中国忠旺控股有限公司
China Zhongwang Holdings Limited
（於開曼群島註冊成立的有限公司）
股份代號：01333

2014 Interim Results
Corporate Presentation

15 August 2014

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2014 Interim Results Highlights

2014 Interim Results Highlights

- **The Group implemented the strategies of product innovation, capacity expansion and market development in 1H 2014, and achieved double-digit growth in both revenue and net profit. Gross profit margin of the Group remained at 28.2%.**

For the six months ended 30 Jun (RMB millions)	1H 2013	1H 2014	Change (%)
Revenue	**7,021**	**7,948**	**+13.2**
Gross profit	**1,969**	**2,244**	**+14.0**
Profit before taxation	**1,420**	**1,527**	**+7.6**
Effective tax rate	**24.5%**	**16.8%**	**-7.7 ppt**
Profit attributable to equity shareholders	**1,072**	**1,271**	**+18.6**
Basic earnings per share[1] (RMB)	**0.20**	**0.19**	**-5.0**
Interim dividend per share (RMB)	**N.A.**	**0.06**	**N.A.**

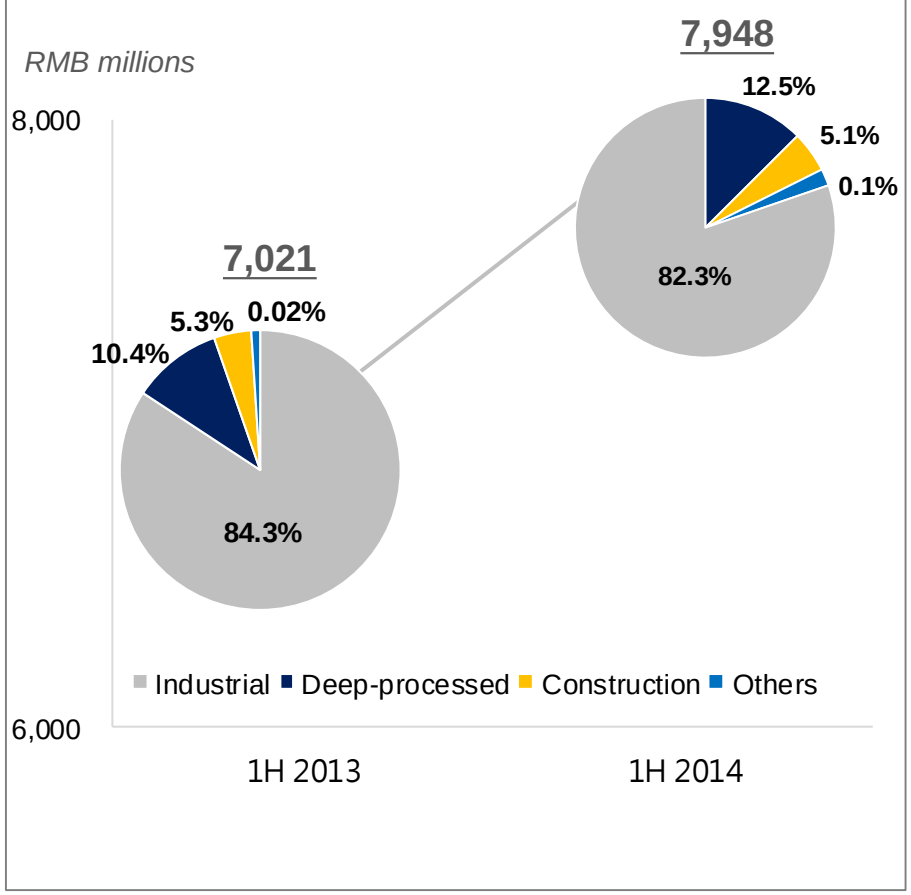
%	1H 2013	1H 2014	Change (%pt)
Gross profit margin	**28.0**	**28.2**	**+0.2**
Net profit margin	**15.3**	**16.0**	**+0.7**
EBITDA margin	**27.2**	**26.0**	**-1.2**

