



**中国忠旺控股有限公司\***  
**China Zhongwang Holdings Limited**

(incorporated in the Cayman Islands with limited liability)

Stock Code: 01333



## **2012 Interim Results Corporate Presentation**

**August 2012**

# Disclaimer



- This document may contain forward-looking statements that reflect risks and uncertainties. These forward-looking statements are generally expressed in forward-looking expressions, such as expectations, estimation, planning, projections, goals, the possibilities, probabilities or so on to reflect the actions that the Company expects to or may take in future or the results from these actions. You should not have excess reliance on these forward-looking statements, which are based on our own information and other sources of information that we consider reliable. Our actual results may differ from these forward-looking statements which may lead to the price fluctuation of our shares.
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- **2012 Interim Results Highlights**
- **Operational Highlights**
- **Development Strategy**

# 2012 Interim Results Highlights



# 2012 Business Strategy



**Expand business scope in the aluminium processing industry to high precision aluminium flat rolled products to establish medium- to long-term growth engines**

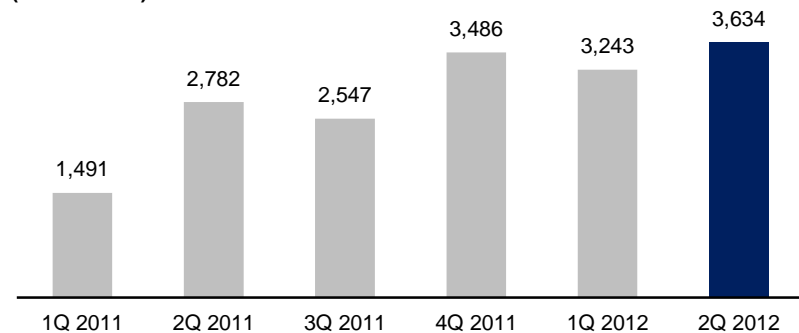
**Diversify product mix by developing deep-processing business with high gross margin to tap overseas markets**

**Optimise and expand production capacity to capture opportunities in the high-end industrial aluminium business segment**

# Continual Quarterly Growth

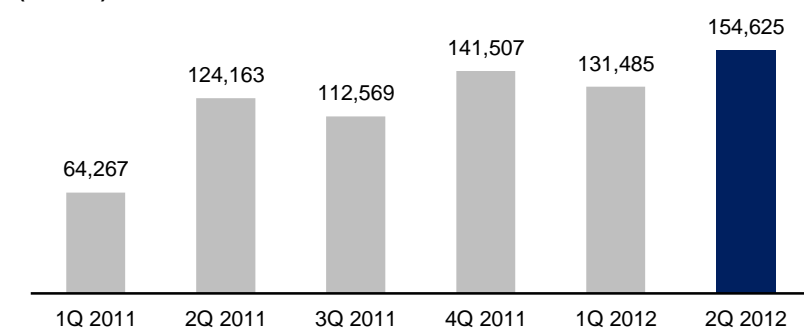
## Revenue

(RMB Million)



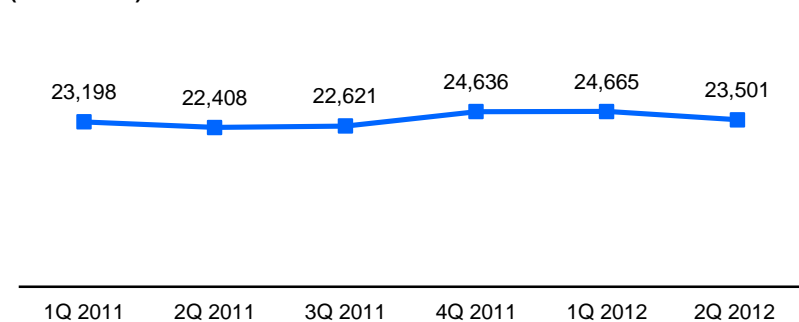
## Sales Volume

(Tonnes)



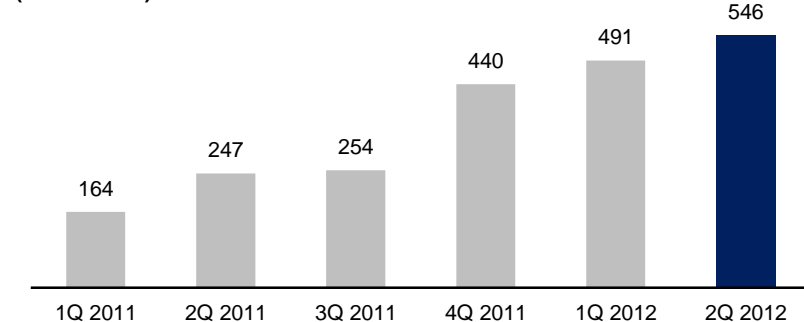
## Average Selling Price

(RMB/Tonne)



## Net Profit

(RMB Million)

