



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

**2013**

**Annual Results**

**Corporate Presentation**

**2 April 2014**



STRENGTHENING  
FOUNDATIONS:  
EXPLORING NEW  
OPPORTUNITIES



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# Agenda

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## Market Overview

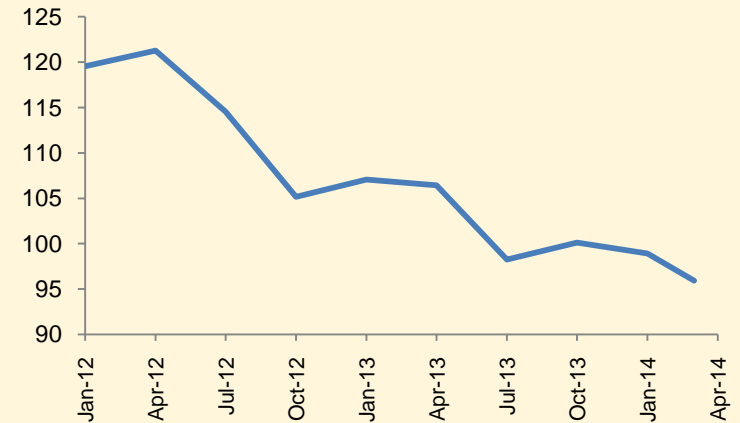


# Industry Overview



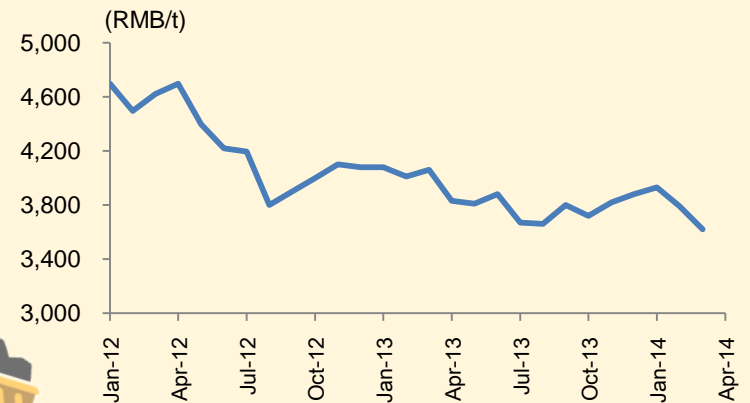
- Unfavourable market environment characterised by overcapacity, high production cost, low selling price and air pollution
- Steel production capacity in China was nearly 1 billion tonnes, but the utilisation rate was only 72%
- Shortage of capital resources is another key issue that hovered over the steel industry
- Crisis started to spread to large steel companies and the trading companies

### China Steel Price Index



Source: China Iron & Steel Association

### Chengdu Steel's Price Trend <sup>(1)</sup>



Source: www.steelhome.cn

Note:

(1) Earthquake resistant rebar, HRB335E, diameter 28-32mm, including VAT



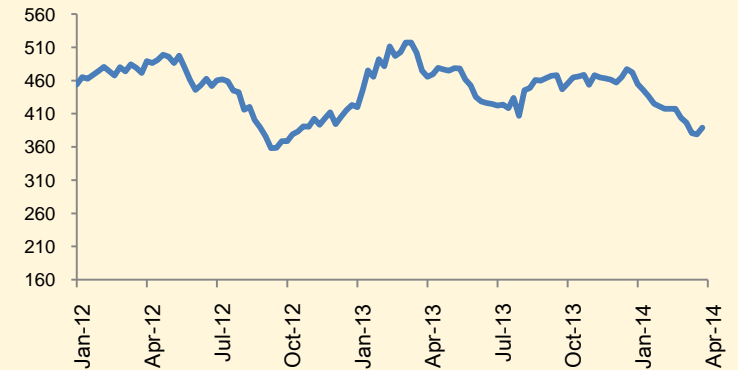


# Industry Overview (cont'd)

## Ordinary Iron Ore

- The China Iron Ore Price Index experienced greater fluctuations during the year, recording an amplitude of 26%
- The amplitude in the selling prices of country's ordinary iron concentrates has also reached 13%