Note：

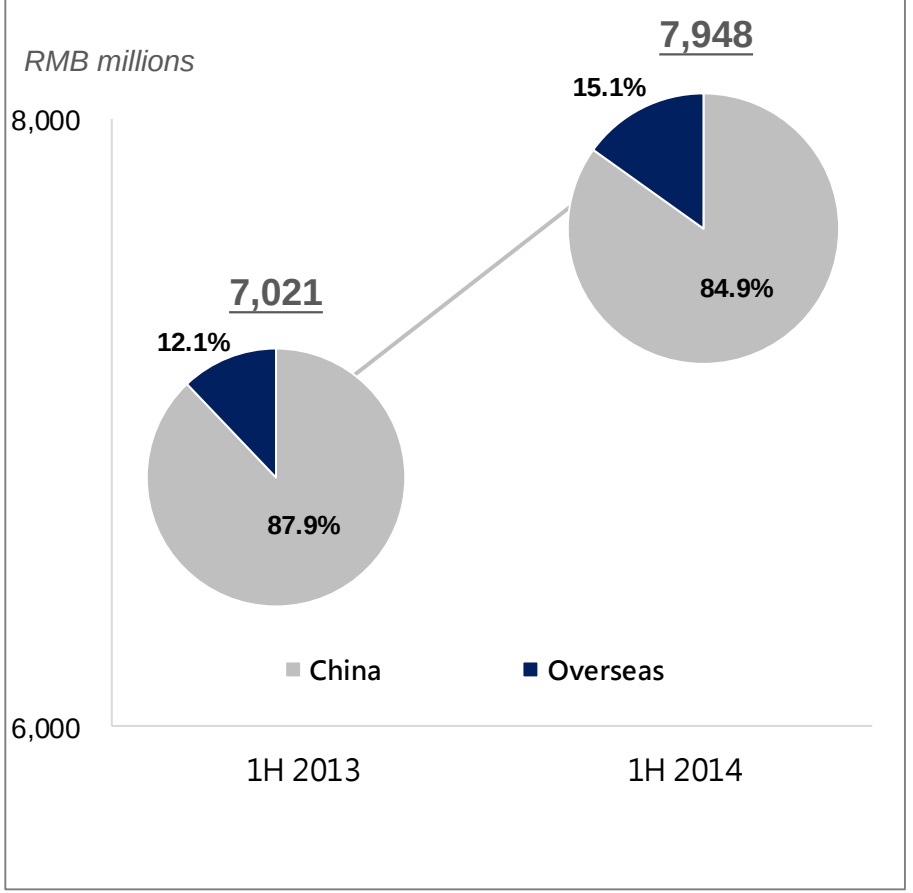
1. Total number of shares increased in 1H 2014 as a result of the open offer completed early this year, comprising issue of approximately 2.7 million ordinary shares and 1.62 billion convertible preference shares.