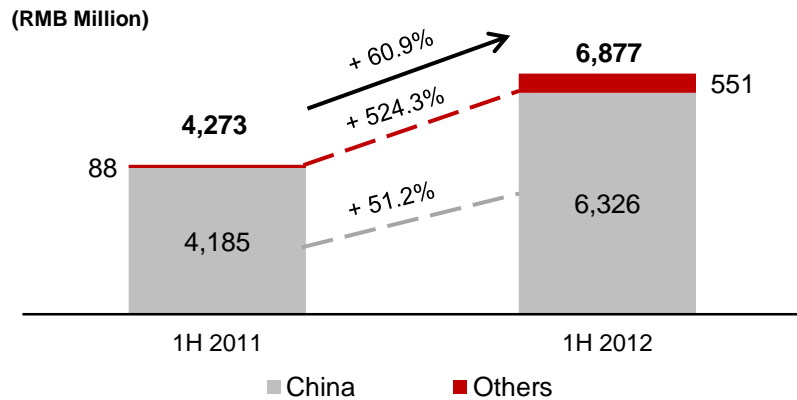


# 1H 2012 Results Highlights

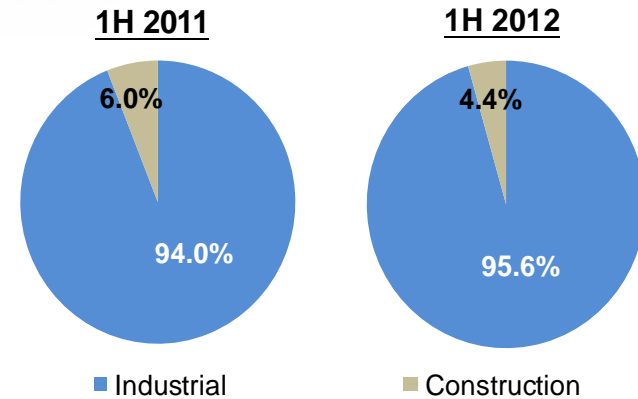
<i>For the six months ended 30 Jun</i> <i>RMB Million</i>	<b>1H 2011</b>	<b>1H 2012</b>	<b>Change (%)</b>
<b>Revenue</b>	4,273	<b>6,877</b>	<b>+60.9</b>
<b>Gross Profit</b>	881	<b>1,607</b>	<b>+82.5</b>
<b>Profit Before Taxation</b>	570	<b>1,388</b>	<b>+143.5</b>
<b>Net Profit</b>	412	<b>1,037</b>	<b>+152.0</b>
<b>Adjusted EBITDA</b>	901	<b>1,727</b>	<b>+91.7</b>
<b>Basic Earnings per Share (RMB)</b>	0.08	<b>0.19</b>	<b>+152.0</b>
<b>%</b>	<b>1H 2011</b>	<b>1H 2012</b>	<b>Change (% pt)</b>
<b>Gross Profit Margin</b>	20.6	<b>23.4</b>	<b>+2.8</b>
<b>Net Profit Margin</b>	9.6	<b>15.1</b>	<b>+5.5</b>
<b>Adjusted EBITDA Margin</b>	21.1	<b>25.1</b>	<b>+4.0</b>

