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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)

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 the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

PROFIT WARNING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on the preliminary review of the Group’s unaudited consolidated management accounts for the year ended 31 December 2020 (“**FY2020**”), it is expected that the Group will record

- a net profit after tax (“**Net Profit**”) of approximately RMB8.3 million for the high-Fe mining operation and trading businesses (the “**Continuing Operations**”), net of operating expenses for its corporate functions for FY2020, despite major operational and supply chain disruptions during the first half of 2020 (“**1H2020**”) as a result of the COVID-19 pandemic. The profitability of the Continuing Operations was due mainly to higher average selling price and post-pandemic demand recovery; and
- a net loss after tax (“**Net Loss**”) of approximately RMB33.0 million for its specialised mining services business in Australia (the “**Discontinued Operations**” or “**Specialised Mining Services**”) due mainly to falling fair values for its equipment held-for-sale and lower value-in-use given the significantly lower capacity utilisation under the complex macro and challenging business environment. The Company previously provided the Shareholders and potential investors of the Company an update on the performance of the Specialised Mining Services in its announcement dated 18 August 2020.

Combining the above, the Net Loss for the Discontinued Operations is expected to exceed the Net Profit for the Continuing Operations due mainly to the accounting impairment losses recorded by the Specialised Mining Services, a discontinued business unit in Australia. As a result, the Group is expected to report a Net Loss attributable to owners of the Company of not more than RMB18.0 million for FY2020 compared to a Net Profit attributable to owners of the Company of RMB69.2 million for FY2019.

Notably, the operating cash flows for the Continuing Operations improved sharply for the second half of 2020 (“**2H2020**”) due to improved financials for the high-Fe mining operation and trading businesses in China, which were not affected by the non-cash accounting impairment losses incurred by the Discontinued Operations during the same reporting period under review.

GENERAL BUSINESS UPDATE

The Company previously updated that the restrictions and disruptions caused by the COVID-19 pandemic had affected the productivity and profitability of the high-Fe mining operation and trading businesses for 1H2020. On a positive note, the operations for the high-Fe mining operation and trading businesses have since resumed with notable improvement in its results for 2H2020 compared to 1H2020 as (i) the Group was able to recoup its capacity loss in 1H2020 due to the pandemic and optimise its post-resumption capacity utilisation rates; (ii) domestic demand for high-grade iron concentrates had recovered strongly, buoyed by low inventory level given the intermittently paused mining activities triggered by the pandemic; (iii) the average selling price for high-grade iron concentrates had increased; and (iv) policy-driven infrastructure spending had boosted steel demand in China.

Beyond China, the Group has further noted profound changes in the operating risks of its foreign business unit in Australia which continued to exist under the current complex macro environment during the same period. As such, while responding to the challenges brought about by the global COVID-19 pandemic, the Group also sees the needs to initiate immediate risk mitigation measures and asset rationalisation plans for its Specialised Mining Services. The Group recognises that there have been challenges in managing its foreign mining services business unit which have been cast against a background of present geopolitical flux, global recessionary risks, ongoing market volatility and prolonged travel restrictions. Macroeconomic risks under such circumstances are highly unpredictable and will remain one of the very carefully monitored factors in the Group’s decisions to scale down or dispose of its Specialised Mining Services. As a result, the Group has classified its loss-making Specialised Mining Services as a discontinued operation in its financial statements for FY2020 and adopted a conservative approach in recording impairment losses for this business unit during the financial year under review in accordance with International Financial Reporting Standards.

The Group considers that its decision to discontinue the Specialised Mining Services is timely in light of the complex macro and challenging operating environment. This decision further suggests that there is a clear recognition of the Group's strategy to be more focused, productive and efficient in internal resources allocation plans towards achieving a sustainable growth over a longer term in China.

Going forward, the Group will continue to expand its profitable operations of high-Fe mining operation and trading businesses while exploring other strategic opportunities, including evaluation of potential business diversification strategies. While overall business recovery in China appears to be encouraging, any recovery plans, pace and path mapped out for implementation during this period of time is likely to be progressive.

The Group remains confident in its focused strategies in China. Barring any dangerous resurgence of COVID-19 cases which may cause major disruptions in its supply chain, the Group expects the progressive economic recovery in China will continue to have a positive impact on its Continuing Operations. Meanwhile, the risks and signs of resurgence are closely monitored.

The information contained in this announcement is only based on the preliminary assessment by the Company's management with reference to the unaudited consolidated management accounts of the Group for FY2020 which have not been reviewed or audited by the audit committee and the auditors of the Company. Shareholders and potential investors of the Company are advised to read the details of the annual results announcement of the Group for FY2020, which is expected to be published by end of March 2021.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Vanadium Titano-Magnetite Mining Company Limited
Teh Wing Kwan
Chairman

Hong Kong, 15 March 2021

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, and Mr. Yu Haizong, Mr. Liu Yi and Mr. Wu Wen as independent non-executive Directors.

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