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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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****中國鈮鈦磁鐵礦業有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 00893)**

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
SALE OF VANADIUM-BEARING IRON CONCENTRATES TO  
WEIYUAN STEEL CO., LTD.\*  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**China Everbright Capital Limited**

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A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 11 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 12 to 19 of this circular.

A notice convening an extraordinary general meeting to be held at Taishan Room, Level 5, Island Shangri-la Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on Tuesday, 29 November 2011 at 9:00 a.m. is set out in Appendix II 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 Hong Kong 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

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

“Approved Cap”	the maximum aggregate annual amount of the transactions contemplated under the Existing Iron Concentrate Sale Contract
“associates”	has the meaning ascribed to it under the Listing Rules
“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
“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國鈮鈦磁鐵礦業有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 00893)
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Iron Concentrate Sale Contract
“controlling shareholders”	has the same meaning ascribed to it under the Listing Rules
“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 Continuing Connected Transactions and the Proposed Annual Cap
“Existing Iron Concentrate Sale Contract”	an agreement dated 26 December 2007 (as supplemented by two supplemental agreements dated 10 April 2009 and 1 June 2009 respectively), entered into between Huili Caitong and Weiyuan Steel for the sale by Huili Caitong of vanadium-bearing iron concentrates to Weiyuan Steel, details of which are more particularly disclosed under “non-exempt continuing connected transaction subject to independent Shareholders’ approval requirements” on page 224 of the prospectus of the Company dated 24 September 2009

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## DEFINITIONS

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“Existing Waiver”	the waiver granted by the Stock Exchange under Rule 14A.42(3) of the Listing Rules from compliance with the Independent Shareholders’ approval and announcement requirement in respect of the continuing connected transactions under the Existing Iron Concentrate Sale Contract
“Founders”	Messrs. Wang Jin, Shi Yinjun, Yang Xianlu, Wu Wendong, Zhang Yuanguai and Li Hesheng, parties acting in concert
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huili Caitong”	Huili County Caitong Iron and Titanium Co., Ltd.* (會理縣財通鐵鈦有限責任公司), an indirect wholly-owned subsidiary of the Company
“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 Continuing Connected Transactions and the Proposed Annual Cap
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution to be proposed at the EGM to approve the Continuing Connected Transactions and the Proposed Annual Cap under the Listing Rules
“Iron Concentrate Sale Contract”	an agreement dated 21 October 2011 entered into between Huili Caitong and Weiyuan Steel, pursuant to which Huili Caitong will sell, or will procure another member of the Group (other than the Company) to sell, vanadium-bearing iron concentrates to Weiyuan Steel for a period commencing from 1 January 2012 to 31 December 2014 subject to the terms and conditions therein
“Kingston Grand”	Kingston Grand Limited, a company incorporated in the British Virgin Islands on 20 February 2007, holder of 40% of the issued share capital of Trisonic International

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## DEFINITIONS

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“Latest Practicable Date”	7 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposed Annual Cap”	the maximum aggregate annual amount of the Continuing Connected Transactions
“RMB”	Renminbi, the lawful currency of the PRC
“Sapphire”	Sapphire Corporation Limited, a company listed on the Singapore Exchange Limited (Ticker Symbol: 589.SI)
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholders”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	has the meaning ascribed to it under the Listing Rules
“Trisonic International”	Trisonic International Limited (合創國際有限公司), a company incorporated in Hong Kong on 19 July 2006 and one of the controlling shareholders of the Company
“TFe”	the symbol for denoting total iron
“Weiyuan Steel”	Weiyuan Steel Co., Ltd.* (威遠鋼鐵有限公司), a sino-foreign equity joint venture enterprise established in the PRC on 3 April 2001 and a connected person to the Group
“Weixi Guangfa”	Weixi Guangfa Iron Ore Development Co., Ltd.* (維西廣發鐵礦開發有限公司), a limited liability company established in the PRC on 10 June 2005
“Yanyuan”	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

\* for identification purpose only

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LETTER FROM THE BOARD

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

**中國鈮鈦磁鐵礦業有限公司**

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

**(Stock Code: 00893)**

*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

11 November 2011

*To the Shareholders*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
SALE OF VANADIUM-BEARING IRON CONCENTRATES TO  
WEIYUAN STEEL CO., LTD.\*  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 21 October 2011 pursuant to which it was announced, among other things, that the Iron Concentrate Sale Contract was entered into.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (a) further details of the Continuing Connected Transactions; (b) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Continuing Connected Transactions and the Proposed Annual Cap; (c) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the Proposed Annual Cap; and (d) the notice of the EGM.

### BACKGROUND

Huili Caitong, an indirect wholly-owned subsidiary of the Company, is principally engaged in iron ore mining, beneficiation and sale of self-produced products, and has been selling vanadium-bearing iron concentrates to Weiyuan Steel under the Existing Iron Concentrate Sale Contract, in respect of which the Existing Waiver has been granted in 2009.

While the Existing Iron Concentrate Sale Contract will expire on 31 December 2011, owing to the reasons as set out in the section headed “Reasons for and benefits of entering into the Iron Concentrate Sale Contract”, the Directors expect that the sale of vanadium-bearing iron concentrates to Weiyuan Steel will continue. Accordingly, Huili Caitong entered into the Iron Concentrate Sale Contract with Weiyuan Steel on 21 October 2011, pursuant to which Huili Caitong will continue to sell, or will procure another member of the Group (other than the Company) to sell, vanadium-bearing iron concentrates to Weiyuan Steel for a period commencing from 1 January 2012 to 31 December 2014 subject to the terms and conditions therein.