# Growing Domestic and Export Sales

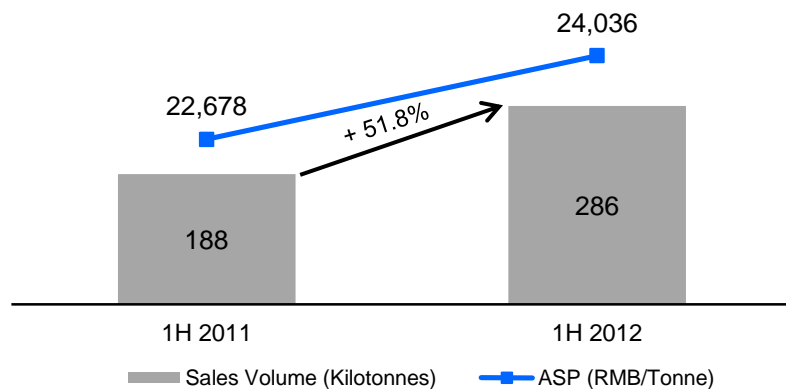
## Revenue by Geographical Regions



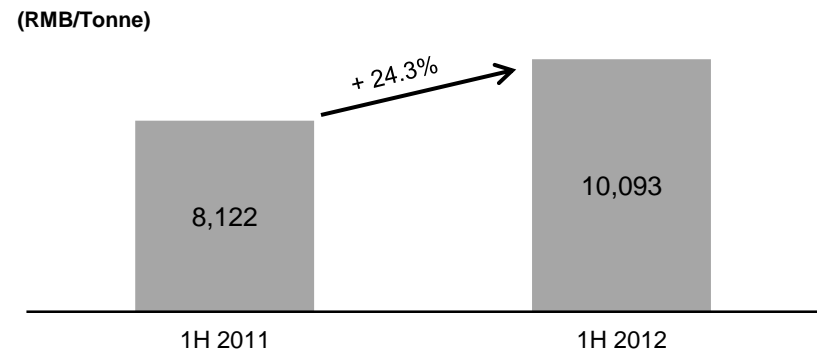
## Revenue by Product



## Sales Volume and ASP



## Average Processing Fee

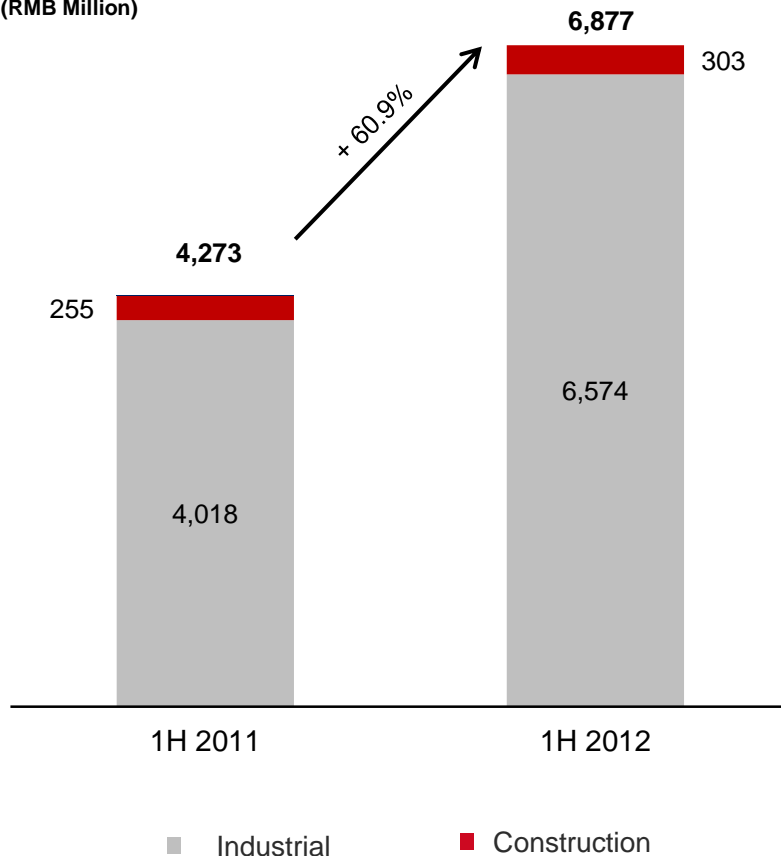




# Diversify Product Mix to Enhance Overall Profitability

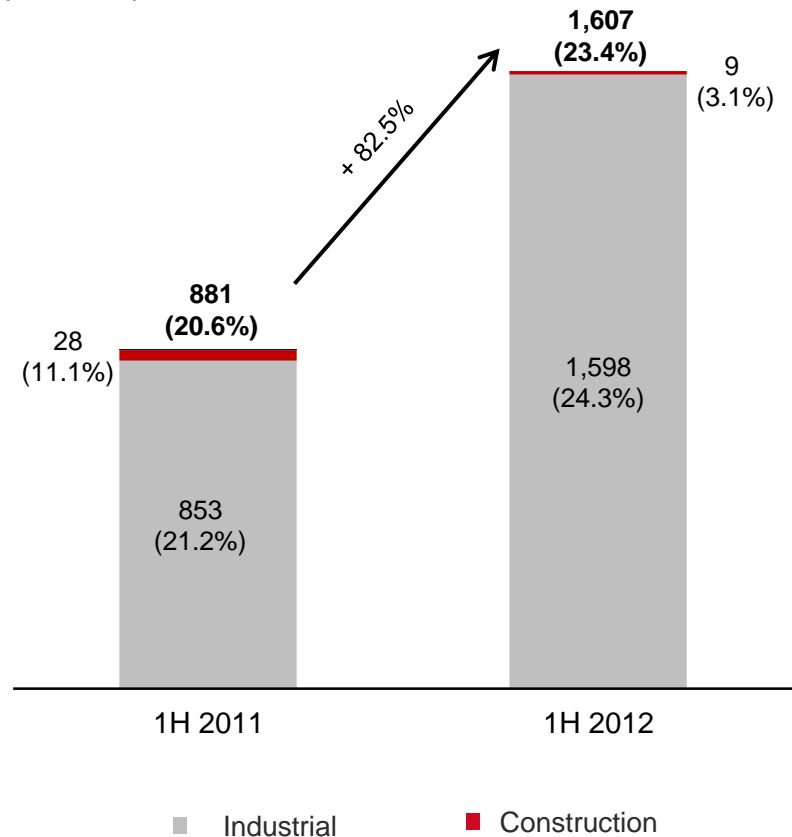
## Revenue by Product

(RMB Million)



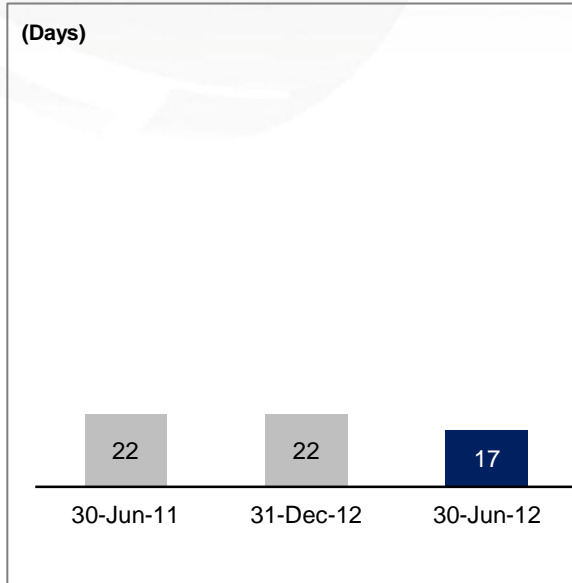
## Gross Profit & Gross Profit Margin by Product