Revenue Analysis

Revenue by Product

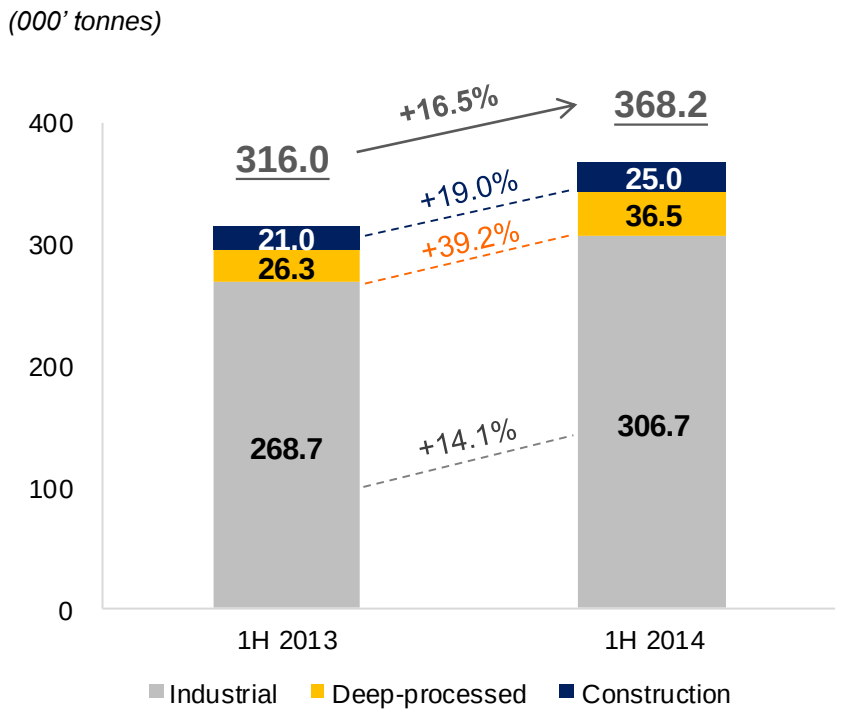


Revenue by Geographic Region

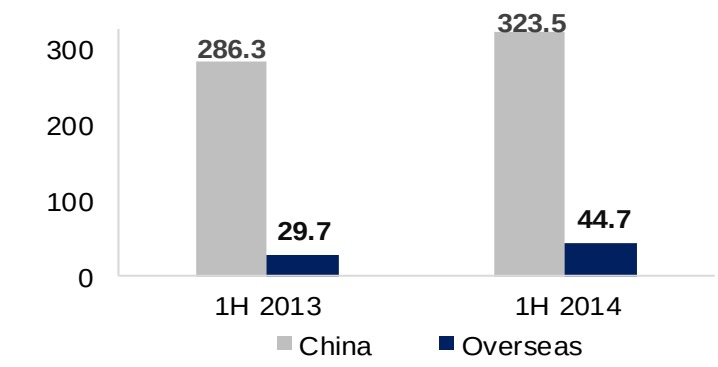


Aluminium Extrusion Product Sales Volume Analysis

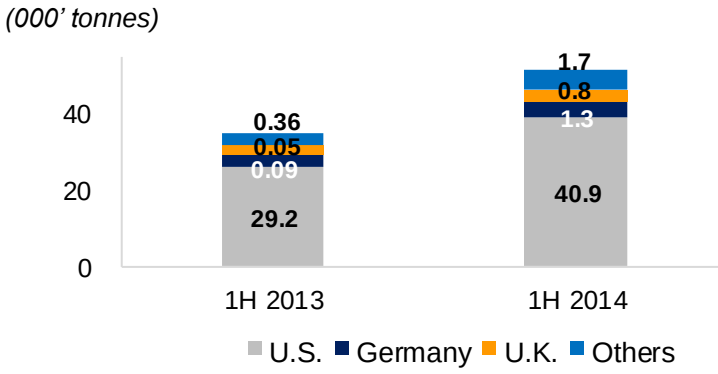
Sales Volume by Product



Sales Volume by Geographical Region

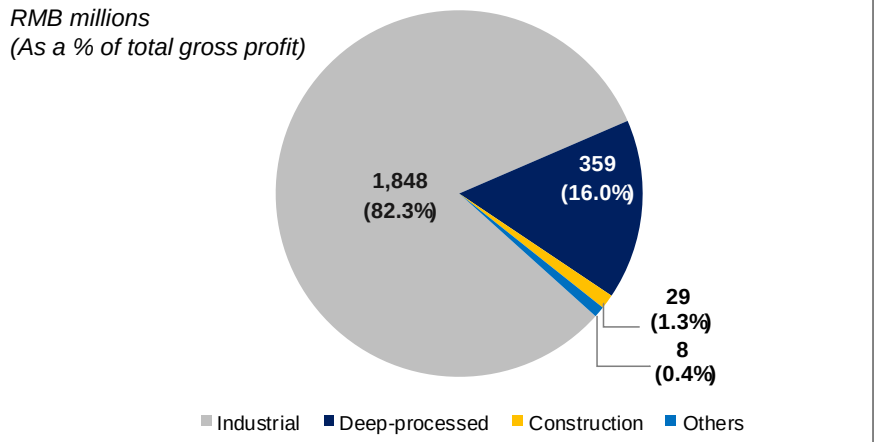


Overseas Sales Volume Analysis

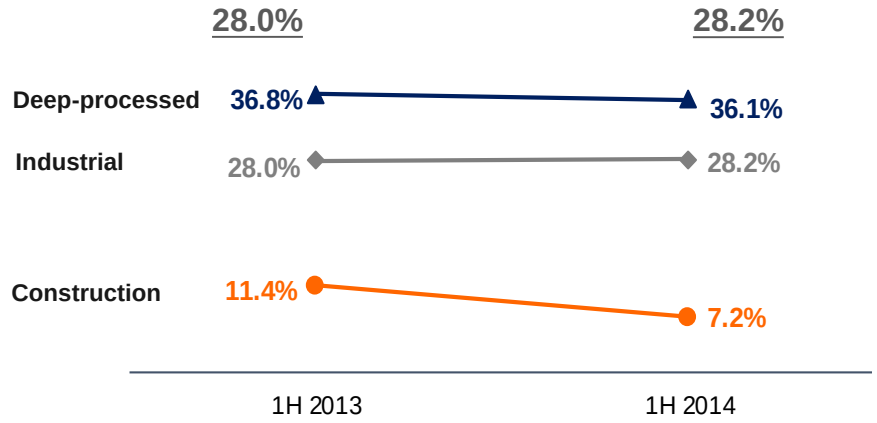


Effective Cost Control, Stable Gross Profit Margin

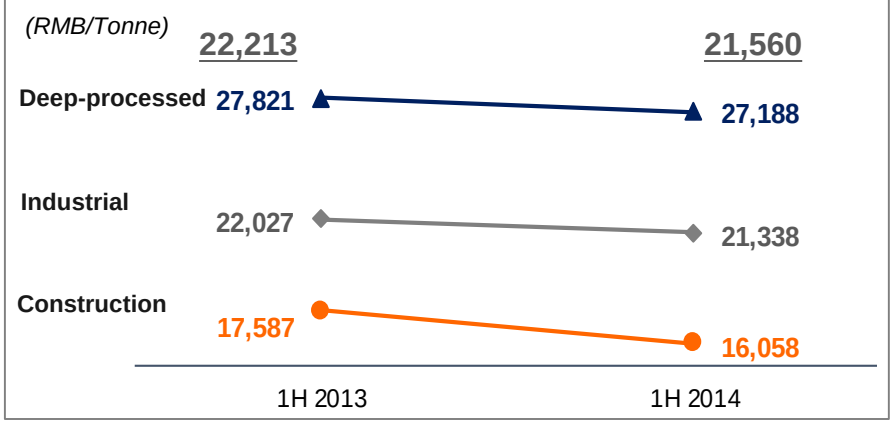
1H 2014 Gross Profit Breakdown – by Products



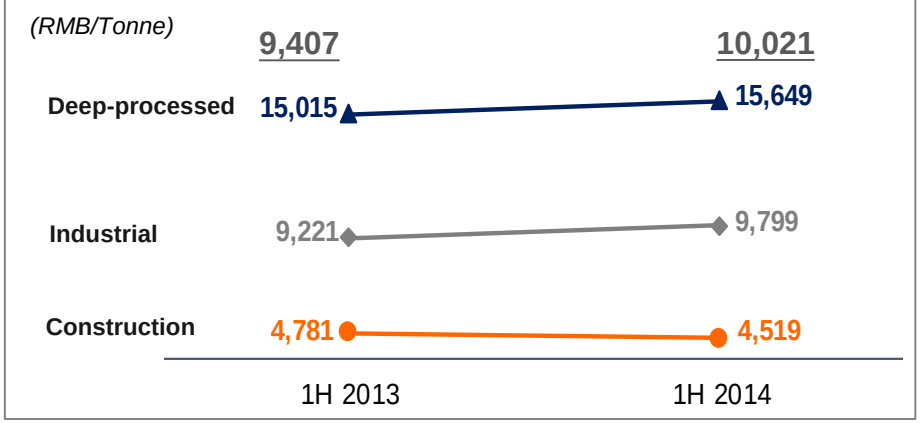
GP Margin of Aluminium Extrusion Products



