



**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



## **2013 Interim Results Corporate Presentation**

**August 2013**



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# 2013 Interim Results Highlights



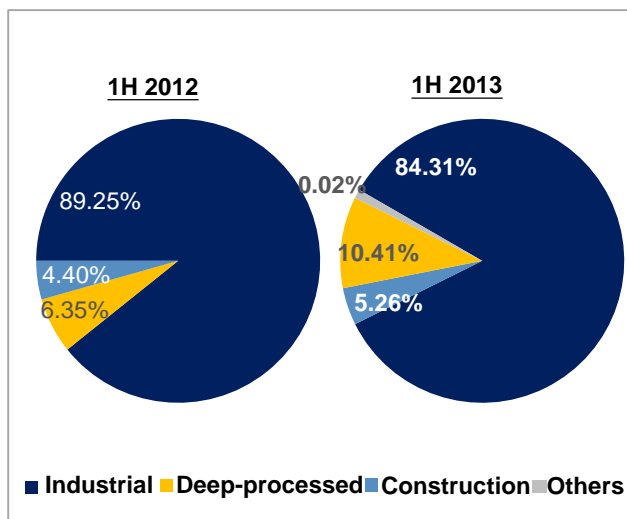
# 1H 2013 Results Highlights

<i>For the six months ended 30 Jun (RMB million)</i>	1H 2012	1H 2013	Change (%)
Revenue	6,877	7,021	+2.1
Gross profit	1,607	1,969	+22.5
Profit before taxation	1,388	1,420	+2.3
Net profit	1,037	1,072	+3.3
EBITDA	1,804	1,908	+5.8
Basic earnings per share (RMB)	0.19	0.20	+3.3

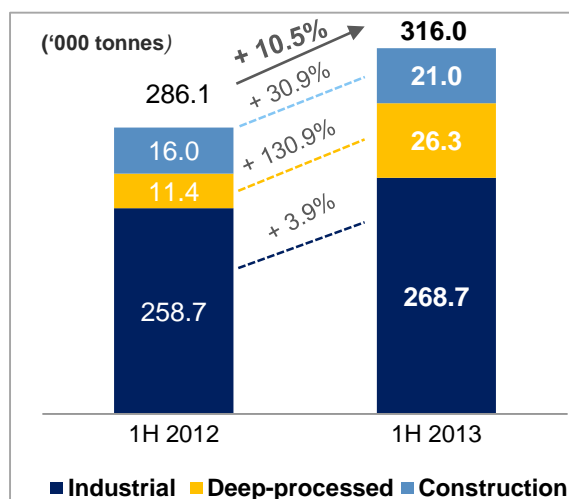
%	1H 2012	1H 2013	Change (%pt)
Gross profit margin	23.4	28.0	+4.6
Net profit margin	15.1	15.3	+0.2
EBITDA margin	26.2	27.2	+1.0

# Revenue Analysis

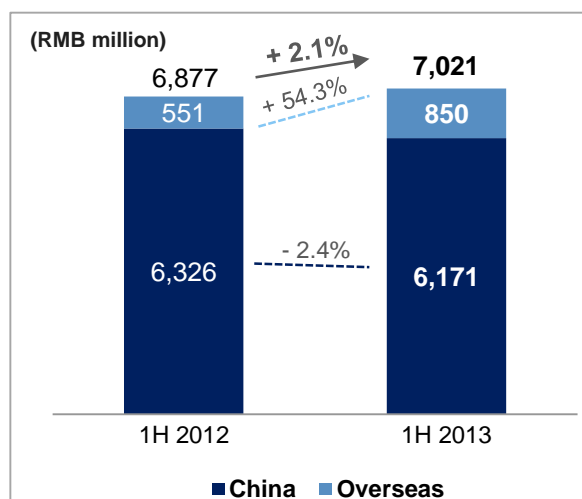
## Revenue by Products



## Sales Volume\*



## Revenue by Regions



## 1H 2013 Results Highlights

- The overall sales volume of aluminum extrusion products grew 10.5% yoy to 316,000 tonnes
- Deep-processing centre has gradually commenced production since the end of 2012. Deep-processed products started to show increased revenue contribution, accounting for 10.4% of the total revenue
- Driven by the high value-added deep-processed products, revenue from overseas markets recorded a significant growth of 54.3%, accounting for 12.1% of the total revenue

\* Excluding sales under "Others"

