resources to finance the Acquisitions. We concur with the Directors' view that the Acquisitions will not have material adverse effects on the working capital and cash position of the Group.

RECOMMENDATION

Based on the above principal factors and reasons, we are of the opinion that the Agreements are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to approve the Acquisitions as detailed in the notice of EGM set out at the end of the Circular.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Alvin Kam
Director

The following is the text of a report prepared for inclusion in this circular, received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation of the fair value of the 100% equity interest in Aba Mining Company Limited.

This valuation report is not a mineral asset valuation report prepared in accordance with Chapter 18 of the Listing Rules.

30 November 2010

The Board of Directors

China Vanadium Titano-Magnetite Mining Company Limited

Dear Sirs,

In accordance with the instructions received from the directors of China Vanadium Titano-Magnetite Mining Company Limited, requiring Jones Lang LaSalle Sallmanns Limited to express an independent opinion on the fair value of the 100% equity interest in Aba Mining Company Limited (the “Target Company”) as at 15 November 2010 (the “Valuation Date”).

The purpose of this valuation is to express an independent opinion of the fair value of the 100% equity interest in the Target Company as at the Valuation Date.

Our valuation was carried out on a fair value basis. Fair value is defined as “*the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transaction*”.

BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Committee. The valuation procedures employed include a review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we consider essential to the proper understanding of the valuation are disclosed in the valuation report.

The following factors form an integral part of our basis of opinion:

- Assumptions on the market and the assets that are considered to be fair and reasonable;
- Consideration and analysis on the micro and macro economy affecting the subject asset;
- Analysis on tactical planning, management standard and synergy of the subject asset;

- Analytical review of the subject asset; and
- Assessment of the leverage and liquidity of the subject asset.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

COMPANY BACKGROUND

The Target Company is a limited liability company established in the PRC on 27 February 2004 with a registered capital of RMB20 million. It is a wholly-owned subsidiary of Sichuan Chuan Wei Group Co., Ltd. (“Chuan Wei”).

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 covering an area of approximately 1.9 sq. km. which permits an ore 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.

According 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, the exploration area to be covered by the Maoling Proposed Exploration Permit has an estimated resources of approximately 34.17 million tonnes.

Aba Mining also holds 75% interest of an exploration permit in respect of the Yanglongshan Mine covering an area of approximately 8.8 sq. km. According 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 Sichuan Lingyu Investment Co., Ltd., the transferee of the 100% equity interest in the Target Company, may decide in its sole discretion. Based on the Geological Exploration Work Implementation Plan on the Yanglongshan Mine, the Yanglongshan Mine has estimated 33.59 million tonnes of resources.

According to the management, Aba Mining has reconstructed and expanded an iron concentrate production line with a production capacity of 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.

VALUATION METHODOLOGY

In arriving at the fair value of the 100% equity interest of the Target Company as at the Valuation Date, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach.

The theory of the market approach to valuation is the economic principle of substitution: *One would not pay more than one would have to pay for an equally desirable alternative.* The market approach is especially relevant if the standard of value is fair market value.

Assumptions under the Market Approach

- Assume that there are good guideline companies existing;
- Assume that the market is efficient;
- Assume that guideline companies which we have chosen are comparable;
- Assume the transactional data is sufficient;

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

Income Approach

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile.

Selection of Valuation Approach

In our opinion, both the market approach and income approach are appropriate for valuing the fair value of the equity interest of the Target Company, as the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset and thus we deem it is inappropriate in this appraisal.

Income Approach should be considered when valuing an operating business, however, income approach can only be applicable basing on a reasonable and justifiable financial forecast. Since the mining plan is still being processed, the basis for constructing a reasonable and justifiable financial forecast at this moment has too many uncertainties. We are in the opinion that once the basis for financial forecast is ready, income approach should be reconsidered.

In this valuation, Market Approach was applied in arriving at the fair value of the 100% equity interest in the Target Company as it relies on and uses data generated by actual market players.