ASP of Aluminium Extrusion Products



Processing Fee of Aluminium Extrusion Products



Solid Financial Position and Sound Management

Turnover Days (Days)	1H 2013	1H 2014
Accounts receivable turnover days[1]	25	16
Accounts payable turnover days[2]	138	164
Inventory turnover days[3]	136	111

Balance Sheet Summary (RMB millions)	As at 31 December 2013	As at 30 June 2014
Total assets	40,353	48,797
Bank balances and cash[4]	10,886	16,177
Net assets	19,639	23,582
Gearing ratio (%)[5]	51.3%	51.7%

Note:

1. Accounts receivable turnover in days = (365*/2) ((accounts and bill receivables balance at the beginning of the year + accounts and bill receivables balance at the end of the year) / 2) / sales for the year
2. Accounts payable turnover in days = (365*/2) ((accounts and bills payable balance at the beginning of the year + accounts and bills payable balance at the end of the year) / 2) / cost of sales for the year
3. Inventory turnover in days = (365*/2) ((inventory balance at the beginning of the year + inventory balance at the end of the year) / 2) / cost of sales for the year
4. Bank balances and cash = cash and cash equivalents + pledged bank deposits + short-term deposits
5. Gearing ratio = total liabilities / total assets*100%

Continued to Enhance the Capital Structure

Jan 2013

Method: Syndicated loan
Amount: US$200 million
Period: Three years
Interest Rate: LIBOR+275 bps

Jun 2014

Method: Syndicated loan
Amount: US$500 million
Period: Three years
Interest Rate: LIBOR+275 bps

Jan 2014

Method: Open offer at 3 new ordinary shares for every 10 existing ordinary shares
No. of New Shares issued: Over 1.62 billion
Subscription Price: HK$2.61 per Share
Proceeds: HK$4.23 billion

The outstanding business performance over the past years has given financial institutions and shareholders confidence on the Group's development and growth potential

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Operational Highlights

Three Synergistic Core Businesses

Products in the Pipeline

High-end Aluminium Flat Rolled Products (FRP)

- FRP project development is on track.
- Construction of infrastructure and installation of equipment are rolling out as planned.

Current Products

Deep-processed Products

- Technically advance products command higher selling price and gross profit, becoming an increasingly important driver of profit growth for the Group.

Industrial Aluminium Extrusion Products

- A stable and reliable source of revenue and cash flow, industrial aluminium extrusion products provide strong backing for expansion industrial deep-processing business and FRP business.

Industrial Aluminium Extrusion Products

1H 2014 Performance at a Glance	
No. of extrusion lines	93
No. of large-tonnage extrusion presses of 75MN and above	21
Total production capacity	Over 1 million tonnes
Revenue (RMB)	6.54 billion
Sales volume	306,696 tonnes
ASP (RMB)	21,338 / tonne
Processing fee (RMB)	9,799 / tonne
Gross profit margin	28.2%

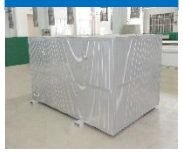
- The 8 large-tonnage aluminium extrusion presses that completed installation last year have all commenced operations, and have enhanced the Group's annual production capacity to meet production requirements.
- Two 225MN horizontal single-action aluminium extrusion presses will commence production in 2015. These additional production facilities will enhance the quality and production efficiency in industrial aluminium extrusion products and sharpen our competitive edges from economies of scale.

Deep-Processed Products

1H 2014 Performance	
Revenue (RMB)	990 million
Sales volume	36,547 tonnes (95.2% for export)
ASP (RMB)	27,188 / tonne
Processing fee (RMB)	15,649 / tonne
Gross profit margin	36.1%

- Deep-processed products sold in 1H 2014 were mainly aluminium pallets.
- Delivered orders for large components of five aluminium carriages for Fuzhou subway.
- Export volume of deep-processed products increased by 33.8% to approximately 34,775 tonnes.
- More technically advanced products command higher selling prices and gross profit margin than industrial aluminium extrusion products, enhancing the Group's overall profitability.