### THE IRON CONCENTRATE SALE CONTRACT

As announced on 21 October 2011, Huili Caitong has entered into the Iron Concentrate Sale Contract with Weiyuan Steel on 21 October 2011, details of which are set forth below:

#### **Date:**

21 October 2011

#### **Parties:**

Purchaser: Weiyuan Steel

Seller: Huili Caitong

#### **Transaction:**

Pursuant to the Iron Concentrate Sale Contract, Huili Caitong agreed to sell (or procure another member of the Group (other than the Company) to sell), and Weiyuan Steel agreed to purchase, vanadium-bearing iron concentrates (standard TFe grading of 54%) for a period commencing from 1 January 2012 to 31 December 2014 at the market price during the relevant period (such price will be subject to adjustment with reference to TFe content and quantities of other chemical elements in the vanadium-bearing iron concentrates). The Iron Concentrate Sale Contract is conditional and shall only be effective upon all necessary approval and consents in respect of the terms of the Iron Concentrate Sale Contract as required under the Listing Rules having been granted, including the passing of ordinary resolution by the Independent Shareholders at the EGM.

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## LETTER FROM THE BOARD

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### Pricing basis:

The Company confirms that the price of vanadium-bearing iron concentrates to be sold by Huili Caitong (or another member of the Group (other than the Company) procured by Huili Caitong, as the case may be) under the Iron Concentrate Sale Contract to Weiyuan Steel is determined based on arm's length negotiations, will follow the market price during the relevant period (such price will be subject to adjustment with reference to TFe content and quantities of other chemical elements in the vanadium-bearing iron concentrates), and is no less favourable than those independent customers of the Group in the same region.

Payments for the Continuing Connected Transactions shall be on normal commercial terms or in the manner as reasonably required by the parties.

### PROPOSED ANNUAL CAP

Set out below are the Approved Cap and historical transaction amounts with Weiyuan Steel:

	For the year ended/ending 31 December					
	2009		2010		2011	
	Approved Cap	Historical amount	Approved Cap	Historical amount	Approved Cap	Historical amount
Sale of vanadium-bearing iron ore products to Weiyuan Steel (in RMB million)	276.2	199.7	359.6	298.2	359.6	153.6*

\* The amount represented the actual sales for the six months ended 30 June 2011.

The Proposed Annual Cap for each of the three years ending 31 December 2014 is set out below:

	For the year ending 31 December		
	2012	2013	2014
Sale of vanadium-bearing iron ore products to Weiyuan Steel (in RMB million)	339.0	357.1	428.7

The relevant caps have been determined with reference to (i) the historical transaction amounts for the two years ended 31 December 2010 and the six months ended 30 June 2011; (ii) the Group's production volume forecast of vanadium-bearing iron ore products; (iii) the plans and requirements of Weiyuan Steel and (iv) the projected price trends in iron ore products for each of the three years ending 31 December 2014.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE IRON CONCENTRATE SALE CONTRACT

Purchasing iron ore products from suppliers abroad or other regions of the PRC is more costly than purchasing from suppliers in Sichuan due to related significant transportation costs as well as the higher prices of imported iron ore products. In addition, iron ore from different area has different mineral contents. Accordingly, steel producers must invest time and resources into formulating the appropriate mix of iron ore with other additives to produce steel of the same quality and specifications from such different ore lots. As a result, Weiyuan Steel (which is also located in Sichuan) has the commercial incentive to purchase the iron ore products it requires from Huili Caitong to reduce its costs and secure a stable source of supply close to its production facilities.

Given that (i) Weiyuan Steel has significant commercial incentive to enter into business relationship with Huili Caitong and is a stable customer to whom Huili Caitong has been selling large quantities of iron ore products since 2005; (ii) Weiyuan Steel is willing to offer market prices for Huili Caitong's iron ore products; and (iii) the Iron Concentrate Sale Contract have been negotiated and agreed on arm's length basis between Huili Caitong and Weiyuan Steel and reflect normal commercial terms, the Directors (including the independent non-executive Directors) are of the view that the entering into the Iron Concentrate Sale Contract is in the ordinary and usual course of business and the terms of the Iron Concentrate Sale Contract are fair and reasonable and in the best interests of Huili Caitong, the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

Weiyuan Steel is a company established in the PRC and is controlled by the Founders (other than Mr. Yang Xianlu). As the Founders (other than Mr. Yang Xianlu), being the Substantial Shareholders of the Company, together hold more than 30% equity interests in Weiyuan Steel, Weiyuan Steel is a connected person of the Company for the purpose of the Listing Rules. As such, the transactions contemplated under the Iron Concentrate Sale Contract constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Continuing Connected Transactions will, on an annual basis, exceed 5%, or the Proposed Annual Cap will exceed HK\$10 million, the Continuing Connected Transactions and the Proposed Annual Cap are subject to reporting and announcement requirements in accordance with Rule 14A.35(3) of the Listing Rules, and Independent Shareholders' approval requirement under Rule 14A.35(4) of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors has been set up to advise the Independent Shareholders regarding the Continuing Connected Transactions and the Proposed Annual Cap.