### China Iron Ore Price Index <sup>(1)</sup>



Source: China Iron & Steel Association

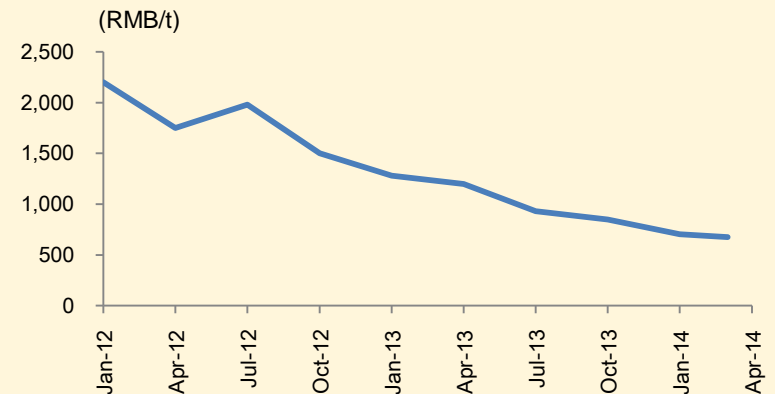
Note:

(1) Based on ordinary iron ore

## Titanium

- Weak demand dragged down the selling price of titanium
- The price of high-grade titanium concentrates dropped significantly in Panzhihua during the year

### High-grade Titanium Concentrates' Price Trend <sup>(2)</sup>



Source: www.cnv168.com

Note:

(2) Dry base packaging, TiO<sub>2</sub> 46%, not including VAT



# Favourable Government Policies and Industry Developments





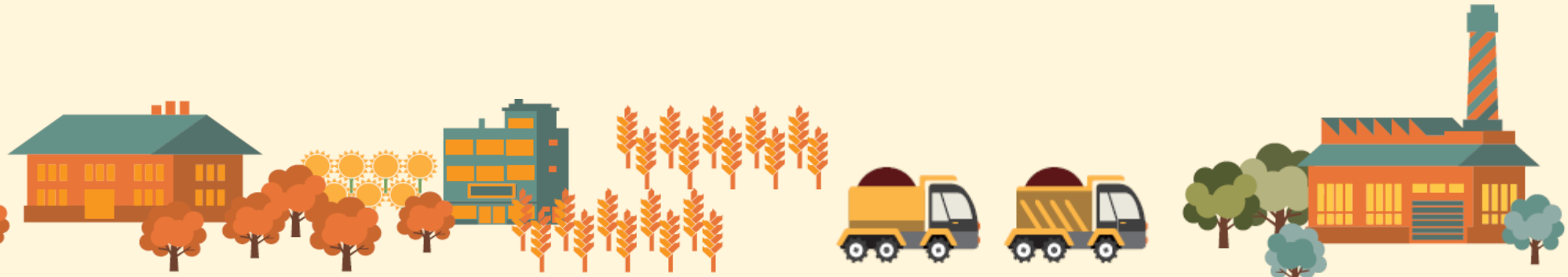
# Severe Market Challenges

## Upstream

- Unfavourable downstream business and operating environment
- Difficulties in identifying quality mine resources
- Rising costs
- Professional and technical staff retention

## Downstream

- Low concentration of steel plants over the country
- Thin profitability or even become loss making
- Problems arising from the elimination of backward steel production capacity including:
  - Repayment of huge debt
  - Layoff staff handling
- Tight capital liquidity
- Strict implementation of environmental protection and energy saving policies







## 2013 Annual Results Overview



# Financial Performance Overview

	2013 (RMB mm)	2012 (RMB mm)	Change(%)
<b>Revenue</b>	1,429.9	1,533.7	<b>(6.8)</b>
<b>Gross Profit</b>	504.5	734.0	<b>(31.3)</b>
<i>Gross Profit Margin</i>	35.3%	47.9%	<i>(12.6) pts</i>
<b>EBIT</b>	366.4	612.8	<b>(40.2)</b>
<b>EBITDA</b>	553.5	762.7	<b>(27.4)</b>
<b>Profit before Tax</b>	266.2	571.7	<b>(53.4)</b>
<b>Profit and Total Comprehensive Income</b>	182.5	441.2	<b>(58.6)</b>
<b>Profit and Total Comprehensive Income Attributable to Owners of the Company</b>	179.1	433.7	<b>(58.7)</b>
<i>Net Profit Margin <sup>(1)</sup></i>	12.5%	28.3%	<i>(15.8) pts</i>
	(RMB)	(RMB)	
<b>Basic and Diluted Earnings per Share <sup>(2)</sup></b>	0.09	0.21	<b>(57.1)</b>
	(HKD)	(HKD)	
<b>Proposed Final Dividend per Share</b>	0.022	-	-

