China Vanadium Titano-Magnetite Mining Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00893)

PROFIT WARNING AND GENERAL 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(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

The board (the “Board”) of directors (the “Directors”) of the Company wishes to inform the shareholders of the Company and potential investors that based on the preliminary review of the Group’s unaudited consolidated management accounts for the six months ended 30 June 2020 (“1H2020”), the Group is expected to record a significantly lower net loss for the period (“Net Loss”) of not more than RMB25.0 million as compared to RMB52.6 million for the last corresponding period.

The lower Net Loss for 1H2020 was primarily attributable to exclusion of the loss-making low-grade iron concentrates operations (“Low Fe and Inactive Mines”) which had been disposed on 30 July 2019 despite higher operating and impairment losses recorded for its specialised mining services business. The completion of disposal of the loss-making Low Fe and Inactive Mines had helped the Group to mitigate its operational risks. During 1H2020, the trading business of the Group remained profitable and the high-grade iron concentrates operations at Maoling Mine in Wenchuan County, Aba Prefecture, Sichuan Province (“High Fe Mines”) also recorded a net profit after tax (after accounting for deferred tax credit) during 1H2020, despite major operational and supply chain disruptions as a result of the COVID-19 pandemic.
The on-site production for High Fe Mines was suspended for close to 3 months due to the lockdown of major cities and travel restrictions across the People’s Republic of China for containment of the spread of COVID-19. Subsequent to the resumption of the mine operations, certain operational adjustments were made to the facilities at the High Fe Mines with a view to complying with more stringent workplace safety requirements. The Group has also carried out technical improvements to the tailings management facilities at the High Fe Mines for environmental compliance. These restrictions and disruptions had however affected productivity and profitability of the High Fe Mines operations for 1H2020.

The Company had previously made announcements relating to the disruptions and impacts caused by the COVID-19 pandemic on the High Fe Mines on 7 February 2020, 9 March 2020, 27 March 2020 and 23 April 2020, respectively. In particular, it is disclosed in the Company’s announcement dated 9 March 2020 (the “Announcement”) that the COVID-19 pandemic has adversely affected market sentiment, caused short-term market uncertainty and posed significant downside risks on the pace of demand recovery for many industries in China due to the travel restrictions, delayed return of workforces, production suspensions and supply chain disruptions. Under these circumstances, the Group is not immune to these impacts and has seen a substantial demand loss that would adversely affect its financial results for the first quarter of 2020 or beyond. The Company further disclosed in the Announcement that given the degree of uncertainty, the Group has deferred its major capital expenditure decisions and delayed its expansion plans for existing operations and may also need to postpone or slow down its evaluation of opportunities relating to major mining services jobs until the situations improve. The management would also have to reassess the existing value-in-use and/or fair values of those relevant operating assets more prudently (as the case may be) by taking into consideration of the relevant macro-factors.

The Group’s specialised mining services business recorded higher impairment losses due mainly to significantly lower capacity utilisation, falling fair values for its equipment held-for-sale and other operating assets as a result of slowing demand, weak market conditions and the unprecedented risks relating to the pandemic-hit economic activities. As of now, the Directors believe that it is still premature to assume a sustainable recovery in activities related to mining services which could lead to an improvement in fair values of the related assets until the COVID-19 pandemic is brought under control at some point. Having said that, the commodities markets are likely to remain volatile and highly unpredictable with inconsistent demand recovery, if any.
The information contained in this announcement is only based on the preliminary assessment by the management of the Group with reference to the unaudited consolidated management accounts of the Group for 1H2020 which have not been reviewed or audited by the Company’s auditor. Shareholders of the Company and potential investors are advised to read carefully the interim results announcement of the Company for 1H2020, which is expected to be published by the end of August 2020.

Given the above, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

Yours faithfully,
For and on behalf of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Teh Wing Kwan
Chairman

Hong Kong, 18 August 2020

As at the date of this announcement, the Board comprises Mr. Teh Wing Kwan (Chairman) as non-executive Director; Mr. Jiang Zhong Ping (Chief Executive Officer), Mr. Hao Xiemin (Financial Controller) and Mr. Wang Hu as executive Directors; Mr. Yu Haizong, Mr. Wu Wen and Mr. Liu Yi as independent non-executive Directors.

Website: www.chinavtmmining.com