For the Market Approach, the “guideline company method” was used, in which different value measures or market value multiples of the comparable companies are calculated and analysed to induce a series of multiples that are considered representative for the industry average. The relevant industry multiplies are then applied to the Target Company to determine a value that is on a freely traded basis.

Specifically, we have employed the Price-to-Earnings (P/E) ratio based on publicly available Bloomberg information of a selected group of comparable companies. Adjustments considering differences in risk profiles between the comparable companies and the Target Company are applied to arrive at appropriate adjusted P/E multiples applicable to the valuation of the Target Company.

A major requirement for applying the guideline company method is to identify companies that are comparable to the Target Company in terms of business nature and associated risks.

We believe that data derived from Hong Kong listed companies are more relevant and comparable for the purpose of determining the value of the Target Company, and provide better benchmark information for China Vanadium Titano-Magnetite Mining Company Limited, the parent company of the Transferee. This is because the companies listed in Hong Kong face the same investment environment and stock market regulatory system under the Hong Kong Stock Exchange.

In this selection process, we have, on a best effort basis, conducted a thorough search of mining companies that are listed on Stock Exchange, where China Vanadium Titano-Magnetite Mining Company Limited is listed. Through the search, we note that China Vanadium Titano-Magnetite Mining Company Limited (Stock Code: 00893) and IRC Limited (Stock Code: 01029) are the only companies principally engaged in the mining and production of iron ore products listed on the Stock Exchange.

China Vanadium Titano-Magnetite Mining Company Limited is considered as a comparable company in our valuation. IRC Limited is not selected for the purpose of our valuation. According to the prospectus of IRC Limited dated 30 September 2010, the operations of IRC Limited are mainly based in Russia, thus may be subject to different operation and risk profiles from that of the Target Company. IRC Limited has only been listed in Hong Kong for less than one month from its listing date of 21 October 2010 to the Valuation Date, thus most of its financial ratios and multiples were not available at the Valuation Date. Furthermore, IRC Limited recorded net losses for each of the past three years. As such, its price to earning (P/E) ratio cannot be determined. Based on the above, we consider it inappropriate to treat IRC Limited as a comparable company for the valuation.

In addition to China Vanadium Titano-Magnetite Mining Company Limited, four other PRC mining companies are selected, based on such criteria as the principal business engaged, place of principal business conducted, and operational and market profiles. To the best of our knowledge, this group of five selected companies (the “Comparables”) represents the most appropriate comparable companies for this valuation.

We considered Hunan Nonferrous Metals Corporation Ltd (Stock Code: 02626), a PRC mining Company, but it was not selected as one of the Comparables. According to its financial statements, Hunan Nonferrous has recorded negative earnings since 2008, thus its PE ratios were not available for our calculation.

Given the small number of Comparables, we consider that it is reasonable to include all of them for reference regardless of other factors such as market capitalisation, where for which, no absolute correlation between the market capitalisation size and financial ratios (e.g. price earnings ratio) of a company is identified.

The Comparables are as follows:

- (1) China Vanadium Titano-Magnetite Mining Company Limited (Stock Code: 00893)

The company is principally engaged in the business of mining, ore processing, iron pelletising and sale of iron ore products.

- (2) Zijin Mining Group Co Ltd. (Stock Code: 02899)

The company is principally engaged in the exploration and development of gold and base metals including copper, zinc and iron.

- (3) China Molybdenum Company Limited (Stock Code: 03993)

The company is principally engaged in the mining and processing of molybdenum products, whose applications include the manufacturing of steel alloys, a downstream iron-ore product.

(4) Jiangxi Copper Company Limited (Stock Code: 00358)

The company is principally engaged in the mining and manufacturing of copper products, whose major applications are industrial usage.

(5) Xinjiang Xinxin Mining Industry Co., Ltd. (Stock Code: 03833)

The company is principally engaged in the mining and production of nickel, copper and other non-ferrous metal products. Nickel is widely used in the manufacturing of steel alloys, a downstream iron-ore product.