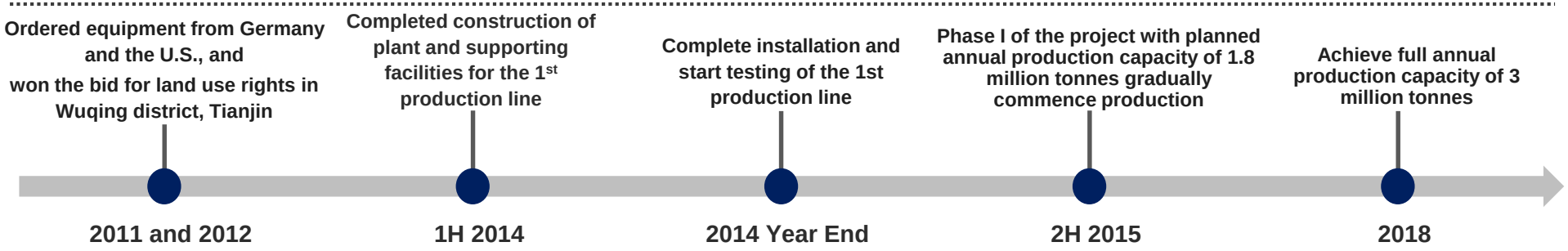
Showcase of All Aluminium Made Deep-Processed Products

Pallet	Fire Truck	City Rail and High-Speed Rail Carriage	Garbage Bin	Semi Trailer
				

High-End Aluminium Flat Rolled Products

Project Overview			
	Phase I	Phase II	Overall
Location	Tianjin Wuqing Auto Parts Industrial Park		
Commencement time	2H 2015	2018	2018
Area (km^2)	6	4	10
Designed capacity (mn tonnes)	1.8	1.2	3
Type of production lines	Medium-to-high thickness aluminium plates and aluminium sheets		
Product categories	High performance, broad-width section aluminium flat rolled products with high strength and tenacity applied in automobiles, vessels, rail cargo wagons, aviation and aerospace, chemical containers and cans		

- Plant Infrastructure construction for the first medium-to-high thickness production line has been completed.
- The first production line with a designed capacity of 0.9 million tonnes will be installed by early next year for pilot production and equipment testing.
- Nearly 200 core technical staff have been sent to Germany for training.
- CAPEX for phase 1 is over RMB30 billion, the project will be the world's largest top-notch FRP base upon completion. The project is expected to change the current situation of the nation's reliance on import for high-end products.



Recognized R&D Capabilities

Research Team

- R&D investment in 1H 2014 amounted to RMB240 million, equivalent to 3% of total revenue.
- A team of 795 R&D and quality control experts as of 30 June 2014, representing 9.7% of the Group's total employees.

Research Achievements

- Granted 11 patents in 1H 2014, among which 4 are invention patents and 7 are utility model patents.
- Liaoning Zhongwang, recognized as high and new technology enterprise, enjoys a preferential corporate income tax rate of 15% during 2013 to 2015.

R&D Partners

- Recognised as the "Post-Doctoral Innovation Practice Base".
- Signed strategic cooperation framework agreement with Dalian University of Technology on developing high-end products.
- In talks with AVIC SAC Commercial Aircraft Company and Shenyang Aerospace University on R&D and production of aerospace aluminium extrusion products.

Industry Accreditation

- Passed the supervisory audit in relation to AS9100C which facilitates application of the Group's aluminium extrusion products in civil aviation.
- Obtained approval for expansion in aluminium alloy extrusions certified by CCS[1], that broadens application of the Group's products in shipment, offshore facilities and related industrial areas.

Note:

1. CCS refers to China Classification Society, issuer of technical standards for vessels and marine facilities.

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Development Strategies

China's Favorable Policies to Boost Demand for High-end Products

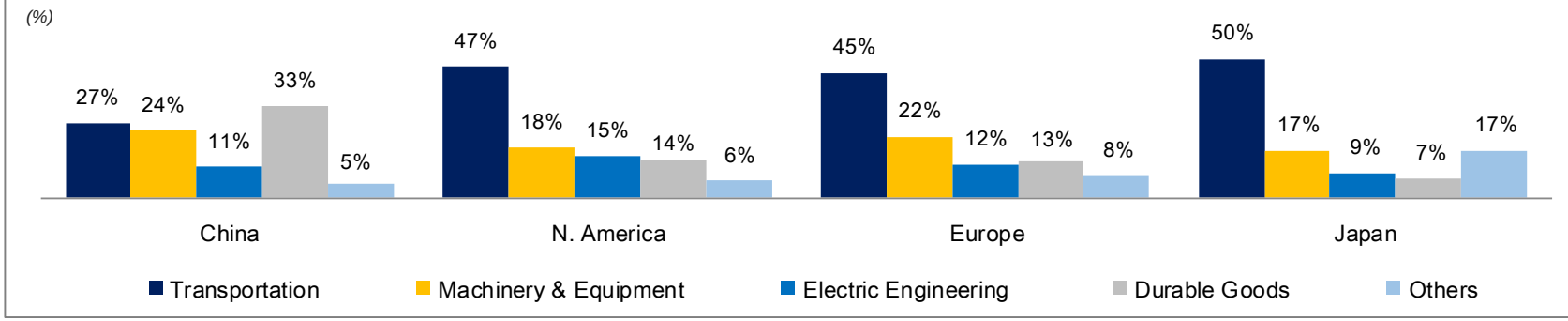
	Industrial Aluminium Extrusion and Deep-processed Products	Aluminium Flat Rolled Products
Demand from Terminal Industries Increases	**Strong demand from transportation industries:** • Automotive • High-speed rail and city railway • Shipping **Sustained development in machinery and equipment industries:** • Increase in automation and large-scale equipment sets • The Government issued policies such as "12th five-year plan for high-end equipment manufacturing industry" and "Industrial transformation & upgrade plan" • Western China exploration plan **New energy and ultra-high voltage grid construction.**	**Transportation, containers and power electronics are the main growth drivers.** **Automotive, subway and aviation industries will continue to see rapid developments.** **Consumption level is increasing with rising demand from the following products:** • Chemical containers • Containers • Canned products
Demand for High-end Products Increases	**The proportion of sales revenue from high-end products to the overall aluminium extrusion products will increase drastically.**	**Large demand gap for high-end products in China:** • High-end products are mainly imported, however the market always faces export restrictions from developed countries • Automobile aluminium plate, ship plate, aluminium rail wagons, aviation and other fields are yet to develop • Consumption of canned products is below global average

