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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 six months ended 30 June 2022 (“**1H2022**”), the Group is expected to record a net loss attributable to owners of the Company (“**Net Loss**”) of not more than RMB8.0 million, as compared to the loss attributable to owners of the Company of approximately RMB6.8 million for the six months ended 30 June 2021 (“**1H2021**”).

The results for 1H2022 comprised mainly the following:

- (a) net operating profit from trading business, the profitability of which was affected by lower average selling price as a result of a significant drop in market demand, which was triggered by renewed COVID-related lockdowns and restrictions in China;
- (b) maiden net operating profit over a period of approximately 3 months for the period ended 1H2022 from the new facilities management segment of the Group, albeit insignificant;

- (c) gross profit from the high-Fe mining operations of the Group (the “**High-Fe Mining Operations**”) as a result of higher average selling price for high-grade iron concentrates. Whilst China’s decarbonization push has boosted demand for higher-purity and less-polluting iron products, this positive impact for the Group was however limited and offset by lower production volume resulting from:
- (i) intermittent disruption to the Group’s mine operations caused by preliminary engineering works in preparation for expanding the Maoling Mine areas which had commenced in 1H2021, such preparatory works have affected the productivity of the existing High-Fe Mining Operations and resulted in higher fixed operating expenses, including environmental compliance costs;
 - (ii) temporary suspension of the High-Fe Mining Operations due to the earthquakes in Maerkang City, Aba Prefecture, Sichuan Province which occurred in June 2022 (as previously announced); and
 - (iii) supply chain disruptions due to renewed COVID-related lockdowns and restrictions in China.

These disruptions have resulted in higher unit costs of production during the period under review and as a result, the High-Fe Mining Operations recorded a net operating loss for 1H2022.

Given the above, the Group is expected to record a Net Loss for 1H2022.

The above information is only based on the preliminary assessment by the Company’s management with reference to the unaudited consolidated management accounts of the Group for 1H2022 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 interim results announcement of the Group for 1H2022, which is expected to be published by the end of August 2022.

GENERAL BUSINESS UPDATE

The Company had previously mentioned that it would expand its production capacity for the higher-purity iron concentrates (with at least 70% TFe) in view of China’s sustainable mining practices and decarbonization initiatives, and in order to align with the current market demand trend and national policies. In view of this, the Group had commenced preliminary engineering works in 1H2021 in preparation for expanding the Maoling Mine areas.

These expansion plans for the Maoling Mine require progressive scheduling of on-site upgrading works and reallocation of resources, which will involve some form of capital investments for licensing process, mines exploration, additional environmental compliance, and modification of existing production facilities in various phases. Whilst these organic growth strategies will help the Group’s core operations to stay competitive in the long run, the initial preparatory works and progressive investments will increase fixed operating costs and affect the productivity of the Group’s existing High-Fe Mining Operations during the transitional period.

The Group has also segregated the mining facilities management activities from its upstream mining operations and has since procured service contracts for the provision of operational site services, mining engineering support and consultancy services to mining camps. In view of this, the Group had recorded a maiden net operating profit over a period of approximately 3 months for the period ended 1H2022 which could pave the way for the Group to leverage the increasingly integral role which facilities management holds in other sectors while the Group looks to diversify and forge strategic partnership in such areas.

As reiterated, whilst the Group has progressively implemented the above operational strategies, the strict local COVID-related restrictions, geopolitical tensions tightening global financial conditions and global recession risks are expected to disrupt supply chain and cause uneven business recovery for a prolonged period. These signs of slowing economy amidst China's "zero-COVID" stance have dampened market sentiment across various industries and have inevitably delayed the Group's expansion plans for its High-Fe Mining Operations. The Group however expects a gradual recovery of the domestic economy as COVID-19 restrictions may ease and will adjust its growth strategies accordingly.

In view of the above, 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 August 2022

As at the date of this announcement, the Board comprises Mr. Teh Wing Kwan (Chairman) as non-executive Director, Mr. Hao Xiemin (Acting Chief Executive Officer and 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.

Website: www.chinavtmmining.com