In applying the “guideline company method,” we consider the P/E ratios of the Comparables based on publicly available information on Bloomberg. Adjustments are made to account for risk differences between the Comparables and the Target Company to make the P/E ratios more applicable to the Target Company, as shown in the following table. The Median of Adjusted P/E Ratio of the Comparables is selected to arrive at an adjusted P/E ratio of approximately 10.95 and served as an applicable basis for the valuation of the Target Company.

No.	Companies	P/E ¹	Adjusted P/E ²
1	China Vanadium Titano-Magnetite Mining Company Limited (Stock Code: 00893)	10.87	7.81
2	Zijin Mining Group Co Ltd. (Stock Code: 02899)	17.05	10.95
3	China Molybdenum Company Limited (Stock Code: 03993)	26.31	19.47
4	Jiangxi Copper Company Limited (Stock Code: 00358)	11.64	8.60
5	Xinjiang Xinxin Mining Industry Co., Ltd. (Stock Code: 03833)	21.22	15.89
	Median of Adjusted P/E Ratios		10.95

Notes:

1. Based on Bloomberg data of closing price and trailing 12 month earnings from the latest interim report period
2. Adjusted for differences in risk between the Comparables and the Target Company based on publicly available Bloomberg information as of 15 November 2010

SOURCES OF INFORMATION

To develop the valuation model, we have reviewed the following sources of information:

- Industry analysis and market trend of the industry in China;
- Related data and information of the subject business;
- Related data and information of the guideline companies; and
- Market and public information sourced from Bloomberg.

MAJOR ASSUMPTIONS

In determining the fair value of the 100% equity interest in the Target Company, we have made the following assumptions:

- We have assumed the information provided by the Target Company to be reliable and legitimate. We have relied to a considerable extent of such information provided in arriving at our opinion of value.
- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which may abruptly change the prospect of the business related to the Target Company.
- In this valuation exercise, to avoid distortions from outliers, the median is preferred over the mean.
- According to the materials provided by Sichuan Chuan Wei Group Co., Ltd., a profit guarantee of not less than RMB40 million for the net profit after taxation and extraordinary items of the Target Company for the year of 2012 has been given by Sichuan Chuan Wei Group Co., Ltd., the transferor of the 100% equity interest in the Target Company, in favour of Sichuan Lingyu Investment Co., Ltd., the transferee of the 100% equity interest in the Target Company.

DISCOUNT FOR LACK OF MARKETABILITY

The concept of Discount for Lack of Marketability deals with the liquidity that how quickly and easily an ownership interest can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that the shares in privately held companies are not readily marketable compared to similar interest in public companies. Most of the businesses or financial interests that we are valuing do not enjoy immediate liquidity. We thus face the task of making an adjustment from the value we have estimated from the transactions observed in the market approach to account for the lack of marketability of the business or business interest that we are valuing. That adjustment is what we refer to as *the discount for lack of marketability*. In our survey we estimated that the discount for lack of marketability in this case for the equity interest of the Target Company is at 20%.

RISK FACTORS

Economic considerations

The PRC economy has experienced significant growth in the past decade, but such growth has been uneven geographically and rose among different sectors of the economy. There is no assurance that the expected economic growth will be realised and future social and economic changes in the PRC will be favourable to the Target Company.

The Sichuan Province has experienced the earthquake in 2008, if there is another earthquake in this area in the future, it may result in a different expected profit of the Target Company and a different future economic benefit from our valuation respect.

Changes in political, economic and regulatory environment in the PRC

The Target Company is subject to various laws and regulations governing its operations in the PRC. Future political and legal changes in the PRC might have either favourable or unfavourable impacts on the Target Company.

As the above risk factors cannot be easily quantified or ascertained, we have not taken into account the above risk factors in our valuation exercise.

OPINION OF VALUE

Based on the results of our investigation and analysis outlined in this report, we are of the opinion that the fair value of the 100% equity interest in the Target Company as at the Valuation Date is reasonably stated at **RMB304,000,000 (RENMINBI THREE HUNDRED AND FOUR MILLION)**.