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 Continuing Connected Transactions and the Proposed Annual Cap.

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## LETTER FROM THE BOARD

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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 Iron Concentrate Sale Contract 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 and the Independent Shareholders.

### INFORMATION ON THE GROUP AND WEIYUAN STEEL

The Group is principally engaged in mining, ore processing, iron pelletising and sale of iron concentrates, iron pellets and titanium concentrates in the PRC.

Weiyuan Steel is a company established in the PRC and is controlled by the Founders (other than Mr. Yang Xianlu). As the Founders (other than Mr. Yang Xianlu), being the Substantial Shareholders of the Company, together hold more than 30% equity interests in Weiyuan Steel, Weiyuan Steel is a connected person of the Company for the purpose of the Listing Rules. Weiyuan Steel is a sino-foreign equity joint venture enterprise established in the PRC on 3 April 2001. It was established as a limited liability company in the PRC on 3 April 2001 and was subsequently converted into a sino-foreign equity joint venture enterprise on 4 September 2006. Weiyuan Steel is principally engaged in steel production in Sichuan, such as the production of rolled steel wire for welding, low carbon hot-rolled steel wire, hot-rolled rib steel and hot-rolled bar.

### EGM

The EGM will be held at Taishan Room, Level 5, Island Shangri-la Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on Tuesday, 29 November 2011, at 9:00 a.m. to consider, and if thought fit, approve, among other things, the Continuing Connected Transactions and the Proposed Annual Cap.

A notice convening an EGM is set out in Appendix II 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 Hong Kong 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.

The Founders and their respective associates, who were in aggregate interested in 1,204,548,000 Shares, representing approximately 58.05% of the issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting at the EGM in respect of the ordinary resolution to approve the Continuing Connected Transactions and the Proposed Annual Cap. The votes of the Independent Shareholders regarding the resolution to approve the Continuing Connected Transactions and the Proposed Annual Cap will be taken by way of a poll.

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## LETTER FROM THE BOARD

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### **CLOSURE OF REGISTER OF MEMBERS AND ELIGIBILITY FOR ATTENDING THE EGM**

The register of members of the Company will be closed from Monday, 28 November 2011 to Tuesday, 29 November 2011 (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 on Tuesday, 29 November 2011 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 Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Friday, 25 November 2011.

### **RECOMMENDATIONS**

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions are based on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and the Proposed Annual Cap is fair and reasonable. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution relating to the Continuing Connected Transactions and the Proposed Annual Cap to be proposed at the EGM.

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

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 Continuing Connected Transactions are based on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and the Proposed Annual Cap is fair and reasonable. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution relating to the Continuing Connected Transactions and the Proposed Annual Cap to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular, the letter of advice from China Everbright to the Independent Board committee and the Independent Shareholders set out on pages 12 to 19 of this circular and the general information on the Group set out in Appendix I to this circular.

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

\* *for identification purpose only*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

**中國釩鈦磁鐵礦業有限公司**

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

**(Stock Code: 00893)**

11 November 2011

*To the Independent Shareholders*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
SALE OF VANADIUM-BEARING IRON CONCENTRATES TO  
WEIYUAN STEEL CO., LTD.\***

We refer to the circular of the Company to the Shareholders dated 11 November 2011 (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 appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the Continuing Connected Transactions are based on normal commercial terms, are 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 4 to 10 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 Continuing Connected Transactions and the Proposed Annual Cap, set out on pages 12 to 19 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 Continuing Connected Transactions are based on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and the Proposed Annual Cap is fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution, relating to the Continuing Connected Transactions and the Proposed Annual Cap to be proposed at the EGM.

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*

\* for identification purpose only

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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.*



11 November 2011

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

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO SALE OF VANADIUM-BEARING IRON CONCENTRATES TO WEIYUAN STEEL CO., LTD.\***

#### **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 Continuing Connected Transactions with Weiyuan Steel, details of which are set out in the letter from the Board (“Letter from the Board”) contained in the circular to the Shareholders dated 11 November 2011 (“Circular”), 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 set out in the Letter from the Board, since the Existing Iron Concentrate Sale Contract will expire on 31 December 2011, the Iron Concentrate Sale Contract has been entered into between Huili Caitong and Weiyuan Steel on 21 October 2011 in order to govern and specify the terms and conditions adopted in relation to the sale of vanadium-bearing iron concentrates by Huili Caitong to Weiyuan Steel from 1 January 2012 to 31 December 2014.

Weiyuan Steel is a company established in the PRC and is controlled by the Founders (other than Mr. Yang Xianlu). As the Founders (other than Mr. Yang Xianlu) are the Substantial Shareholders of the Company, Weiyuan Steel is a connected person of the Company under the Listing Rules. As the applicable percentage ratios in respect of the Proposed Annual Cap are more than 5% and the maximum annual amounts of the Continuing Connected Transactions are more than HK\$10 million, the Iron Concentrate Sale Contract and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Messrs. Yu Haizong, Gu Peidong and Liu Yi has been formed to consider whether (i) the terms of the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Continuing Connected Transactions, including

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Proposed Annual Cap, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and Shareholders as a whole, 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.