(RMB Million)



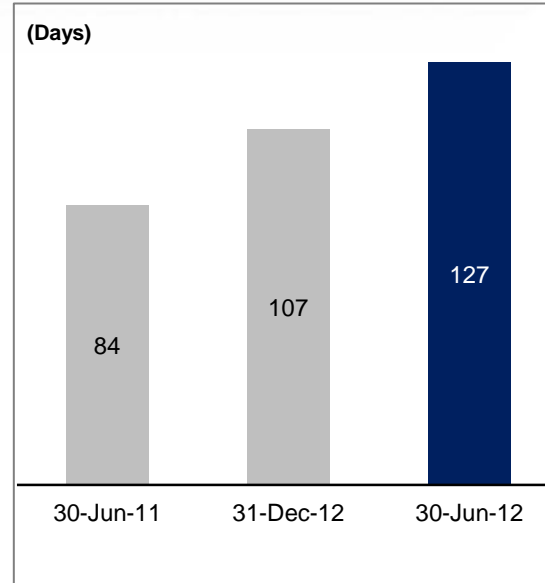
# Effective Working Capital Management

## Accounts Receivable Turnover Days<sup>1</sup>



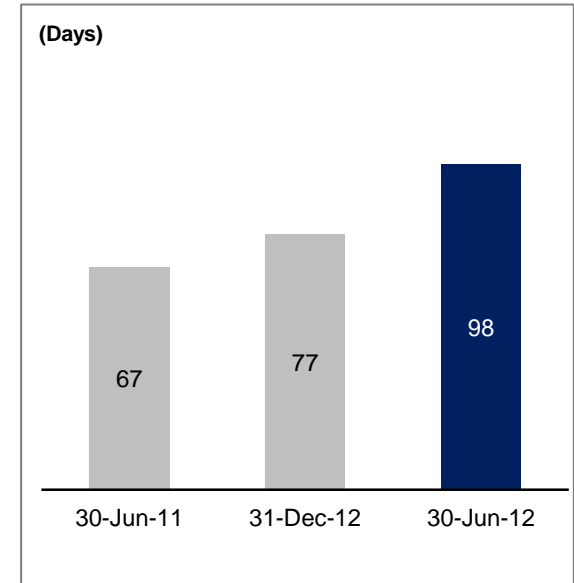
- Domestic clients were mainly large-scale SOEs, with credit period of around 3 months

## Accounts Payable Turnover Days<sup>2</sup>



- Negotiated better terms with suppliers and extended the credit period to allow more flexibility in working capital management

## Inventory Turnover Days<sup>3</sup>



- Majority of inventory being aluminium ingots, are kept to satisfy production needs for about 3 months

### Remarks:

1. Trade receivable turnover in days =  $365^* \left( \frac{\text{trade receivables balance at the beginning of the period} + \text{trade receivables balance at the end of the period}}{2} \right) / \text{sales for the period}$
2. Trade payable turnover in days =  $365^* \left( \frac{\text{trade and bills payable balance at the beginning of the period} + \text{trade and bills payable balance at the end of the period}}{2} \right) / \text{cost of sales for the period}$
3. Inventory turnover in days =  $365^* \left( \frac{\text{inventory balance at the beginning of the period} + \text{inventory balance at the end of the period}}{2} \right) / \text{cost of sales for the period}$

# Solid Financial Position



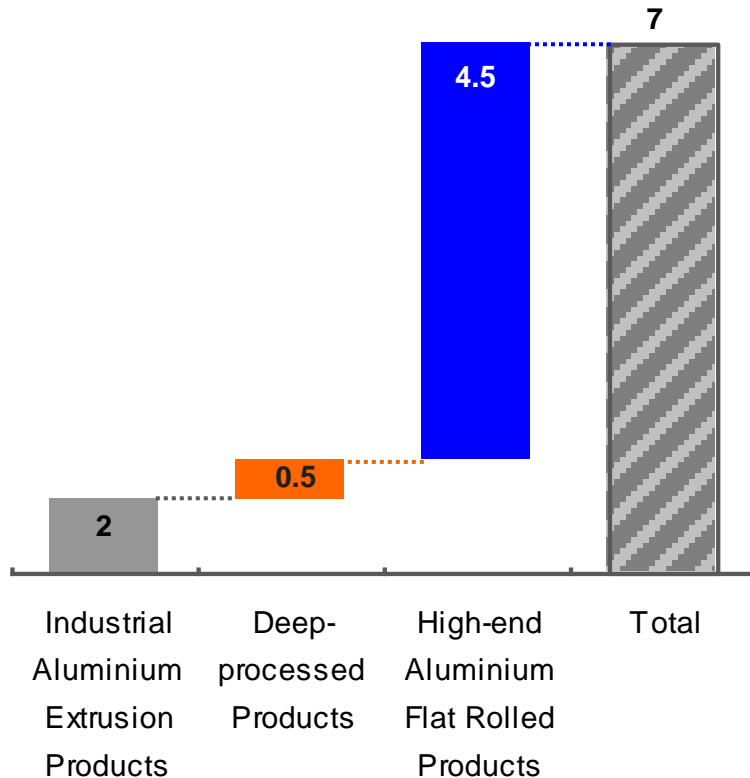
(RMB Million)	30-Jun-2011	31-Dec-2011	30-Jun-2012
<b>Total Assets</b>	27,093	27,775	32,267
<b>Net Assets</b>	14,970	15,678	16,730
<b>Short-term Deposits, Bank Balance and Cash Equivalents</b>	18,630	11,854	10,240
<b>Gearing Ratio (%)<sup>1</sup></b>	44.7%	43.6%	48.2%