Source: BCG Analysis Report

Industrial Aluminium Extrusion Market – Continual Stable Growth

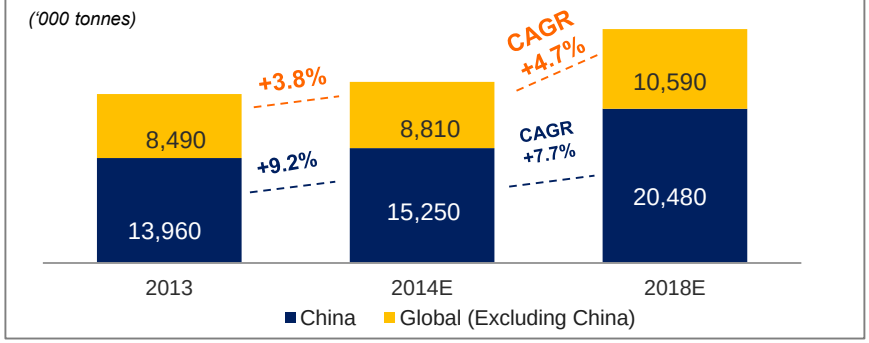
- China offers ample room for growth in usage of high value-added aluminium products, particularly in the transportation sector with an emphasis on energy saving, emissions reduction and light-weight development.

2013 Downstream Applications Comparison among China, Europe, N. America, & Japan

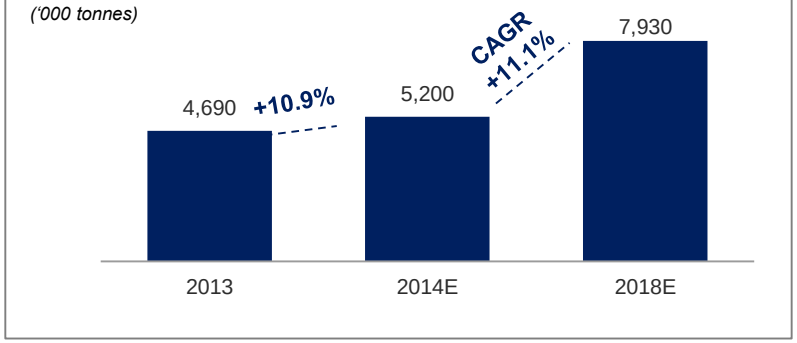


- China is driving the global aluminium extrusion industry growth. China's industrial aluminium extrusion demand is expected to grow at a CAGR of 11.1% from 2014 to 2018.

2013-2018 Global Industrial Aluminium Extrusion Demand



China Industrial Aluminium Extrusion Demand & Forecast



Source: A Report on Global & Domestic Aluminium Extrusion Market, Prepared by Beijing Antaike Information Development Co., Ltd. , 2014.03

Promising Future for Flat Rolled Products in China

Industry's Favourable Factors / Advantages

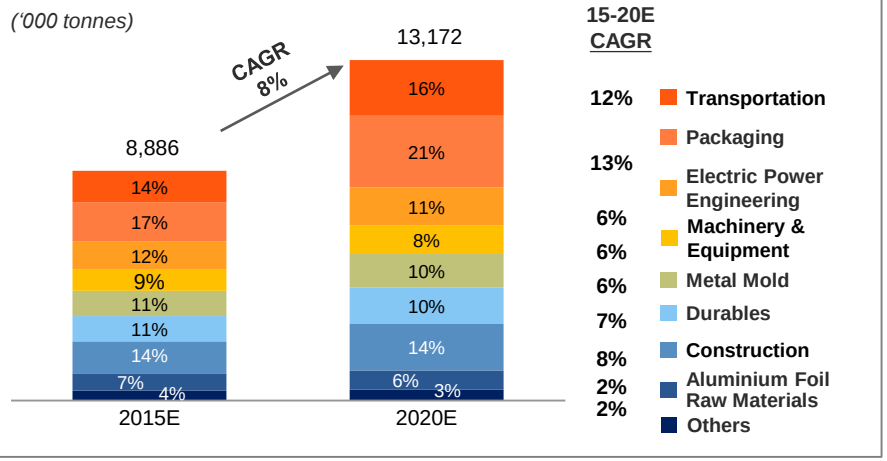
Rising Demand in Downstream Industries

- The major growth drivers of the China market are transportation, packaging, and electric power engineering.
- Industries like automobiles, railway and aviation will maintain high growth trajectory resulting in a strong demand for aluminium plate.
- With rising consumption levels, high-end packaging supplies like cans, chemical containers and containers will be the key drivers for future development of aluminium FRP.