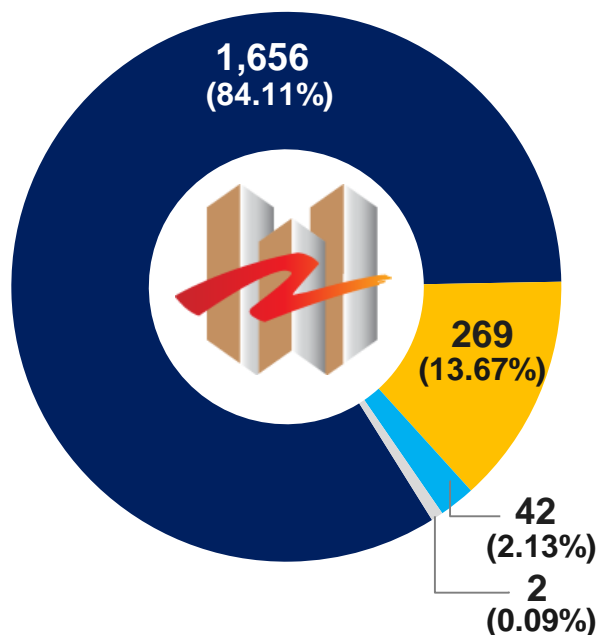


# Stable Gross Profit Margin

## 1H 2013 Gross Profit Breakdown – by Products

RMB million

(As a % of total gross profit)



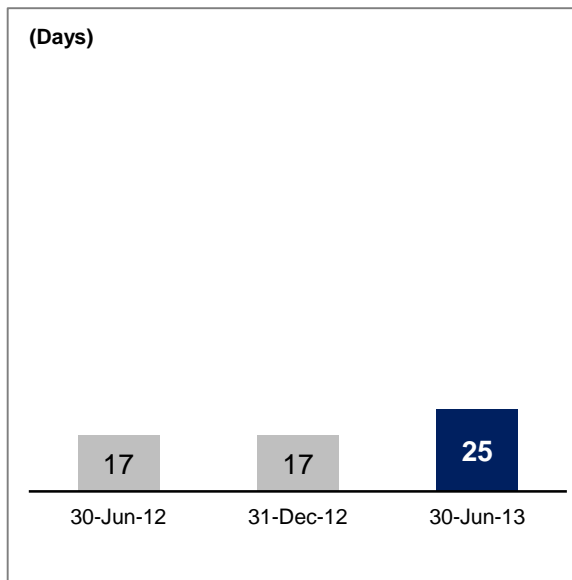
■ Industrial ■ Deep-processed ■ Construction ■ Others

	1H 2012		1H 2013	
	Gross profit margin	ASP (RMB per tonne)	Gross profit margin	ASP (RMB per tonne)
Industrial	22.6%	23,723	28.0%	22,027
Deep-processed	48.3%	38,422	36.8%	27,821
Construction	3.1%	18,880	11.4%	17,587
Total	23.4%	24,036	28.0%	22,213

**Optimized product mix and improved cost control enhanced the Group's overall gross profit margin**

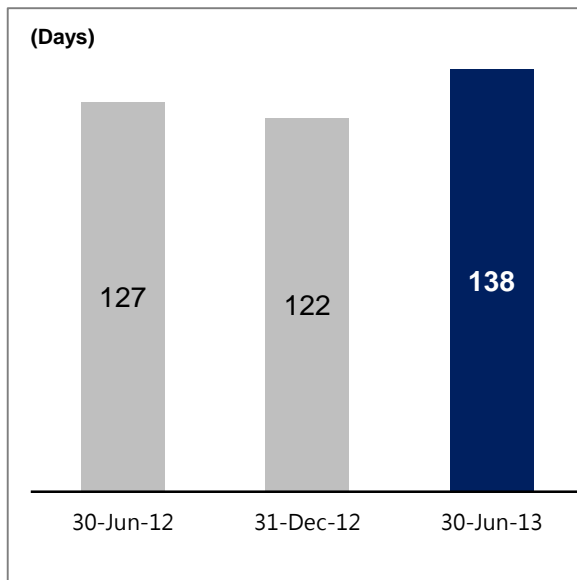
# Effective Working Capital Management

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



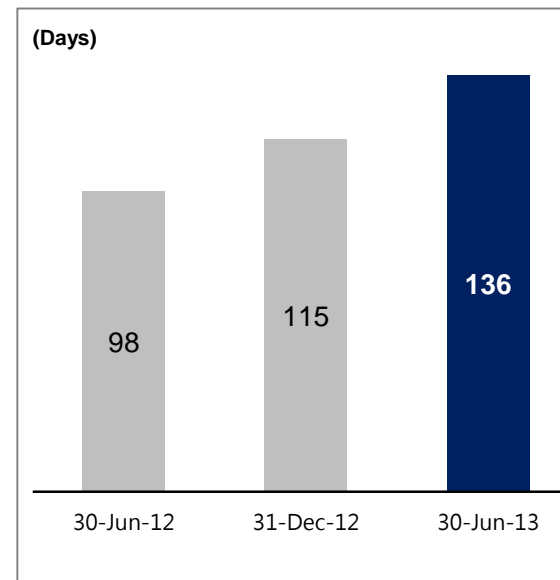
**Domestic clients are mainly large-scale state-owned and central government-owned enterprises. The average credit period is three months**