Yours faithfully,

Jones Lang LaSalle Sallmanns Limited

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code (the “**Model Code**”) for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follows:

(i) Long positions in Shares

Name of director	Capacity	Total number of ordinary Shares	Approximate percentage of total issued Shares
Mr. Wang Jin	Interest of controlled corporation	1,006,754,000 (Note)	48.52%

Note:

These 1,006,754,000 Shares were held by Trisonic International Limited (“Trisonic”), which is owned as to, inter alia, 30.6% by Mr. Wang Jin and 40% by Kingston Grand Limited (“Kingston Grand”), a company incorporated in the British Virgin Islands which in turn is owned as to 86% by Mr. Wang Jin. Under the SFO, Mr. Wang Jin is deemed to be interested in these 1,006,754,000 Shares held by Trisonic.

(ii) Long positions in share options

Name of director/ chief executive	Capacity	Number of share options held	Number of underlying Shares	Approximate percentage of total issued Shares
Mr. Jiang Zhong Ping	Beneficial owner	3,500,000	3,500,000	0.17%
Mr. Kong Chi Mo	Beneficial owner	3,500,000	3,500,000	0.17%
Mr. Liu Feng	Beneficial owner	6,500,000	6,500,000	0.31%
Mr. Yu Xing Yuan	Beneficial owner	9,500,000	9,500,000	0.46%

Save as disclosed above, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(iii) Substantial Shareholders' Interests

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group are as follows:

Name of Shareholder	Capacity	Number of ordinary Shares (Note 1)	Approximate percentage of shareholding
Mr. Li Hesheng	Interest of controlled corporation	1,006,754,000 (L) (Note 2)	48.52%

Name of Shareholder	Capacity	Number of ordinary Shares (Note 1)	Approximate percentage of shareholding
Mr. Shi Yinjun	Interest of controlled corporation	1,006,754,000 (L) (Note 2)	48.52%
Trisonic International Limited	Beneficial owner	1,006,754,000 (L) (Note 2)	48.52%
Mr. Wu Wendong	Interest of controlled corporation	1,006,754,000 (L) (Note 2)	48.52%
Mr. Yang Xianlu	Interest of controlled corporation	1,006,754,000 (L) (Note 2)	48.52%
Mr. Zhang Yuangui	Interest of controlled corporation	1,006,754,000 (L) (Note 2)	48.52%
Kingston Grand Limited	Interest of controlled corporation	1,006,754,000 (L) (Notes 2, 3 and 4)	48.52%
Sapphire Corporation Limited	Beneficial owner	197,116,000 (L) (Note 5)	9.50%
JPMorgan Chase & Co.	Investment manager	144,071,000 (L) 0 (S) 63,944,000 (P)	6.94% 0% 3.08%

Notes:

- The letter “L” represents the entity’s long positions in the Shares; the letter “S” represents the entity’s short positions in the Shares; the letter “P” represents the entity’s lending pool in the Shares.
- The issued share capital of Trisonic is owned as to 3% by Mr. Li Hesheng, 7.2% by Mr. Shi Yinjun, 6% by Mr. Wu Wendong, 6% by Mr. Yang Xianlu, 7.2% by Mr. Zhang Yuangui and 30.6% by Mr. Wang Jin and 40% by Kingston Grand. Under the SFO, Mr. Li Hesheng, Mr. Shi Yinjun, Mr. Wu Wendong, Mr. Yang Xianlu, Mr. Zhang Yuangui, Mr. Wang Jin and Kingston Grand are deemed to be interested in 1,006,754,000 shares held by Trisonic. The interests of Mr. Wang Jin in the Shares is disclosed under the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above.
- The issued share capital of Kingston Grand is owned as to 86% by Mr. Wang Jin. Mr. Wang Jin is deemed under SFO to be interested in 1,006,754,000 Shares held by Kingston Grand.
- Mr. Wang Jin is a director of Trisonic and Kingston Grand.
- Mr. Teo Cheng Kwee, a non-executive Director, is the chief executive officer of Sapphire Corporation Limited.