Remarks:

1. Gearing ratio = total liabilities/total assets\*100%

## 2012 CAPEX Plan

(RMB Billion)



### Industrial Aluminium Extrusion Products

- CAPEX for 2012 estimated to be approx. RMB2 billion
- Mainly for the purchase of large extrusion presses

### Deep-processed Products

- CAPEX for 2012 amounted to approx. RMB500 million

### High-end Aluminium Flat Rolled Products

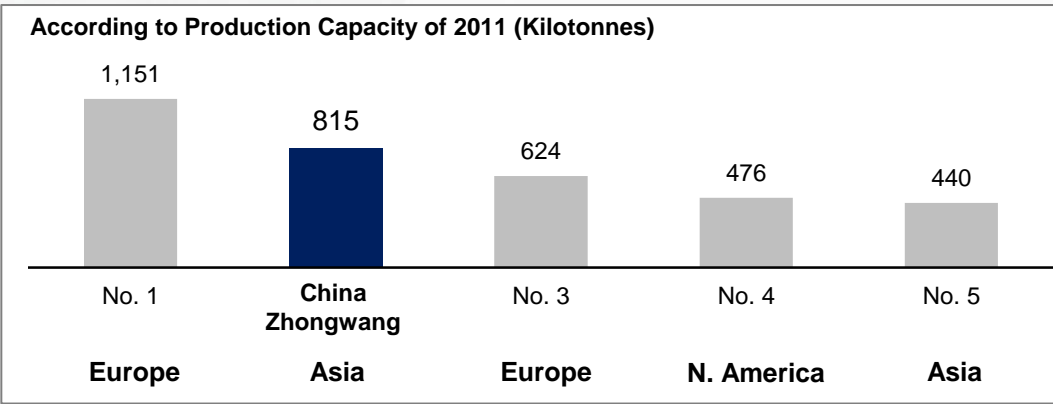
- Investment of RMB25 billion for production facilities, payable in four installments from 2011 to 2014
- CAPEX for 2012 amounted to approx. RMB4.5 billion

# Operational Highlights



# The World's Leading Industrial Aluminium Extrusion Product Developer and Manufacturer

## The World's 2<sup>nd</sup> Largest Industrial Aluminium Extrusion Product Developer and Manufacturer



Source: Sunlight Metals, locations refer to the headquarters of respective companies

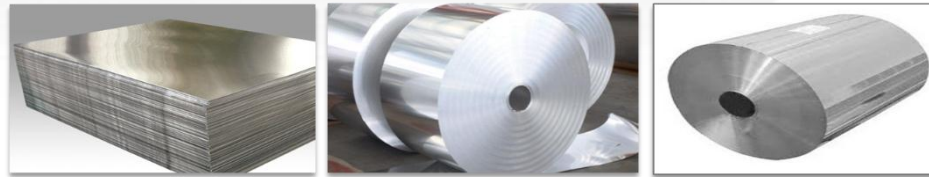
- Headquarters and production base for industrial aluminium extrusion products located in Liaoyang City of Liaoning Province
- Aluminium flat rolled production base in Tianjin, currently under construction, is expected to commence production by end of 2014
- Acquired sites for development of new aluminium processing production base in Panjin City and Daqing City

<b>Integrated Business Model</b>	<ul style="list-style-type: none"> <li>■ Four-in-one business model comprising die design and manufacturing, product development, smelting and casting and extrusion</li> </ul>
<b>Advanced Equipment and Technology</b>	<ul style="list-style-type: none"> <li>■ 93 extrusion production lines in operation and under installation, including the 125MN oil-driven dual-action extrusion press which is one of the world's largest of its kind</li> <li>■ In-house casting and die design centre</li> </ul>
<b>Focus on High Value-added and Deep-processed Products</b>	<ul style="list-style-type: none"> <li>■ Industrial aluminium extrusion products contributed approx. 96%</li> <li>■ Deep-processing of industrial aluminium extrusion products to create added value and boost margins</li> </ul>



# New Business Model with Three Core Businesses

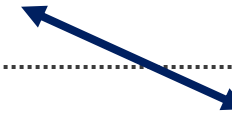
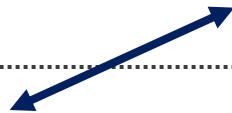
## High-end Aluminium Flat Rolled Products (FRP)