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 Group, Weiyuan Steel or any of their respective associates. We are independent from and not connected with the Group and Weiyuan Steel 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 are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions.

### **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 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 facts have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group and Weiyuan Steel. We have assumed that all statements and representations 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 that 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 CONSIDERED**

In formulating our views on the Continuing Connected Transactions, 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.

#### **(A) Background of and reasons for the Continuing Connected Transactions**

The Group is principally engaged in mining, ore processing, iron pelletising and sale of iron concentrates, iron pellets and titanium concentrates in the PRC.

In its ordinary and usual course of business, Huili Caitong, an indirect wholly-owned subsidiary of the Company, has supplied vanadium-bearing iron concentrates to Weiyuan Steel since 2005, subject to the Approved Cap and the terms of Existing Iron Concentrate Sale Contract which will expire on 31 December 2011. The Management expects that the sale of vanadium-bearing iron concentrates will continue after 31 December 2011. In compliance with the continuing connected transaction requirements under the Listing Rules, the Directors propose to seek

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Independent Shareholders' approval of the Continuing Connected Transactions for a term up to 31 December 2014.

As advised by the Management, Weiyuan Steel has been one of the major customers of the Group. According to the 2010 annual report and 2011 interim report of the Company, the sales to Weiyuan Steel amounted to approximately RMB199.7 million, RMB298.2 million and RMB153.6 million, which accounted for approximately 18.4%, 19.2% and 18.2% of the total revenue of the Group, during the two years ended 31 December 2010 and the six months ended 30 June 2011, respectively.

In light of (i) the long-term and stable business relationship; and (ii) the historical transaction amounts with Weiyuan Steel, the Management considers that it is in the interest of the Group to maintain and extend its business relationship with Weiyuan Steel. In addition, the Directors consider that the Continuing Connected Transactions are of the type that are recurring in nature, and are entered into in the ordinary and usual course of business of the Group. Therefore, the Directors consider that it would be: (i) impracticable to negotiate for numerous agreements with Weiyuan Steel for the Continuing Connected Transactions; and (ii) too costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from Independent Shareholders, as required by the Listing Rules. Hence, the Directors are of the view that the Iron Concentrate Sale Contract will be beneficial to the Group and the Shareholders as a whole.

Having taken into account of the above, and (i) the transactions contemplated under the Iron Concentrate Sale Contract are in line with the existing business activities of Group; (ii) Weiyuan Steel has been one of the major customers of the Group for over 6 years; and (iii) the transactions contemplated under the Iron Concentrate Sale Contract shall be conducted on an arm's length basis and on terms that are fair and reasonable to the Group, we are of the view that it is justifiable for the Group to continue and maintain the present business relationship with Weiyuan Steel through the Iron Concentrate Sale Contract, and the Continuing Connected Transactions are in the interest of the Group and the Independent Shareholders as a whole.

### **(B) Major terms of the Iron Concentrate Sale Contract**

Pursuant to the Iron Concentrate Sale Contract and subject to the Proposed Annual Cap, the Group has agreed to supply vanadium-bearing iron concentrates to Weiyuan Steel from time to time for a term of three years commencing from 1 January 2012.

As stated in the Letter from the Board, the price of vanadium-bearing iron concentrates to be sold by Huili Caitong (or another member of the Group procured by Huili Caitong, as the case may be) under the Iron Concentrate Sale Contract to Weiyuan Steel is determined based on arm's length negotiations, will follow the market price during the relevant period (such price will be subject to adjustment with reference to TFe content and quantities of other chemical elements in the vanadium-bearing iron concentrates), and is no less favourable than those independent customers of the Group in the same region.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Shareholders should note that there is no provision in the Iron Concentrate Sale Contract requiring the Group to transact with Weiyuan Steel exclusively. In other words, the Group is not obligated to transact with Weiyuan Steel exclusively and would only do so if it is in the commercial interests of the Group, and it does not restrict the Group from transacting with any other customers. Therefore, we consider that the Iron Concentrate Sale Contract provides commercial flexibility to the Group to transact with other customers in the event that the Group might not be able to agree with any terms or pricing with customers.

Taking into account of the above, we are of the view that appropriate and sufficient pricing mechanism has been in place to ensure that the transactions to be contemplated under the Iron Concentrate Sale Contract will be conducted on normal commercial terms.

For the purpose of evaluating the fairness and reasonableness of the transactions under the Iron Concentrate Sale Contract, we have carried out a review on the terms of sales agreements with other customers who are independent third parties of the Group and found that the principal terms, including pricing basis and credit terms, were similar and comparable with those of the Iron Concentrate Sale Contract. In addition, based on our discussion with the Management and our review on sample transaction documents, we concur with the Management's view that Weiyuan Steel has maintained a good repayment record during the past few years.

Taking into account of the above, we are of the view that the terms of Iron Concentrate Sale Contract will be conducted on normal and commercial terms.

### **(C) The Proposed Annual Cap**

The Continuing Connected Transactions are subject to the Listing Rules requirements and conditions as particularly discussed under the section headed "Requirements of the Listing Rules on the Continuing Connected Transactions" below. In particular, the Continuing Connected Transactions are subject to the Proposed Annual Cap as discussed below.

