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China Vanadium Titano-Magnetite Mining Company Limited

中國鈦鈹磁鐵礦業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00893)

INSIDE INFORMATION STRATEGIC REVIEW AND BUSINESS UPDATE

This announcement is made by China Vanadium Titano-Magnetite Mining Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the “**SFO**”).

OVERVIEW

Following the recent Annual General Meeting of the Company held on 15 May 2015 (“**AGM**”), the management of the Group – now being lead by the acting Chief Executive Officer of the Company, Mr. Jiang Zhong Ping (who is also the executive director and Chairman) – has since conducted strategic reviews given the loss-making position of the Group in FY2014 and arising from which, the Group has intensified efforts to streamline operations and initiated plans to rationalize assets.

These strategic reviews conducted by the management were based on the Group’s operating experience in the industry with the primary objectives to ensure that the Group’s processing plants and distribution business could continue to operate in more efficient ways and on a commercially viable basis over a longer term. The Board of Directors of the Company (the “**Board**”) is of the opinion that it is important to provide shareholders of the Company (the “**Shareholders**”) a corporate update in a timely manner, particularly the business environment within which the Group operates has been dynamic and volatile.

As disclosed in the annual report of the Company for FY2014, the downstream market condition of our industry has been unfavorable. The severely weak market sentiment has caused significant reduction in (i) production volume of many steel companies in Sichuan, China and (ii) demand for iron ore product in the upstream market. As a result, the capacity utilization of the Group's plants (particularly for production of vanadium-bearing iron concentrates and high-grade titanium concentrates) fell sharply which led to a periodic suspension of the Group's vanadium-bearing iron concentrates processing lines and high-grade titanium concentrates processing lines in 2014. As a result, the Group's total production volume of vanadium-bearing iron concentrates and high-grade titanium concentrates in 2014 fell sharply which had adversely affected the financial performance of the Group in FY2014. In FY2014, the Group recorded a sharp fall in revenue and reported a net loss of approximately RMB366.4 million.

Strategic reviews

The management, from the recent strategic reviews, wishes to update shareholders that:

1. The operating environment for the Company remains challenging due mainly to overcapacity concerns in the industry that selling prices for its products have been and are falling while costs have escalated which means it is extremely difficult for the Group's factories to achieve economies of scale over the next 12 months;
2. It also appears that demand continues to lag behind supply with no recent signs of market recovery amidst slow down of economic activities in China. It is further noted that, industrial growth, if any, is likely to be at a much muted pace or possibly over a much longer term;
3. The Group invested heavily in new facilities over the last few years during the market peak and is now in large surplus of production capacity given the cyclical nature of the industry which means the utilisation rates for these facilities are expected to be lower, moving forward. The lower-than-expected utilisation rates require the management to review the 'value-in-use' of these facilities and update in the Group's financial statements in due course;
4. The latest initiatives of the local government in China targeting at lower emission and environmental control will require the Group to further invest in facilities upgrade over a longer term. Given the weak market conditions, volatile commodity prices and escalating operating costs, the estimated investment recovery for such environmental control compliance are expected to be longer-than-expected. The management will continue to monitor the situation closely and manage its capital investment budgets cautiously. The management has also resolved that the Group will not commit significant capital investments in new facilities for all its processing plants for the time being;
5. As at 31 December 2014, the Group updated that the production volumes derived from its processing plants at Baicao, Xiushuhe, Heigutian and Hailong had fallen substantially year-on-year (Y-O-Y) (see below Table for details). Since then,

- a. These processing plants continue to operate at below optimal utilization levels and there has been no improvement. Disappointedly, these processing plants fail to achieve economies of scale despite various operational streamlining exercises. As such, it appears that – the Group has very limited opportunity to optimize its capacity utilization due to massive over capacity concerns for the industry;
 - b. Whilst processing costs for the processing plants have risen, average selling prices for vanadium-bearing iron concentrates and high-grade titanium concentrates have fallen by approximately 35.4% and 16.1% respectively over the last 12 months.
6. The downstream operations (i.e. the distribution business) have been adversely affected by significantly lower demand and market prices. The Group also noted that the current destocking has further depressed market prices and to a larger extent, affected some of our customers' downstream business. Given that:
- a. some of our customers have recently indicated to us that they may reduce quantity-per-order, delay their orders placement and expect deeper trade discounts, which lead the Group to plan a reduction of its overall production capacity accordingly; and
 - b. the management needs to be more vigilant in monitoring its overall collection cycles closely and assessing these credit risks regularly given the changing business profiles of some of these customers which may lead to potentially higher credit risks, such that the Group plans to tighten credit control, reduce supplies, require title retention and step up debts collection efforts on grounds of prudence that some of its customers may operate under undue financial pressure situation if market remains severely weak, moving forward.