**New Growth Engine in Development**

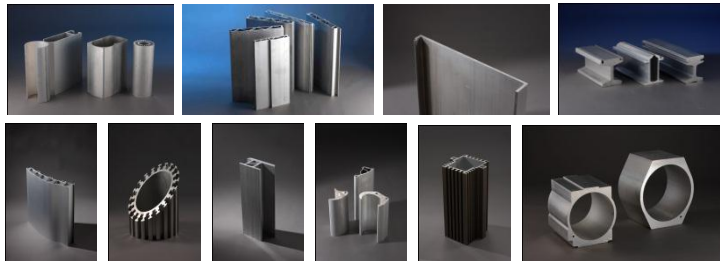
Products in the Pipeline

Existing Products



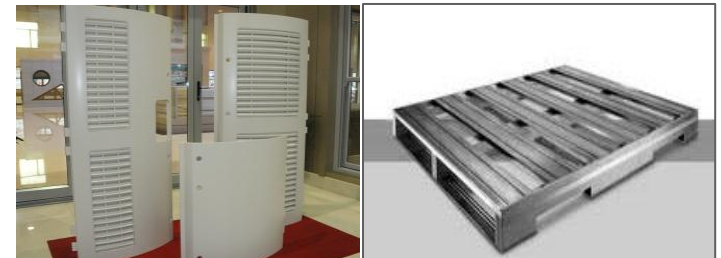
## Deep-processing of Industrial Aluminium Extrusion Products

## Industrial Aluminium Extrusion Products



**Current Major Revenue Stream**

**中国忠旺**  
China Zhongwang



**Increased Profitability**

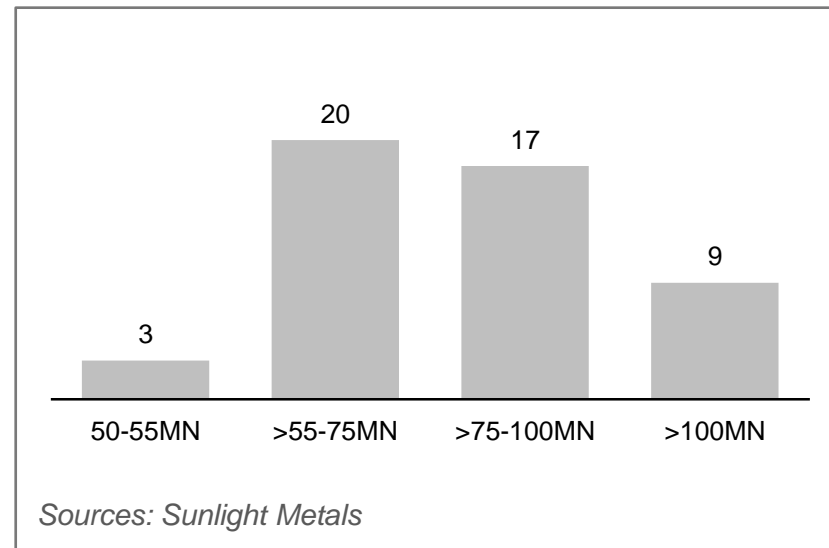
**Synergies from common upstream raw material resources, alloy smelting and casting technologies, product R&D and customer network**

# Industrial Aluminium Extrusion Business – Addition of New Large Extrusion Presses to Optimize Product Mix

## 20+ 75MN+ Large Extrusion Presses Leading Production Capacity in the World

- Shifted business focus to the China market and expanded customer base which mainly consisted of large-scale SOEs
- Addition of 18 large extrusion presses of 75MN or above in 2011-2012, including nine 75MN, six 90MN and three globally advanced 125MN extrusion presses, bringing the number of 125MN extrusion presses to four
- Placed order for two sets of the world's largest 225MN single-action horizontal aluminium extrusion presses with their core components from Germany, in May 2012 to enhance production capacity. Delivery and installation scheduled for 2014

## Overview of Large Extrusion Presses Distribution in China (2011)





# Deep-processing Business – Diversified High Value-Added Products to Tap Export Market

Industrial  
Aluminium  
Extrusion  
Products

Cutting



Welding



Polishing

Surface  
Treatment

Finished/  
Semi-finished  
Products



## Construction Progress of Production Facilities

- The newly constructed deep-processing centre is equipped with advanced welding production lines and processing equipment from Europe. The equipment is currently under installation and testing
- Highly automated equipment allows the Group to precisely weld large scale deep-processed products, such as aluminium alloy vehicle bodies and parts etc
- Expected to commence full production in the second half of 2012 with sales volume target of 30,000 tonnes