In assessing the reasonableness of the Proposed Annual Cap, we have reviewed and discussed with the Management the bases and assumptions underlying the projections of the Proposed Annual Cap. As advised by the Management, the Proposed Annual Cap were determined based on the following factors:

- The growth of historical transaction amounts with Weiyuan Steel;
- Indication from Weiyuan Steel on the Proposed Annual Cap; and
- The growth of iron concentrate market in Sichuan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The growth of historical transaction amounts with Weiyuan Steel*

As set out in the Letter from the Board, we summarise (i) the Approved Cap for each of the three years ending 31 December 2011, (ii) the Proposed Annual Cap for each of the three years ending 31 December 2014; and (iii) the audited historical transaction amounts for the two years ended 31 December 2010 and the latest available unaudited transaction amount for the six months ended 30 June 2011 in the following table:

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>	<i>(Million)</i>
Approved Cap/Proposed Annual Cap	276.2	359.6	359.6	339.0	357.1	428.7
Historical transaction amount	199.7	298.2	153.6 (up to 30 June 2011)	n/a	n/a	n/a

We noted that the Proposed Annual Cap for 2012 and 2013 are lower than the Approved Cap for 2010 and 2011. We are advised by the Management that the Proposed Annual Cap are mainly determined with reference to (i) the historical transaction amounts for the two years ended 31 December 2010 and the six months ended 30 June 2011; and (ii) the expected demand from Weiyuan Steel and the expected production capacity of the Group during each of the three years ending 31 December 2014. As stated in the Letter from the Board, the historical transaction amounts for the year ended 31 December 2010 and the six months ended 30 June 2011 were approximately RMB298.2 million and RMB153.6 million, respectively. Compared with the actual sales to Weiyuan Steel in 2010 and the six months ended 30 June 2011, the Management expects Proposed Annual Cap for 2012 and 2013 will exceed the actual sales amounts in 2010 and 2011.

As illustrated above, the actual sales to Weiyuan Steel increased by approximately 49.3% from approximately RMB199.7 million in 2009 to approximately RMB298.2 million in 2010. During the six months ended 30 June 2011, the actual sales to Weiyuan Steel amounted to approximately RMB153.6 million, up approximately 28.3% from the same period in 2010. The growth of the actual sales was primarily due to the increase in sales volume as a result of the expansion of production capacity of the Group and rise in the average selling price of vanadium-bearing iron ore products.

To meet strong future demand, the Group has upgraded its existing facilities and technologies to further expand the production capacity and output. As at 30 June 2011, the Group's annual production capacity (on a wet basis) of vanadium-bearing iron concentrates amounted to 2,700.0 Kt (including 100.0 Kt production capacity allocated to the Group by an independent third party processing contractor), representing a growth of approximately 17.4% from 30 June 2010. In addition, after the completion of the acquisition in May 2011, Aba Mining Company Limited\* (阿壩礦業有限公司) becomes an indirect wholly-owned subsidiary of the Company, enabling the Group to obtain the Maoling mine, the Yanglongshan mine and an iron concentrate production line with an annual production capacity of 150.0 Kt.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Company's announcement dated 30 August 2011, the Company entered into the cooperative agreement with Sichuan Province Yanyuan County Pingchuan Iron Mine\* (四川省鹽源縣平川鐵礦) and Sichuan Nanyu Information Technology Company Limited\* (四川南譽信息技術有限公司) in relation to the development of the Dashanshu section ("Dashanshu Section") of the Pingchuan iron mine located in Yanyuan County, Liangshan Prefecture, Sichuan, the PRC. Dashanshu Section has an area of approximately 5 square kilometres with an estimated resource of approximately 50 million tonnes of iron ore of types 331, 332 and 333. It is expected that the commercial production of the Dashanshu Section will commence in the second half of 2013. Therefore, it will further increase the production capacity of the Group and lift up the estimated sales to Weiyuan Steel in 2014.

After considering (i) the growth of historical transaction amounts with Weiyuan Steel; and (ii) the sustainable growth in the Group's iron concentrate production capacity, we consider that the estimation of the Proposed Annual Cap are reasonable and justifiable.

### *Indication from Weiyuan Steel on the Proposed Annual Cap*

As advised by the Management, the Group discussed the Proposed Annual Cap with the management of Weiyuan Steel, and estimated the sales volume of vanadium-bearing iron ore products under the Iron Concentrate Sale Contract with reference to (i) the expected demand from Weiyuan Steel; and (ii) the expected production capacity of the Group during each of the three years ending 31 December 2014.

### *The growth of iron concentrate market in Sichuan*

During 2011, in line with the on-going development of China's economy, domestic demand has been growing vigorously as infrastructure and manufacturing industries continued their rapid development. According to the National Bureau of Statistics of the PRC, the gross domestic product of Sichuan during the six months ended 30 June 2011 was approximately RMB937.1 billion and the year-on-year growth rate of 14.8% was well ahead of the country's national growth rate of 9.6%.

The National Development and Reform Commission of the PRC issued the Chengdu-Chongqing ("Chengyu") Economic Zone Development Plan in the first half of this year, aiming to accelerate the economic development in the region, which will in turn provide fresh impetus for the growth of the steel industry. In addition, the investment plan of approximately RMB600 billion in 23 infrastructure projects across the western region announced by the National Development and Reform Commission of the PRC will also further increase the demand for steel in the Chengyu region. According to the National Bureau of Statistics of the PRC, the pig iron output of Sichuan for the six months ended 30 June 2011 was approximately 8.5 Mt, representing a year-on-year growth rate of 8.5%. This increase in output drove a steady rise in the demand for iron ore within the region and therefore will be benefit to the overall business development of the Group.