Notes:

(1) Net profit margin = Profit and total comprehensive income attributable to owners of the Company / Revenue

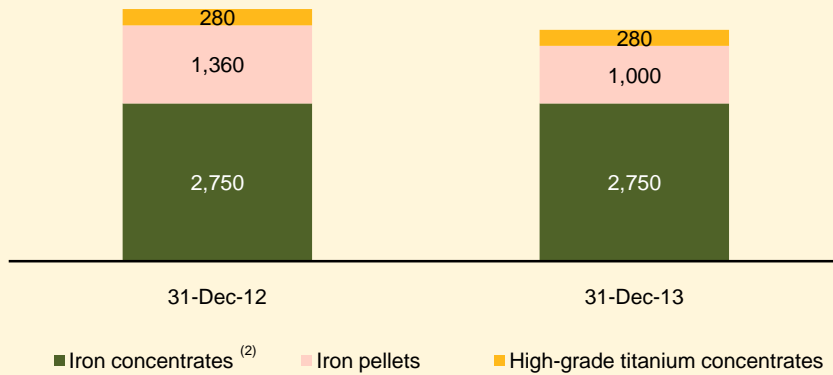
(2) Weighted average number of shares of 2,075,000,000 in issue



# Operating Performance

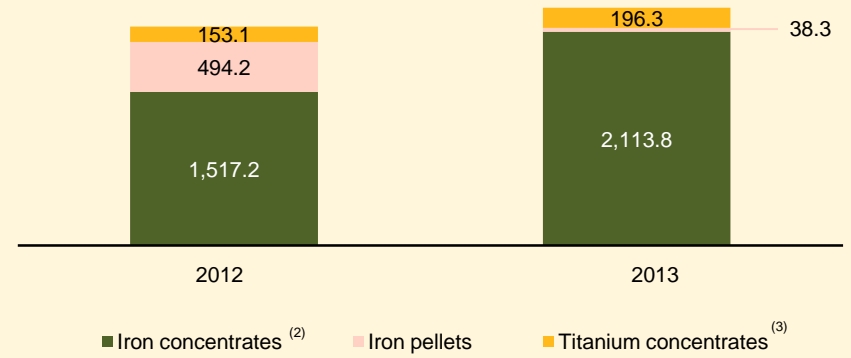
## Self Annual Production Capacity <sup>(1)</sup>

(ktpa)



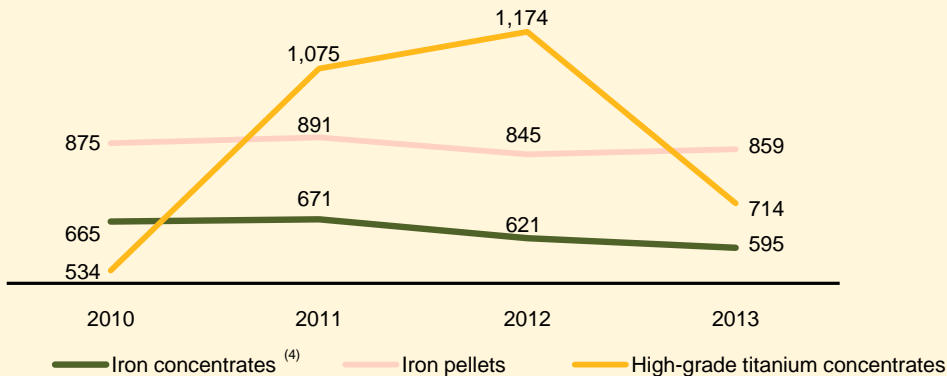
## Sales Volume Breakdown by Products

(kt)



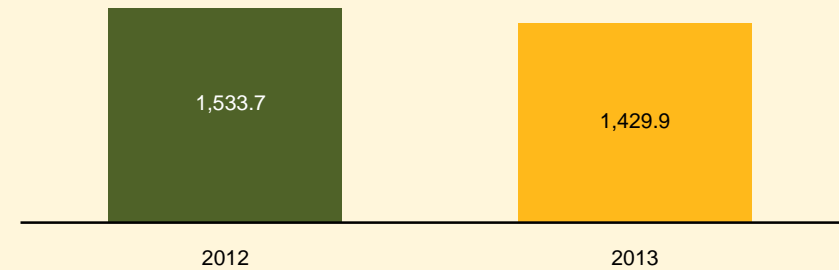
## Selling Prices by Products

(RMB/t)