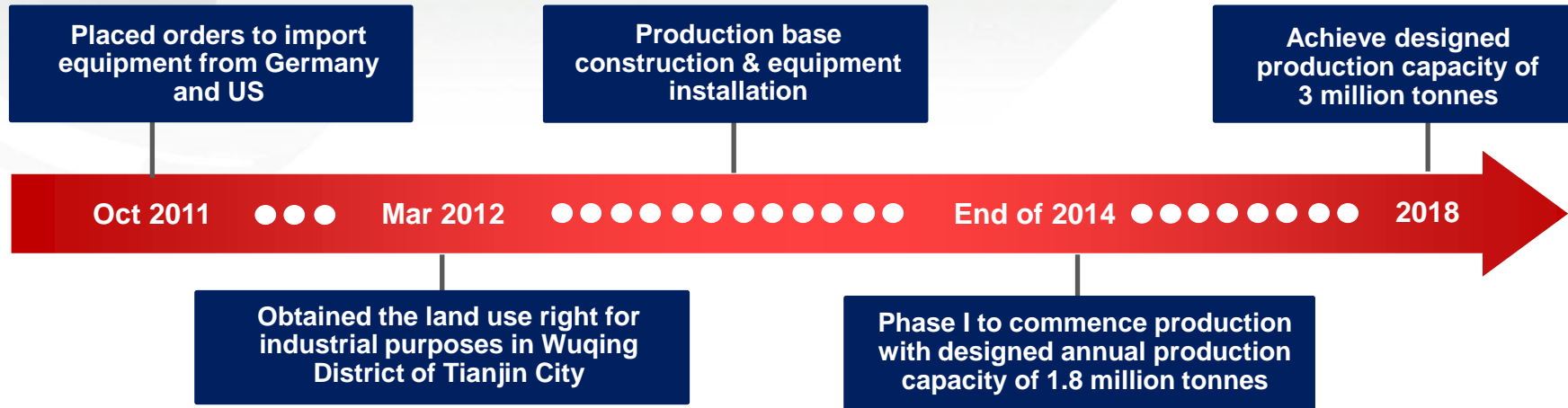
## Product Advantages

- High technology and high value-added products which are not within the scope of US anti-dumping and countervailing duties investigations. Certain products are mainly for export markets

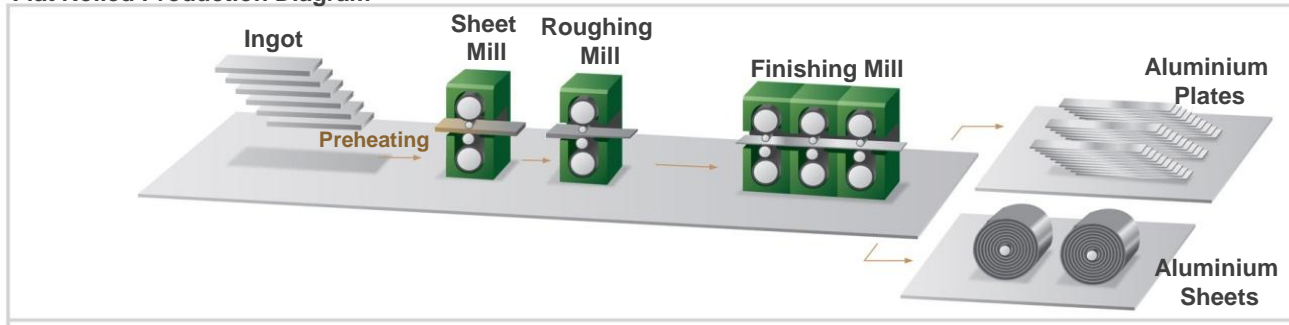
## Global Accreditations

- Awarded IRIS (International Railway Industry Standards) Quality Management System Certification for the 2nd year in a row by the Association of European Railway Industry
- Awarded the authoritative EN15085 European Railway Vehicles Welding Certificate
- Obtained the ISO3834 International Welding Certificate

# High precision Aluminium Flat Rolled Business – Phase I Development with Production Capacity of 1.8 Million Tonnes in Full Swing



Flat Rolled Production Diagram



## Product Applications

- Medium-to-high thickness plates – for transportation
- Aluminium based copper-clad laminates – for electronic equipment
- Aluminium sheets – for pop-top cans
- Lithographic sheets – for printing

# Development Strategy



# 12th Five-Year Plan Offers Steady Growth Momentum



Major Industry Growth Drivers

## Industrial Aluminium Extrusion Products

- Rising demand for industrial aluminium extrusion products from transportation, machinery and equipment, and electric power engineering sectors
- Increasing usage of energy saving materials
- Rising demand for high-end aluminium deep-processed products from strategic emerging industries and high technology industry

## Deep-processed Products

## High-end Aluminium Flat Rolled Products

- Demand from aviation, aluminium passenger compartments, cargo carriages and soda cans etc.
- High technology barrier encourages industry leaders to further develop and strengthen their leading position



Favourable Policies

- “The State Guiding Catalog of Industrial Structure Adjustment (2011)”
- “Special Development Plan for the Aluminium Industry during the 12th Five-Year Period (2011-2015)”
- “12th Five-Year (2011-2015) Development Plan for the Non-ferrous Metal Industry”
- “Industrial Transformation and Upgrade Plan (2011-2015)”



Industry Development Direction

- Support the development of high precision, deep-processed and high-end aluminium products to meet the rising needs from emerging industries such as new energy vehicles and high technology industries
- Aluminium industries’ added value projected to grow at 12% p.a.
- High-end aluminium product sales as a % to total value of the aluminium processing industry projected to rise from 8% in 2010 to 20% in 2015. Share of aluminium industrial products vs. construction products expected to increase from 3:7 to 5:5