Having considered the above, we are of the view that the basis adopted by the Management in determining the Proposed Annual Cap is fair and reasonable so far as the Independent Shareholders are concerned. However, Shareholders should note that the Proposed Annual Cap relates to future events and they do not represent a forecast of turnover to be generated from the Continuing Connected Transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **(D) Requirements of the Listing Rules on the Continuing Connected Transactions**

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the Continuing Connected Transactions:
  - (i) have received the approval of the Board;
  - (ii) are in accordance with the pricing policies of the Group;
  - (iii) have been entered into in accordance with the terms of the relevant agreements governing the Continuing Connected Transactions; and
  - (iv) have not exceeded the Proposed Annual Cap;
- (c) the Company shall allow, and shall procure the relevant counter-parties to the Continuing Connected Transactions shall allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions as set out in paragraph (b); and
- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the amount of the Continuing Connected Transactions by way of the Proposed Annual Cap; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company on the terms of the Continuing Connected Transactions and the Proposed Annual Cap not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

### OUR RECOMMENDATIONS

Having considered the principal factors and reasons referred to above, we are of the opinion that the Iron Concentrate Sale Contract, the transactions and the Proposed Annual Cap contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Group and the Shareholders as a whole, and the terms thereof as well as the Proposed Annual Cap are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Iron Concentrate Sale Contract, including the Proposed Annual Cap, 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*

\* *for identification purpose only*

## 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 executives 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 and chief executives 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

### (i) Long and short positions in Shares and underlying Shares under equity derivatives

Name of Director	Directly beneficially owned	Through parties acting in concert	Total	Approximate percentage of total issued Shares
Mr. Wang Jin	6,850,000 (L) (Notes 1 & 2)	1,197,698,000 (L) (Notes 1, 3 & 4)	1,204,548,000 (L)	58.05% (L)
	–	190,944,000 (S) (Notes 1 & 4)	190,944,000 (S)	9.20% (S)

*Notes:*

- The letter "L" represents the entity's long positions in the Shares and the letter "S" represents the entity's short positions in the Shares.
- This represents derivative interest held by Mr. Wang Jin.
- 1,006,754,000 Shares were directly held by Trisonic International which was owned as to, inter alia, 36.6% by Mr. Wang Jin and 40% by Kingston Grand which in turn was owned as to 100% by Mr. Wang Jin. Since Trisonic International, Kingston Grand and Mr. Wang Jin are parties acting in concert, Mr. Wang Jin is deemed to be interested in 1,006,754,000 Shares held by Trisonic International.
- Sapphire was interested in a long position of 190,944,000 Shares and a short position of 190,944,000 Shares. Since Mr. Wang Jin and Sapphire are deemed as parties acting in concert, Mr. Wang Jin is deemed to be interested in a long position of 190,944,000 Shares and a short position of 190,944,000 Shares held by Sapphire.

## (ii) Long positions in share options granted by the Company

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	8,500,000	8,500,000	0.41%
Mr. Liu Feng	Beneficial owner	11,000,000	11,000,000	0.53%
Mr. Yu Xing Yuan	Beneficial owner	14,500,000	14,500,000	0.70%
Mr. Kong Chi Mo	Beneficial owner	7,500,000	7,500,000	0.36%

Save as disclosed above, none of the Directors or chief executives of the Company had any interests 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 executives 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.

### 3. 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:

## Long and short positions in Shares and underlying Shares under equity derivatives:

Name	Notes	Directly beneficially owned	Through controlled corporation	Through parties acting in concert	Total	Approximate percentage of total issued Shares
Trisonic International	1, 2, 4 & 6	1,006,754,000 (L)	-	197,794,000 (L)	1,204,548,000 (L)	58.05% (L)
		-	-	190,944,000 (S)	190,944,000 (S)	9.20% (S)
Kingston Grand	1, 2, 3, 4 & 6	-	-	1,204,548,000 (L)	1,204,548,000 (L)	58.05% (L)
		-	-	190,944,000 (S)	190,944,000 (S)	9.20% (S)
Mr. Yang Xianlu	1 & 4	-	-	1,204,548,000 (L)	1,204,548,000 (L)	58.05% (L)
		-	-	190,944,000 (S)	190,944,000 (S)	9.20% (S)
Mr. Wu Wendong	1, 2 & 4	-	-	1,204,548,000 (L)	1,204,548,000 (L)	58.05% (L)
		-	-	190,944,000 (S)	190,944,000 (S)	9.20% (S)
Mr. Li Hesheng	1, 2 & 4	-	-	1,204,548,000 (L)	1,204,548,000 (L)	58.05% (L)
		-	-	190,944,000 (S)	190,944,000 (S)	9.20% (S)
Mr. Shi Yinjun	1, 2 & 4	-	-	1,204,548,000 (L)	1,204,548,000 (L)	58.05% (L)
		-	-	190,944,000 (S)	190,944,000 (S)	9.20% (S)
Mr. Zhang Yuangui	1, 2 & 4	-	-	1,204,548,000 (L)	1,204,548,000 (L)	58.05% (L)
		-	-	190,944,000 (S)	190,944,000 (S)	9.20% (S)
Sapphire	1, 4 & 7	190,944,000 (L)	-	1,013,604,000 (L)	1,204,548,000 (L)	58.05% (L)
		190,944,000 (S)	-	-	190,944,000 (S)	9.20% (S)
Credit Suisse Group	1 & 5	-	225,186,000 (L)	-	225,186,000 (L)	10.85% (L)
AG ("Credit Suisse")		-	206,134,000 (S)	-	206,134,000 (S)	9.93% (S)