Save as disclosed above, the Directors and chief executive of the company are not aware of any person (other than a Director or chief executive of the Company) who as at the Latest Practicable Date had interests and/or short positions in the Shares or underlying Shares that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL ADVERSE CHANGES

The Directors confirm there are no material adverse changes in the financial and trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, the interests of the Directors or their respective associates in any other business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules were as follows:

Name of Director	Name of company in which the relevant Director has interest	Principal activities of the competing company	% interest in competing company
Mr. Wang Jin	Yanyuan (Note 1)	Mining and sale of iron ore	Mr. Wang, through a company controlled by him and other parties acting in concert with him, holds 100% equity interest in Yanyuan. Mr. Wang is also a director of the holding company of Yanyuan

Name of Director	Name of company in which the relevant Director has interest	Principal activities of the competing company	% interest in competing company
Mr. Yu Xing Yuan	Weixi Guangfa (Note 2)	Exploration for, processing and sale of iron ore	Mr. Wang, through a company controlled by him and other parties acting in concert with him, holds 80% equity interest in Weixi Guangfa through a trustee. Mr. Wang is also a director of the beneficial holder of 80% equity interest in Weixi Guangfa
	Aba Mining	Mining, beneficiation and sale of ore products	Mr. Wang, through a company controlled by him and other parties acting in concert with him, holds 100% equity interest in Aba Mining. Mr. Wang is also a director of the holding company of Aba Mining
	Yanyuan	Mining and sale of iron ore	Mr. Yu is a director of the holding company of Yanyuan
	Weixi Guangfa	Exploration for, processing and sale of iron ore	Mr. Yu is a director of the beneficial shareholder of 80% equity interest in Weixi Guangfa
	Aba Mining	Mining, beneficiation and sale of ore products	Mr. Yu is a director of the holding company of Aba Mining

Notes:

1. “Yanyuan” means Yanyuan County Xiwei Mining Company Limited* (鹽源縣西威礦業有限責任公司), a limited liability company established in the PRC on 7 December 2007.
2. “Weixi Guangfa” means Weixi Guangfa Iron Ore Development Company Limited* (維西廣發鐵礦開發有限公司), a limited liability company established in the PRC on 10 June 2005.

5. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS

Save for:

- (a) a sale and purchase contract dated 26 December 2007 (the "Original Contract") entered into between Huili Caitong and Weiyuan Steel Company Limited* (威遠鋼鐵有限公司) (a company controlled by the Founders (other than Mr. Yang Xianlu)) for the term from 26 December 2007 to 25 December 2010 pursuant to which, among other, Huili Caitong agreed to sell iron concentrates at the base price of RMB600 per tonne, such price to be adjusted pursuant to the terms of this contract; and
- (b) a supplemental agreement dated 10 April 2009 in relation to the Original Contract entered into between Huili Caitong and Weiyuan Steel Company Limited* (威遠鋼鐵有限公司) pursuant to which, among other things, the term of the Original Contract was extended to 31 December 2011;
- (c) a supplemental agreement dated 1 June 2009 in relation to the Original Contract entered into between Huili Caitong and Weiyuan Steel Company Limited* (威遠鋼鐵有限公司) pursuant to which, among other things, it was specified that the minimum selling price for iron concentrates for 2009 and 2010 is RMB605.1 and RMB632.25 per tonne (exclusive of PRC value added tax), respectively, subject to adjustment based on the market price of iron concentrates; and
- (d) a tenancy agreement dated 16 April 2009 entered into between Sichuan Longwei Hotel Management Company Limited* (四川龍威酒店管理有限公司) (an associate of the Founders (including Mr. Wang Jin)) as lessor and Huili Caitong as lessee in respect of an office premises with a total gross floor area of approximately 131.0 square metres for a term commenced from 16 April 2009 to 14 August 2011 at the monthly rental of RMB8,122 (exclusive of management fees, water and electricity charges),

as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up and no Director is materially interested in any contract or arrangement which is subsisting at the date of this circular and is significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

7. EXPERTS' QUALIFICATION AND CONSENT

The qualifications of the experts who have given their opinions and advice which are included in this circular are as follows:

Name	Qualification
China Everbright Capital Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Jones Lang LaSalle Sallmanns Limited	independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

As at the Latest Practicable Date, none of the above experts has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of the above experts had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business and address of the headquarter of the Company in the PRC is at 7/F, Longwei Mansion, 198 Longdu South Road, Longquanyi District, Chengdu 610100, Sichuan, the PRC and the principal office of business of the Company in Hong Kong is at Room 2201, 22/F, Wheelock House, 20 Pedder Street, Central, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited situated at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary of the Company is Mr. Kong Chi Mo, a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Company Secretaries, the Hong Kong Institute of Directors and the Institute of Chartered Secretaries and Administrators.

- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2201, 22/F, Wheelock House, 20 Pedder Street, Central, Hong Kong during normal business hours from the date of this circular up to and including 13 December 2010:

- (a) the Agreements;
- (b) the memorandum and articles of association of the Company;
- (c) the annual report of the Company for the year ended 31 December 2009 and the interim report of the Company for the six months ended 30 June 2010;
- (d) the valuation report of Aba Mining prepared by JLLS, the text of which is set out in Appendix I to this circular;
- (e) the letter of advice from China Everbright, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular;
- (f) the letters of consent referred to under the paragraph headed “Experts’ Qualification and Consent” in this Appendix; and
- (g) this circular.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Vanadium Titano-Magnetite Mining Company Limited (the “**Company**”) will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 16 December 2010 at 9:30 a.m for the purpose of considering and, if thought fit, passing with or without notification:

ORDINARY RESOLUTIONS

“THAT:

- (a) the terms of the equity interest transfer agreement dated 15 November 2010 (the “**Huili Caitong Acquisition Agreement**”) entered into between Sichuan Lingyu Investment Co., Ltd* (四川省凌御投資有限公司) (“**Lingyu**”) and Sichuan Chuanwei Group Co., Ltd* (四川省川威集團有限公司) (“**Chuan Wei**”) in relation to the proposed acquisition by Lingyu of 7.23% equity interest in Huili County Caitong Iron & Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), the terms of the equity interest transfer agreement dated 15 November 2010 (the “**Aba Mining Acquisition Agreement**”) entered into between Lingyu and Chuan Wei in relation to the proposed acquisition by Lingyu of the entire equity interest in Aba Mining Company Limited* (阿壩礦業有限公司), the transactions contemplated under these agreements and the implementations thereof be and are hereby approved, confirmed and ratified; and

- (b) any one director of the Company be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as he may in his absolute discretion deems necessary or desirable to give effect to or in connection with the Huili Caitong Acquisition Agreement and Aba Mining Acquisition Agreement or any of the transactions contemplated thereunder and all incidental transactions.”

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

Hong Kong, 30 November 2010

The Directors as at the date of this notice are:

Executive Directors:

Mr. Jiang Zhong Ping (*Chairman*)
Mr. Liu Feng (*Chief Executive Officer*)
Mr. Yu Xing Yuan (*Chief Investment Officer*)

Non-executive Directors:

Mr. Wang Jin
Mr. Teo Cheng Kwee

Independent Non-Executive Directors:

Mr. Yu Haizong
Mr. Gu Peidong
Mr. Liu Yi

Notes:

- (1) Any shareholder entitled to attend and vote at the extraordinary general meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder.
- (2) In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting thereof.
- (3) Delivery of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting convened or any adjourned meeting thereof and in such event, the form of proxy shall be deemed to be revoked.
- (4) In the case of joint registered holders of any share, any one of such joint registered holders may vote at the meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the meeting, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

- (5) The register of members of the Company will be closed from Wednesday, 15 December 2010 to Thursday, 16 December 2010 (both days inclusive) during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company maintained in Hong Kong at the close of business on Tuesday, 14 December 2010 are entitled to attend the EGM.

In order to be eligible to attend the EGM, all transfer documents accompanied by the relevant share certificate(s) must lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Tuesday, 14 December 2010.

Website: www.chinavtmmining.com