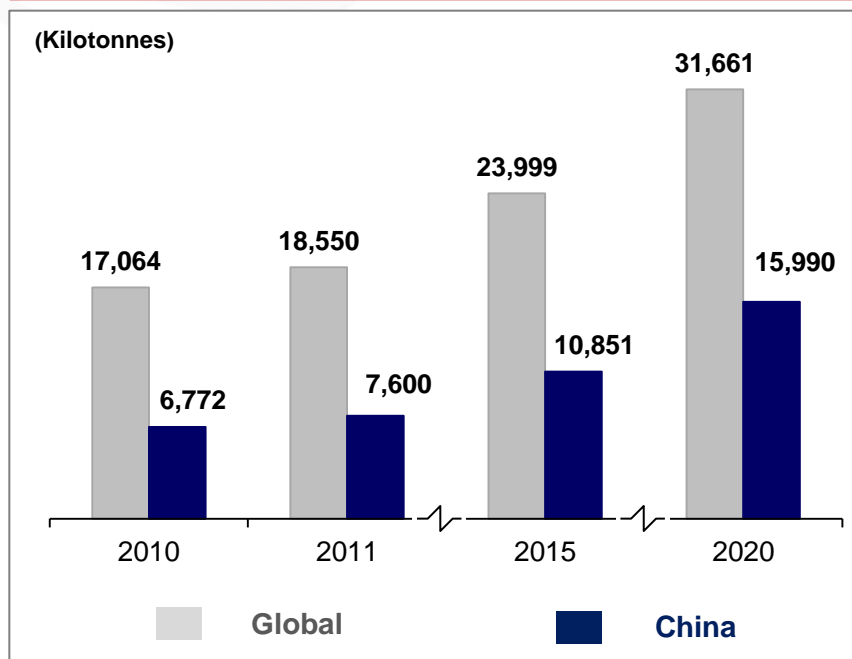
The Chinese industrial aluminium extrusion market is expected to grow by 12% or above in 2012, with an annual demand of over 4 million tonnes;

Zhongwang’s 2012 industrial aluminium extrusion product sales target is 500,000 tonnes

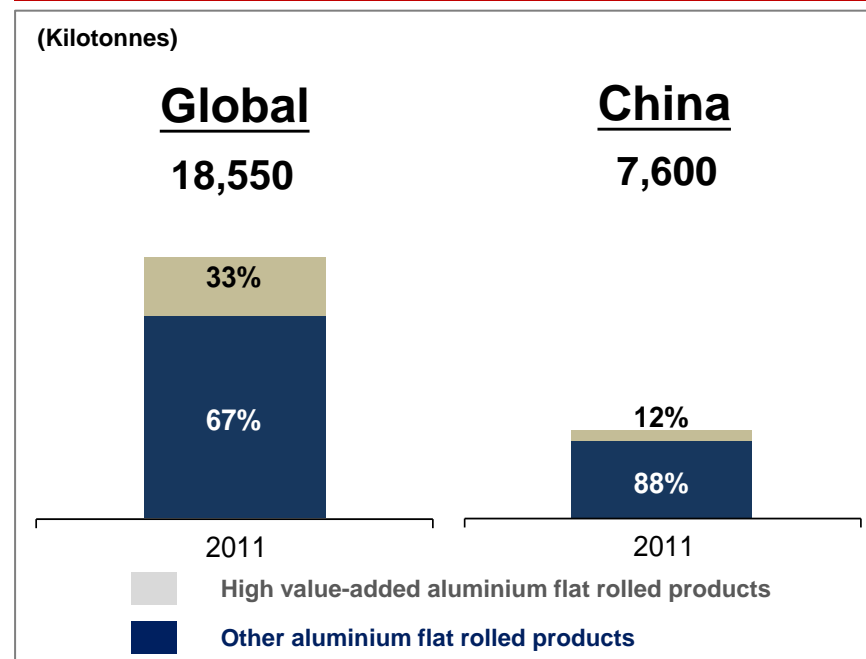
# Low Consumption of High Value-added Flat Rolled Products in China Offers Room for Growth

China market is growing rapidly and will account for half of global aluminium flat rolled market in 2020

## Total Sales Volume of Aluminium Flat Rolled Products



## 2011 Aluminium Flat Rolled Product Consumption



- Aviation and aluminium railway cargo segments in China are under-developed
- Beverage can consumption in China is significantly lower than the global level
- Insufficient domestic capacity in China drives imports of some products, suppressing demand

Source: BCG Industry Database, BCG Analysis Report (August 2012)

# Development Strategy

Reinforce the leading edge of the industrial aluminium extrusion business

- Continue to add large extrusion presses to optimise capacity for large-section industrial aluminium extrusion products; annual production capacity for aluminium extrusion products to reach 1 million tonnes by end of 2012
- Expand the variety and production scale of deep-processed products to meet demand in the international and domestic markets
- Strengthen R&D for aluminium alloy smelting and casting, high-end product development and die design capabilities, to ensure the availability of technology for future development

Step up market development efforts and explore new market segments

- Continue to focus on the domestic market as the primary market while the export market takes a supplementary role
- Strengthen relationships with existing customers and develop new customers with a view to enlarging market shares for existing products and to pave the way for future sales of high precision aluminium flat rolled products

Implement the high-end flat rolled project in full gear to provide new impetus

- Orders placed for the purchase of production facilities for Phase I of the project with a planned annual capacity of 1.8 million tonnes; and sites acquired for construction of production facilities
- Commence infrastructure construction and staff recruitment to ensure the project will be commissioned on time as planned

# Conclusion



- Focus on Chinese domestic market to further increase revenue streams from industrial aluminium extrusion products
- Continue to expand high value-added industrial aluminium extrusion and deep-processing business to boost gross profit margin and profitability, aiming to form medium-term growth engine
- Aluminium flat rolled product business underway to foster long-term growth



## Extensive Applications of Industrial Aluminium Extrusion and Flat Rolled Products



Light-weight

High  
Strength

Corrosion-  
resistant

Superb Conductor of  
Electricity and Heat

Recyclable

# Open Forum