## Notes:

- The letter "L" represents the entity's long positions in the Shares and the letter "S" represents the entity's short positions in the Shares.
- The issued share capital of Trisonic International was owned as to 6% by Mr. Wu Wendong, 3% by Mr. Li Hesheng, 36.6% by Mr. Wang Jin, 7.2% by Mr. Shi Yinjun, 7.2% by Mr. Zhang Yuangui and 40% by Kingston Grand. The interests of Mr. Wang Jin in the Shares of the Company 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 was owned as to 100% by Mr. Wang Jin.
- 1,006,754,000 Shares, 190,944,000 Shares and 6,850,000 Shares (representing a derivative interest) were held by Trisonic International, Sapphire and Mr. Wang Jin, respectively, Sapphire was also interested in a short position of 190,944,000 Shares. Since Sapphire, Trisonic International, Kingston Grand, Mr. Wang Jin, Mr. Yang Xianlu, Mr. Wu Wendong, Mr. Li Hesheng, Mr. Shi Yinjun and Mr. Zhang Yuangui are parties acting in concert:
  - Sapphire is deemed to be interested in 1,006,754,000 Shares and 6,850,000 Shares held by Trisonic International and Mr. Wang Jin, respectively;
  - Trisonic International is deemed to be interested in a long position of 190,944,000 Shares and a short position of 190,944,000 Shares held by Sapphire, and also deemed to be interested in 6,850,000 Shares held by Mr. Wang Jin; and



- (iii) each of Kingston Grand, Mr. Yang Xianlu, Mr. Wu Wendong, Mr. Li Hesheng, Mr. Shi Yinjun and Mr. Zhang Yuangui are deemed to be interested in 1,006,754,000 Shares held by Trisonic International, 6,850,000 Shares held by Mr. Wang Jin, and a long position of 190,944,000 Shares and a short position of 190,944,000 Shares held by Sapphire.
5. The corporate substantial shareholder notice filled by Credit Suisse indicated that:
- (i) a long position of 3,573,000 Shares and a short position of 3,573,000 Shares were held by Credit Suisse (Hong Kong) Limited, which was in turn indirectly wholly-owned by Credit Suisse; and
  - (ii) a long position of 221,613,000 Shares and a short position of 202,561,000 Shares were held by Credit Suisse International, which was directly and indirectly wholly-owned by Credit Suisse.
- Accordingly, Credit Suisse is deemed to be interested in the Shares held by Credit Suisse (Hong Kong) Limited and Credit Suisse International under the SFO.
6. Mr. Wang Jin is a director of Trisonic International and Kingston Grand.
7. Mr. Teo Cheng Kwee, a non-executive Director, is the chief executive officer of Sapphire.

Save as disclosed above, the Directors and chief executives 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 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, 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.

#### **4. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial and trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 5. 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 of the relevant Director 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.
	Weixi Guangfa (Note 2)	Exploration for, processing and sale of iron ore	Mr. Wang is interested in the equity interest of Weixi Guangfa through an entity (the "Beneficial Holder") controlled by him and other parties acting in concert with him. The Beneficial Holder indirectly owns equity interest of Weixi Guangfa through a trust and its subsidiaries. Mr. Wang is also a director of the Beneficial Holder.
	A private company incorporated in the Cayman Islands which, through its subsidiaries, is licensed to explore and develop the vanadium-bearing titano-magnetite iron sand ore mine located in Java, Indonesia (the "Target Company") (Note 3)	Exploration and development of iron sand ore	Mr. Wang, through a company wholly-owned by him (the "Intermediary"), has subscribed for an exchangeable note (the "Exchangeable Note") in the principal amount of US\$4,600,000 issued by the company holding 100% of issued shares in the Target Company (the "Issuer") which entitles the Intermediary to exchange all or some of the Exchangeable Note into shares in the Target Company pursuant to the terms of the note certificate of the Exchangeable Note.

Name of Director	Name of company in which the relevant Director has interest	Principal activities of the competing company	Interest of the relevant Director in competing company
Mr. Yu Xing Yuan	Yanyuan (Note 1)	Mining and sale of iron ore	Mr. Yu is a director of the holding company of Yanyuan.
	Weixi Guangfa (Note 2)	Exploration for, processing and sale of iron ore	Mr. Yu is a director of the Beneficial Holder which indirectly owns equity interest in Weixi Guangfa through a trust and its subsidiaries.

*Notes:*

1. The business of Yanyuan does not pose material competitive threat to the Group, because if Yanyuan were to sell any of its iron ore products to any customers in Sichuan, Yanyuan would have to obtain consent from the Company prior to selling its iron ore products. Such consent will be reviewed and approved by the independent non-executive Directors of the Company.
2. Weixi Guangfa's target customer base will be customers located in Yunnan. In contrast, all of the Group's customers are located in Sichuan. Since the Group's customer base is substantially different from that of Weixi Guangfa, Weixi Guangfa will not compete with the Group.