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



**Extended credit period offered by suppliers allowed flexibility in working capital management**

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



**Majority of inventories are aluminium ingots; stable inventory level maintained to satisfy clients' needs**

### Remarks:

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



# Solid Financial Position

(RMB million)	30 June 2012	31 December 2012	30 June 2013
<b>Total assets</b>	32,267	33,650	39,221
<b>Net assets</b>	16,730	17,508	18,587
<b>Bank balances and cash<sup>1</sup></b>	10,526	9,555	12,388
<b>Gearing ratio (%)<sup>2</sup></b>	48.2	48.0	52.6

Remarks:

1. Bank balances and cash = cash and cash equivalents + short-term deposits + pledged bank deposits
2. Gearing ratio = total liabilities / total assets \* 100%



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# Operational Highlights



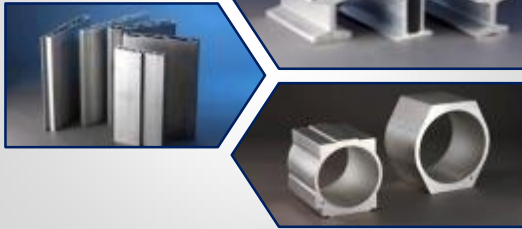
# Three Core Businesses Form the Group's Competitiveness



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## Major Revenue Stream

Industrial Aluminum  
Extrusion Products



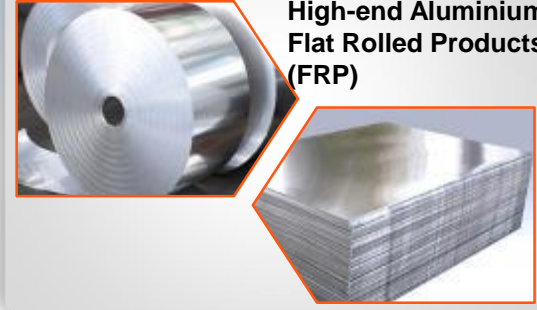
## Increased Profitability

Industrial Aluminium  
Extrusion  
Deep-processed  
Products



## New Growth Engine in Development

High-end Aluminium  
Flat Rolled Products  
(FRP)



Existing Products

Products in the Pipeline

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

# Industrial Aluminium Extrusion Business – New Equipment at Industry Forefront

## Key Large Extrusion Presses Gradually Put in Place

- Two production lines installed and tested in 1H 2013. The installation of another six production lines will be completed in 2H 2013. By then, the total number of production lines will reach 93, of which 21 are large extrusion presses of over 75MN, and annual production capacity will exceed 1 million tonnes
- Placed an order for two sets of the world's largest 225MN horizontal single-action aluminium extrusion presses in May 2012. Delivery is scheduled in 2014

## Technological Breakthroughs Achieved

- Completed the improvement works of billet homogenizer furnaces of smelting and casting plant
- “7075 Extrusion Billets for Aviation Use” was selected as “2013 Liaoyang City Key Enterprises Technology Innovation”
- EMU aluminium alloy extrusion technology and  $\phi 582\text{mm}$ —7XXX hard aluminium alloy round ingot processing technology received China Nonferrous Metals Industry Science and Technology Award





# Deep-Processing Business – Expand Industry Chain to Diversify Product Offering



## Deep-Processing Centre Commenced Production Gradually

Full Production: June 2013

Latest  
Development:

Completed installation of the welding equipment imported from Europe for the manufacturing of aluminium alloy bodies, and enhanced capacity to assemble aluminium alloy bodies with efficiency and precision

## High Value-Added Deep-processed Products

### Existing Products



Aluminium Pallet

### Products in the Pipeline

All Aluminium Made  
High-Speed Rail Carriage (Prototype)



All Aluminium Made Semi Trailer  
(Prototype)

All Aluminium Made Fire Truck  
(Prototype)