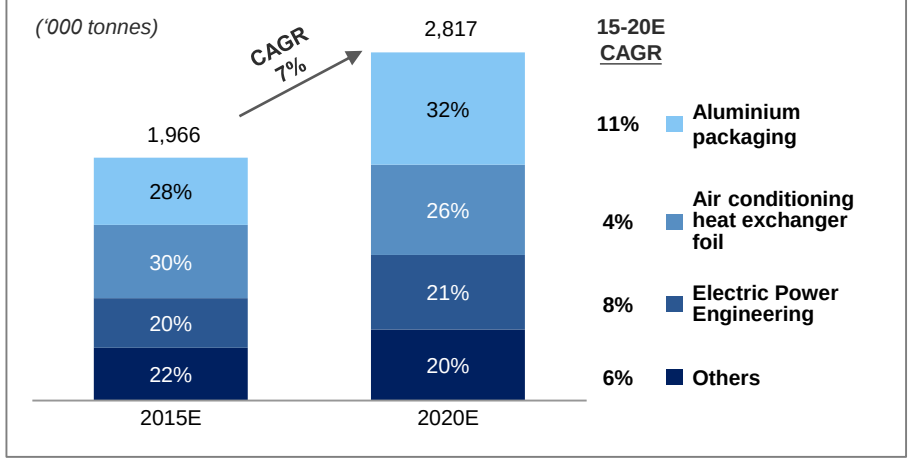
Large Demand–Supply Gap for High-end Products

- High-end aluminium FRP market is still in the early stage, relying on imports to meet market demand.
- Automobile aluminium plates, aluminium rail wagons, aviation and other sectors are still under-developed.

Aluminium Plate and Sheet Consumption in the Downstream Segments in China



Aluminium Foil Consumption in the Downstream Segments in China



Source: BCG Analysis Report

Energy Saving Policies in Different Countries to Promote Aluminium Application in Automotive Industry

U.S.

- U.S. Department of Energy states that for every 10% of car body weight reduction, fuel efficiency will be enhanced by **6%-8%**.
- From 2017 to 2025, the CAFE[1] of new car models manufactured in the U.S. should reach **4.3L/100km**, which will double the current requirement.
- U.S. Environmental Protection Agency and National Highway Traffic Safety Administration suggests car body weight **reduction by 20%** by 2025, provided that neither car safety nor car size are affected.

China

- Ministry of Industry and Information Technology suggests to lower the average fuel consumption of mainland's sedan car manufactured in 2015 to **6.9L/100km**.
- The Government targets to bolster strategic emerging industries to account for **8%** and **15%** of total GDP in 2015 and 2020 respectively.

EU

- By 2020, the average CO_2 emissions of sedan in EU zone must be reduced from 130g/km to **95g/km**. Extra emissions will be charged at 95 Euro/g.
- Environment Committee of European Commission hopes the CO_2 emissions of EU new sedan could be reduced to **68-78g/km** by 2025.

Aluminium applications in automotive

- Ford's model F-150 manufactured in 2015 adopted **97% of aluminium**, which is **lighter than steel car bodies by 320kg with 30% increased in fuel efficiency**.
- Tesla Model S adopted **full aluminium car body**, majority of the front and back rear use aluminium to address car weight reduction and battery life span.
- Next generation of Chrysler's Wrangler will adopt aluminium products. On Land Rover Range Rover SUV, Audi A8, Mercedes-Benz CLA, and Chevrolet Corvette sports model, parts or full body are made of aluminium.

Note:

1. CAFE refers to Corporate Average Fuel Economy

Future Strategies

- Reinforce R&D partnership with leading research and academic institutions
- Respond to market demands, focus mainly on the domestic market and develop overseas market on a complementary basis, cement relationship with existing customers and step up efforts to cultivate new customers
- Introduce new products for different markets and increase the share of deep-processed products in total sales
- Strengthen the Group's foothold in the production of high precision, large cross-section industrial aluminium extrusion products; increase investment in aluminium tilt smelting and casting facility and equipment
- Provide a new impetus for the Group's long-term development