Further, if Weixi Guangfa were to sell any of its iron ore products to any customer outside of Yunnan, Weixi Guangfa would have to obtain prior consent from the Company. Such consent would be reviewed and approved by the independent non-executive Directors of the Company.

3. The Group has subscribed for an exchangeable note in the principal amount of US\$20,000,000 (which could be increased to a maximum of US\$50,000,000 upon payment by the Group to the Issuer of a further sum of US\$30,000,000 on or before 31 December 2011) issued by the Issuer which entitles the Group to exchange all or some of such exchangeable note into shares in the Target Company. The details of such transaction is more particularly disclosed in the announcement of the Company dated 3 May 2011 (as supplemented by subsequent announcements of the Company dated 9 August 2011 and 30 September 2011).

## 6. 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 (a company controlled by the Founders (other than Mr. Yang Xianlu), and one of the Founders, Mr. Wang Jin, is a Director of the Company) for the term from 26 December 2007 to 25 December 2010 pursuant to which, among other things, Huili Caitong agreed to sell vanadium-bearing iron concentrates at the base price of RMB600 per tonne (exclusive of PRC value added tax), such price to be adjusted pursuant to the terms of this contract;
- (b) a supplemental agreement dated 10 April 2009 in relation to the Original Contract entered into between Huili Caitong and Weiyuan Steel 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 pursuant to which, among other things, it was specified that the minimum selling price for vanadium-bearing iron concentrates for 2009 and 2010 was RMB605.1 and RMB632.25 per tonne (exclusive of PRC value added tax), respectively, subject to adjustment based on the market price of vanadium-bearing iron concentrates;
- (d) a tenancy agreement dated 14 August 2011 entered into between Sichuan Jinli Property Company Limited\* (四川勁力房地產開發有限公司) (“Sichuan Jinli”, an associate of the Founders (including Mr. Wang Jin)) as lessor, Sichuan Longwei Hotel Management Company Limited\* (四川龍威酒店管理有限公司) (the holding company of Sichuan Jinli) as property manager 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 15 August 2011 to 14 August 2012 at the monthly rental of RMB8,122 (exclusive of management fees, water and electricity charges); and
- (e) the Iron Concentrate Sale Contract to which Weiyuan Steel is a contracting party, and as a result of which Mr. Wang Jin has abstained from voting on the Board’s resolution in respect of the Continuing Connected Transactions and the Proposed Annual Cap,

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 2010, 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.

## **7. 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.

## **8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against the Company or any of its subsidiaries.

## 9. EXPERT'S QUALIFICATION AND CONSENT

The qualification of the expert who has given opinion and advice which is included in this circular is as follows:

<b>Name</b>	<b>Qualification</b>
China Everbright	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

China Everbright has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter, which has been prepared for inclusion in this circular, and the references to its name and/or its opinion in the form and context in which it is included.

As at the Latest Practicable Date, China Everbright did not have any shareholding interest, 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.

As at the Latest Practicable Date, China Everbright did not have 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 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

## 10. 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 headquarters 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 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.

**11. 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 29 November 2011, being the date of the EGM:

- (a) the Existing Iron Concentrate Sale Contract;
- (b) the Iron Concentrate Sale Contract;
- (c) the memorandum and articles of association of the Company;
- (d) the annual report of the Company for the year ended 31 December 2010 and the interim report of the Company for the six months ended 30 June 2011;
- (e) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (f) 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;
- (g) the letter of consent referred to under the paragraph headed “Expert’s Qualification and Consent” in this appendix; and
- (h) this circular.

\* *for identification purpose only*



## China Vanadium Titano-Magnetite Mining Company Limited

### 中國釩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 Taishan Room, Level 5, Island Shangri-la Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on Tuesday, 29 November 2011 at 9:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the terms of the agreement dated 21 October 2011 (the “**Iron Concentrate Sale Contract**”) entered into between Huili County Caitong Iron & Titanium Co., Ltd.\* (會理縣財通鐵鈦有限責任公司) (“**Huili Caitong**”) and Weiyuan Steel Co., Ltd.\* (威遠鋼鐵有限公司) (“**Weiyuan Steel**”) pursuant to which Huili Caitong will sell, or procure another subsidiary of the Company to sell, vanadium-bearing iron concentrates to Weiyuan Steel (the “**Sale of Iron Concentrates**”) for a period commencing from 1 January 2012 to 31 December 2014 (a copy of the Iron Concentrate Sale Contract has been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the cap amount in respect of the Sale of Iron Concentrates as set out in the circular of the Company dated 11 November 2011 for the three years ending 31 December 2012, 31 December 2013 and 31 December 2014 of approximately RMB339.0 million, RMB357.1 million and RMB428.7 million, respectively be and are hereby approved; and
- (c) 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 Iron Concentrate Sale Contract 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, 11 November 2011

\* for identification purpose only

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 EGM 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 Hong Kong 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 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 Monday, 28 November 2011 to Tuesday, 29 November 2011 (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 on Tuesday, 29 November 2011 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 Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Friday, 25 November 2011.

Website: [www.chinavtmmining.com](http://www.chinavtmmining.com)