## Sales Revenue

(RMB mm)



Notes:

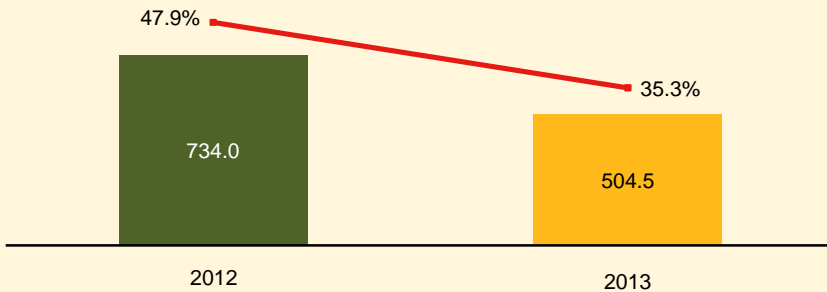
- (1) Production capacity on a wet basis
- (2) Including both vanadium-bearing iron concentrates and ordinary iron concentrates
- (3) Including both medium-grade titanium concentrates and high-grade titanium concentrates
- (4) Weighted average selling prices of vanadium-bearing iron concentrates and ordinary iron concentrates.



# Cost and Margins

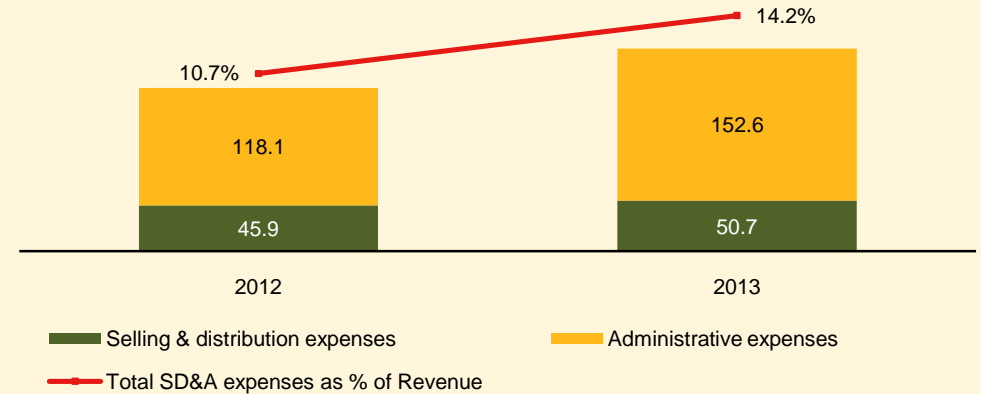
## Gross Profit and Gross Profit Margin

(RMB mm)

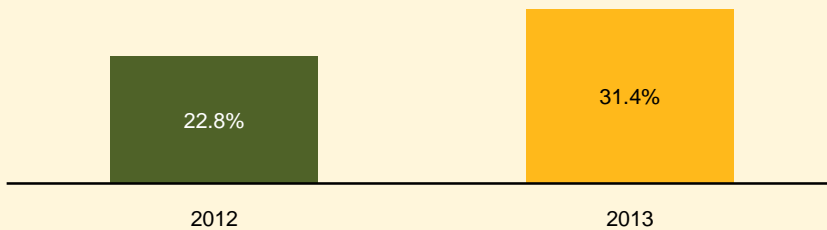


## Selling & Distribution and Administrative Expenses

(RMB mm)

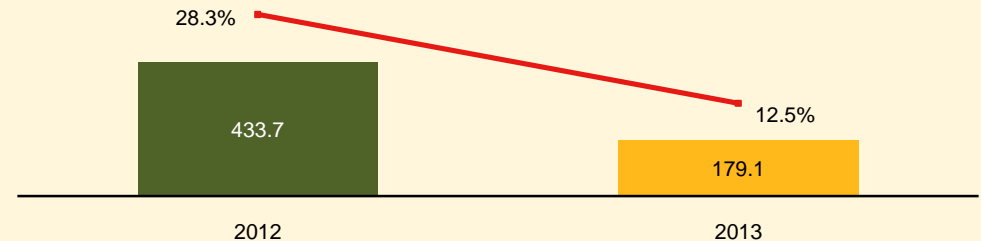


## Effective Tax Rate <sup>(1)</sup>



## Profit and Total Comprehensive Income Attributable to Owners of the Company and Net Profit Margin <sup>(2)</sup>

(RMB mm)