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Open Forum

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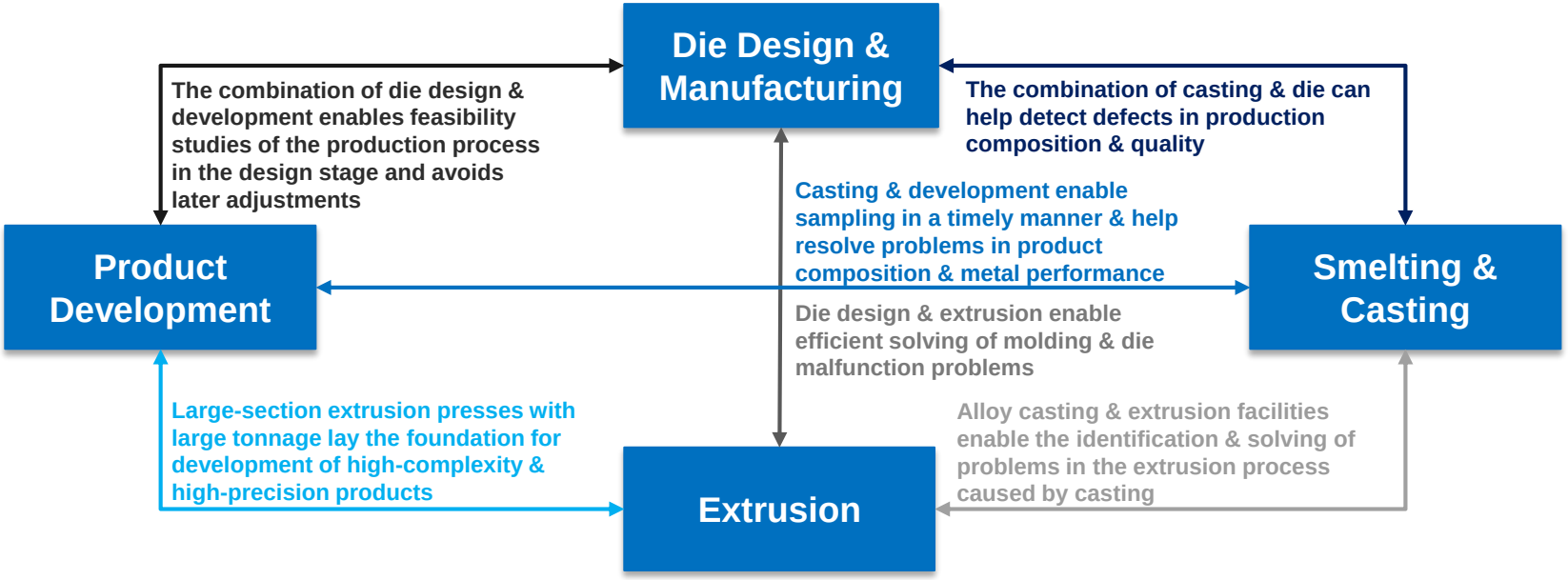
Appendix

Unique Four-in-one Business Model

**Leading Die and Alloy Smelting & Casting Capabilities –
Two Major Industrial Aluminium Extrusion Technologies**



- Product development, die design & manufacturing, alloy smelting & casting, as well as extrusion altogether form a “four-in-one” capabilities business model with comprehensive advantages which showcases the Group’s unrivaled and core competencies
- The Group has the largest smelting and quenching equipment in China, as well as unique equipment and technology for degassing

Product development, die design & manufacturing, smelting & casting, and extrusion work closely together to form integrated competitive strengths

Major Products

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Existing Products

Industrial Aluminium Extrusion

Transportation

Chassis for EMU | Traction Beam Base for Train | Corbel for Train Body | Aluminium for CRH Body | Conductor Rail & Bus for Train | Side-wall of EMU Body

Machinery & Equipment

Robot Carriage | Equipment Cylinder | Snowplow

Electrical Engineering

Electrical Engineering | Turbine Blade

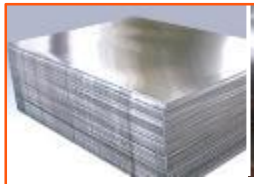
Construction Aluminium Extrusion

Aluminium Window

Aluminium Door

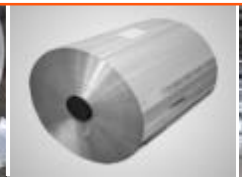
Bridge-cut Aluminium Alloy

Future Products



Aluminium Flat Rolled Products-Aluminium Plate

Aluminium Flat Rolled Products – Aluminium Sheet



Aluminium Flat Rolled Products – Foil

Deep-processed Train Compartment

Properties of Aluminium

1st in terms of Production amongst Non-ferrous Metals

- Aluminium production exceeds that of copper, lead, tin and other non-ferrous metals combined
- Annual production of non-ferrous metals in 2007

Aluminium	Copper	Lead	Tin
38,108,700 tonnes	17,974,300 tonnes	8,084,900 tonnes	349,000 tonnes

Source: London Metal Exchange

2nd Most Widely Used Metal after Steel

- Extensive applications due to lightweight, corrosion-resistant, and good electrical and thermal conductivity qualities
- Weighs less than half of steel and copper
- Electricity conductivity is twice as good as copper given the same weight

aluminium	Steel	Copper
2.7g/cm^3	7.6g/cm^3	8.5g/cm^3

3rd Most Abundant Material in the Earth's Crust

- Accounts for 7.3% of the Earth's crust, 3rd most abundant material in the Earth's crust

Aluminium is Energy-saving & Environmental Friendly

Production

- The energy saved is 6-12 times of the power required to produce the primary aluminium if replacing other metals with aluminium

Source：International Aluminium Institute

Usage

- Every 10% reduction in weight results in fuel savings of up to 8%
- Replace other metals with aluminium in vehicles or light trucks, each kilogram of aluminium used translates to 20kg less CO_2 over the lifetime of the vehicle. Improve the emissions reduction benefits of heavy vehicles, shipments and aviation.

Recycling

- 100% recyclable
- 3/4 of all aluminium ever produced remains in use today
- Recycling aluminium takes up to 95% less energy than producing new aluminium

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Light-weight material, aluminium alloy enables:

- **Vehicles to run faster**
- **Planes to fly high and far**
- **Our environment to be more eco-friendly**
- **Energy to be used more efficiently**
- **A better tomorrow**

Committed to Light-Weight Development
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