Management Strategic Plans

Arising from the strategic reviews conducted by the management and given the above-mentioned unfavorable market conditions:

1. The Group has proactively initiated various strategic plans to reduce direct cost per unit, improve efficiency per factory and minimize loss on operations (upstream and downstream), which include the Group's recent initiatives to continue suspension on loss-making production, scale back capacity, reduce headcounts, trim operating expenses budgets and reduce marketing investments;
2. The management is also evaluating if the Group should relocate or merge some of its facilities for better capacity utilization; or close down part of its processing plants permanently if operating environment remains challenging. Meanwhile, the management has conducted portfolio reviews focusing on optimal balance between owning mining right and improving productivity for such mining right;

3. The below table summarizes the Y-O-Y fall in production capacity (as measured in volume and in % term) and details of the management's action plans are:

Processing Plant	Vanadium-bearing Iron concentrates Y-O-Y reduction (%) as at 31/12/2014	High-grade Titanium concentrates Y-O-Y reduction (%) as at 31/12/2014	Management's action plans
Baicao	-33.6%	-96.3%	<ol style="list-style-type: none"> 1. to extend suspension of production for both vanadium-bearing iron concentrates and high-grade titanium concentrates at Baicao plants to save on fixed costs as demand remains weak, selling prices have fallen while processing costs have risen; 2. ceased all marketing activities; and downsized distribution channels; 3. to work on redundancy plans and estimate costs of redundancy; 4. to identify un-deployed equipment and evaluate if some of the equipment can be re-deployed to other plants, leased out or sold; 5. to evaluate if part of Baicao plants should permanently be closed down (after extending the said suspension of production) if market fails to recover; and 6. to assess net realizable values or 'value-in-use' of assets for the plants following the above management's plans.

Processing Plant	Vanadium-bearing Iron concentrates Y-O-Y reduction (%) as at 31/12/2014	High-grade Titanium concentrates Y-O-Y reduction (%) as at 31/12/2014	Management's action plans
Xiushuihe	-50.9%	-72.5%	<ol style="list-style-type: none"> 1. to reduce marketing budgets and downsize distribution channels; 2. to further streamline operations, reduce headcount and cut operating cost budgets; 3. to evaluate if Xiushuihe plants should be relocated or merged with others for improving utilization; and 4. no capital investments.
Heigutian	-67.0%	-97.6%	<ol style="list-style-type: none"> 1. to extend the suspension of production for both vanadium-bearing iron concentrates and high-grade titanium concentrates at Heigutian plants to save on fixed costs as demand remains weak, selling prices have fallen while processing costs have risen; 2. to cease all marketing activities; and downsize distribution channels; 3. to work on redundancy plans and estimate costs of redundancy; 4. to identify un-deployed equipment and evaluate if some of the equipment can be re-deployed to other plants, leased out or sold;

Processing Plant	Vanadium-bearing Iron concentrates Y-O-Y reduction (%) as at 31/12/2014	High-grade Titanium concentrates Y-O-Y reduction (%) as at 31/12/2014	Management's action plans
			<ul style="list-style-type: none"> 5. to evaluate if part of these plants should permanently be closed down (after extending the said suspension of production) if market fails to recover; and 6. to assess net realizable values of assets for the plants following the above management's plans.
Hailong	-45.9%	–	<ul style="list-style-type: none"> 1. to reduce marketing budgets and; downsize distribution channels; 2. to further streamline operations, reduce headcount and cut fixed operating cost budgets; 3. to evaluate if Hailong plants should be relocated or merged with others for improving utilization; and 4. no capital investments.

Whilst the operational streamlining efforts and downsizing exercise aim to reduce fixed costs, improve production efficiency and minimize operating losses for the Group, the longer-than-expected suspension of production or lower-than-expected rates of capacity utilization would however imply further reduction in “value-in-use” of certain operating assets for the affected plants. The Group will, in addition to this internal assessment, engage an independent valuer to assess assets impairment which may arise from such operational streamlining exercise and asset rationalization plans (i.e. should management decides to scale back, close down and/or merge part of its operations in future). As reiterated, it is important for the Group to further tighten its credit control measures; and review the financial position of its customers more regularly and more cautiously given the higher perceived credit risks arising from the challenging operating environment for its customers.

Meanwhile, the management will continue to monitor the market conditions closely, manage working capital prudently and implement good cost control discipline for Shareholders.

The Board will continue to update Shareholders on its operational restructuring plans in due course in accordance with the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. There is no certainty or assurance that all or any of the Management Action Plans (as detailed in this announcement) will be completed as planned or that no further changes will be made to these plans thereof. The Company will make further announcements as appropriate or when there are further developments on the same. Shareholders and potential investors should consult their stockbrokers, bank managers or other professional advisors if they have any doubt about the actions they should take.

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

Hong Kong, 24 June 2015

As at the date of this announcement, the Board comprises Mr. Jiang Zhong Ping (Chairman) and Mr. Zheng Zhiquan as executive directors; Mr. Yu Xing Yuan as non-executive directors; and Mr. Yu Haizong, Mr. Wu Wen and Mr. Liu Yi as independent non-executive directors.

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