Notes:

(1) Effective tax rate = Income tax expense / Profit before tax

(2) Net profit margin = Profit and total comprehensive income attributable to owners of the Company / Revenue

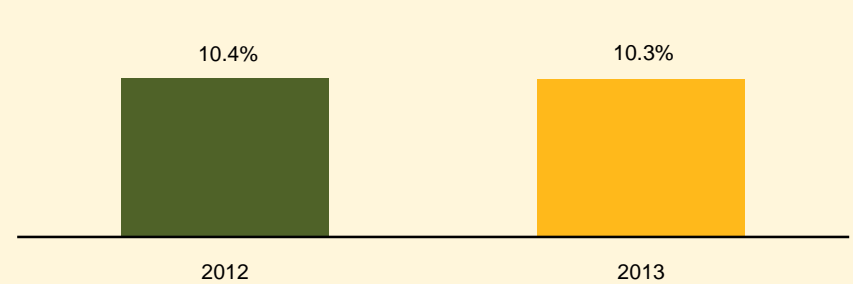


# Maintained Low Leverage

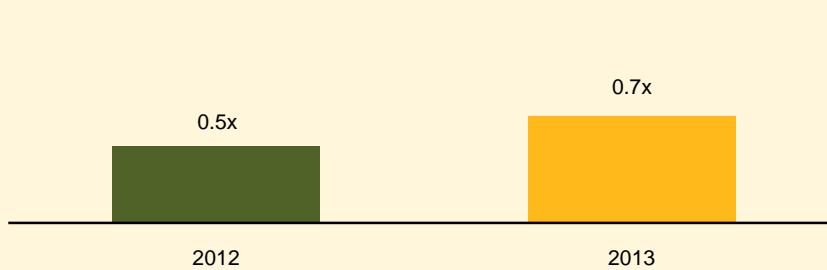
Net Debt / Total Capitalisation <sup>(1)</sup>



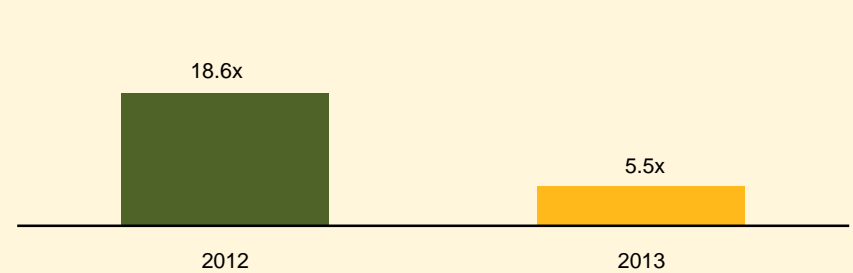
Total Debt / Total Capitalisation <sup>(1)</sup>



Total Debt / EBITDA



EBITDA / Interest Expenses <sup>(2)</sup>



Notes:

(1) Total capitalisation = Total debt + Total equity

(2) Interest expense included capitalised interest





## Business Update & Outlook



# Business Presence in China

Increase Resources and Production Capacity through Organic Growth, Acquisition and Cooperation



- 1 Baicao mine
- 2 Xiushuihe mine
- 3 Yangqueqing mine
- 4 Cizhuqing mine
- 5 Maoling-Yanglongshan mine
- 6 Iron pelletising plant
- 7 Xiushuihe processing plant
- 8 Baicao processing plant
- 9 Hailong processing plant
- 10 Heigutian processing plant
- 11 Maoling processing plant

\* Haibaodang mine: Acquisition pending completion with forecasted resources of at least 100.0 mt.



