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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)

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

Huili Caitong, an indirect wholly-owned subsidiary of the Group, 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.

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 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 Company will comply with the requirements of the annual review of the Continuing Connected Transactions as set out in Rules 14A.37 to 14A.40 of the Listing Rules and will comply with the relevant Listing Rules if the Proposed Annual Cap is expected to be exceeded due to a material increase in its production volume of vanadium-bearing iron concentrates or, when the relevant agreement is renewed or, when there is a material change to the terms of the Continuing Connected Transactions.

An EGM will be convened to approve, inter alia, the Continuing Connected Transactions and the Proposed Annual Cap. The voting at the EGM will be taken by way of poll. Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and their associates with a material interest in the Iron Concentrate Sale Contract are required to abstain from voting on the resolution approving the Continuing Connected Transactions and the Proposed Annual Cap at the EGM. Accordingly, the Founders and their respective associates 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 Independent Board Committee comprising all INEDs has been set up to advise the Independent Shareholders regarding the Continuing Connected Transactions and the Proposed Annual Cap. The Independent Board Committee has also approved the appointment of China Everbright as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details on the Iron Concentrate Sale Contract and the Proposed Annual Cap, the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of EGM, will be dispatched to the Shareholders on or about 11 November 2011.

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

The Board announces that 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.

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 Group's production volume forecast of vanadium-bearing iron ore products; (ii) the plans and requirements of Weiyuan Steel; and (iii) the projected price trends in iron ore products for each of the three years ending 31 December 2014.

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 (excluding the independent non-executive Directors who will provide their advice after having received the advice from the Independent Financial Adviser) 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 IMPLICATION

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 Company will comply with the requirements of the annual review of the Continuing Connected Transactions as set out in Rules 14A.37 to 14A.40 of the Listing Rules and will comply with the relevant Listing Rules if the Proposed Annual Cap is expected to be exceeded due to a material increase in its production volume of vanadium-bearing iron concentrates or, when the relevant agreement is renewed or, when there is a material change to the terms of the Continuing Connected Transactions.

An EGM will be convened to approve, inter alia, the Continuing Connected Transactions and the Proposed Annual Cap. The voting at the EGM will be taken by way of poll. Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and their associates with a material interest in the Iron Concentrate Sale Contract are required to abstain from voting on the resolution approving the Continuing Connected Transactions and the Proposed Annual Cap at the EGM. Accordingly, the Founders and their respective associates 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 Independent Board Committee comprising all INEDs has been set up to advise the Independent Shareholders regarding the Continuing Connected Transactions and the Proposed Annual Cap. The Independent Board Committee has also approved the appointment of China Everbright as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details on the Iron Concentrate Sale Contract and the Proposed Annual Cap, the respective advice of the Independent Financial Adviser and the Independent Board Committee and the notice of EGM, will be dispatched to the Shareholders on or about 11 November 2011.

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.

DEFINITION

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

“Approved Cap”	the maximum aggregate annual value 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 Everbright” or “Independent Financial Adviser”	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
“Company”	China Vanadium Titano-Magnetite Mining Company Limited (中國鈮鈦磁鐵礦業有限公司), a limited liability company incorporated in the Cayman Islands on 28 April 2008, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 00893)
“connected person(s)”	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
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and 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
“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 Yuangui and Li Hesheng, parties acting in concert
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), 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 committee of the Board comprising all the independent non-executive Directors, namely, Messrs. Gu Peidong, Liu Yi and Yu Haizong, constituted to advise the Independent Shareholders in respect of the Continuing Connected Transactions and the Proposed Annual Cap
“Independent Shareholder(s)”	Shareholder(s) other than the Founders and their associates

“INEDs”	the independent non-executive Directors
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Proposed Annual Cap”	the maximum aggregate annual value of the Continuing Connected Transactions
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) with nominal value of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	has the meaning ascribed to it under the Listing Rules
“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

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

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

Hong Kong, 21 October 2011

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping, Mr. Liu Feng and Mr. Yu Xing Yuan as executive Directors, Mr. Wang Jin and Mr. Teo Cheng Kwee as non-executive Directors and Mr. Yu Haizong, Mr. Gu Peidong and Mr. Liu Yi as independent non-executive Directors.

Website: www.chinavtmmining.com