# Update on the Baicao Mine & Pingchuan Mine

## Baicao Mine

July  
2013

- Preliminary survey conducted by the Sichuan Geochemistry Exploration Team indicated that the Baicao mine may contain economically mineable niobium and tantalum ore resources and the Group accepted the recommendations to adjust normal mining operation

March  
2014

- However, the two independent research institutes had concluded in their reports that the niobium and tantalum ore resources cannot be economically recovered from the ore
- The board has decided to terminate the exploration work and resumed normal mining two months earlier than planned at the Baicao mine
- Reduction of production volume of vanadium-bearing iron concentrates for the first half of 2014 reduced from previously not more than 250,000 tonnes to **not more than 125,000 tonnes**

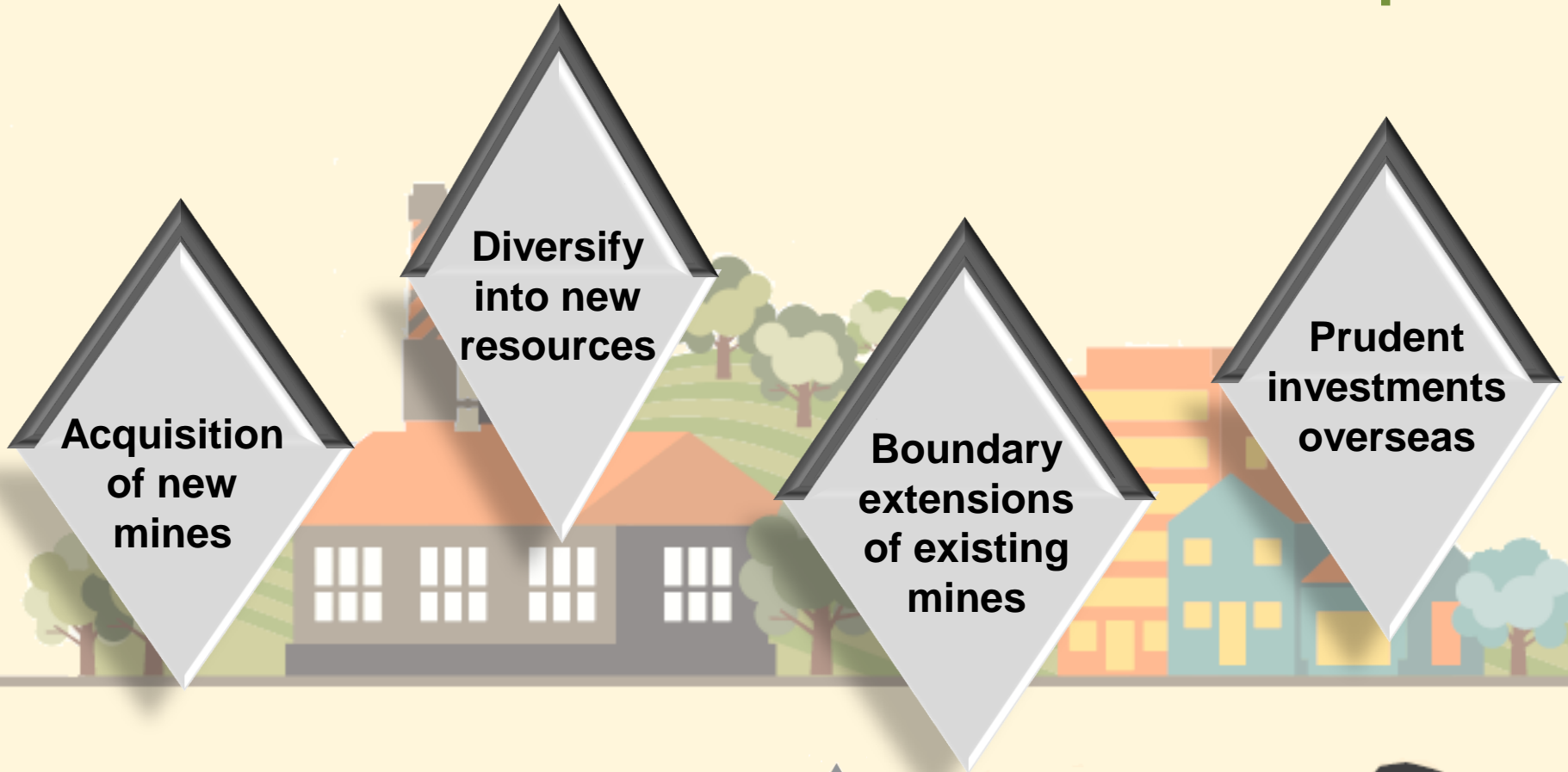
## Pingchuan Mine

January  
2014

- Decided to voluntarily wind-up the joint venture established for the development of the Dashanshu section of the Pingchuan Mine due to uncertainty on the timing to obtain the necessary mining permit for its operation and additional expenses would incur to reach commercial production
- Such action will not lead to any adverse material impact on the business of the Group



# Measures to Achieve Sustainable Development





# Thank you !

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