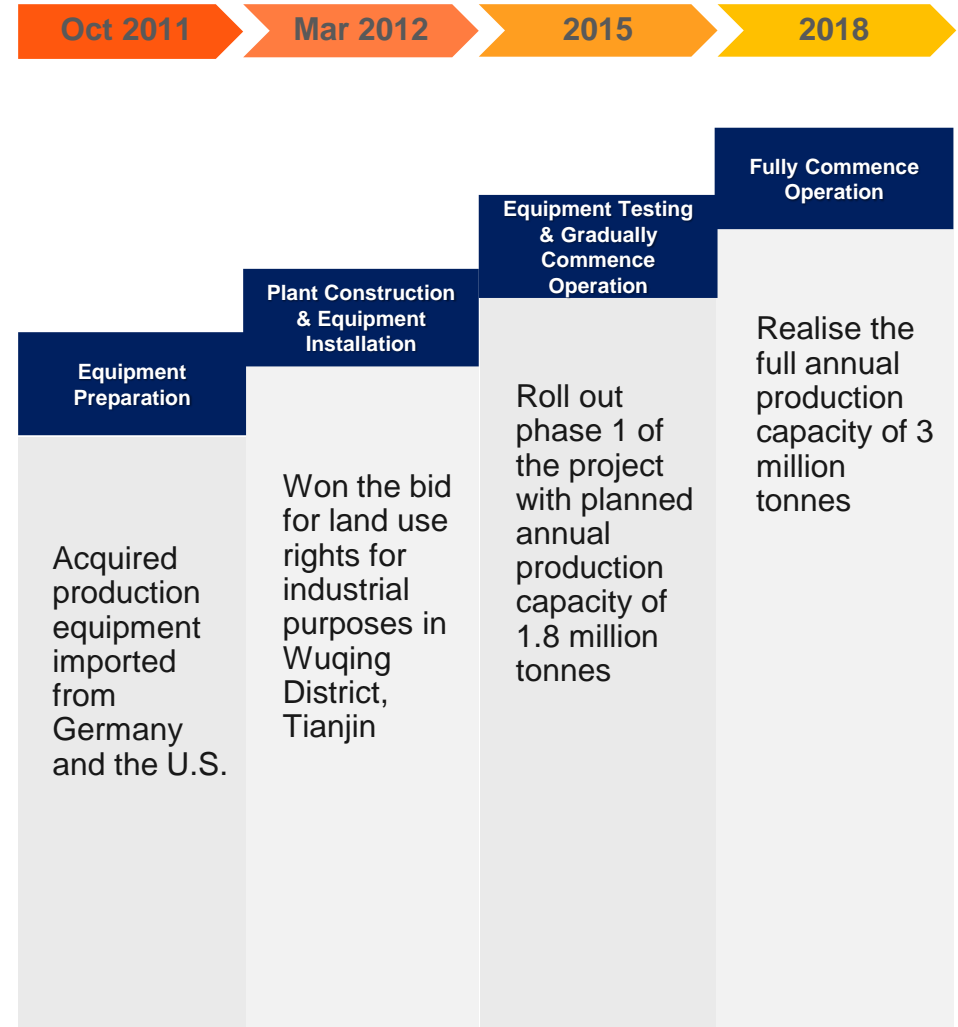


# High-end Aluminium Flat Rolled Products – Development as Scheduled



## High Value-added Aluminium Flat Rolled Project

<b>Production Commence:</b>	Phase 1 — 2015 Phase 2 — 2018
<b>Production Capacity:</b>	Phase 1 — 1.8 million tonnes Phase 2 — 1.2 million tonnes <b>Total — 3 million tonnes</b>
<b>Latest Development :</b>	Preliminary construction of the production base in Auto Parts Industrial Park, Wuqing District, Tianjin, is in progress  Recruited dozens of engineering experts from overseas



# Technology Innovation Leads Industry Trends

- With a team of 689 R&D experts, R&D investment in 1H 2013 amounted to RMB170 million, equivalent to approximately 2.4% of total revenue
- Entered into cooperation with a number of leading research and academic institutions including Institute of Metal Research Academy of Sciences, China National Heavy Machinery Research Institute, The First Aircraft Institute of AVIC, Northeastern University, and Beijing University of Science and Technology etc.



**Technology Innovation**

- Awarded 1st place in “2012 Top Ten Industrial Aluminium Extrusion Enterprises in China” by China Nonferrous Metals Fabrication Industry Association
- Named “2013 Top 500 Enterprises in China” as a leading aluminium processing enterprise
- Certified as “State Accredited Enterprise Technology Centre”, the only enterprise to receive the honour in aluminium alloy processing industry in Liaoning Province

**Leading Position**





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# Development Strategies

# Three Core Business Segments Driven by Favourable Policies - Foster Synergistic Development



**In addition to consolidating leading position in industrial aluminium products, China Zhongwang is expanding its deep-processing and aluminium flat rolled segments to diversify its revenue streams**



# 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, metro 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 chemical containers and beverage cans will be the key drivers for future development of aluminium flat rolled products

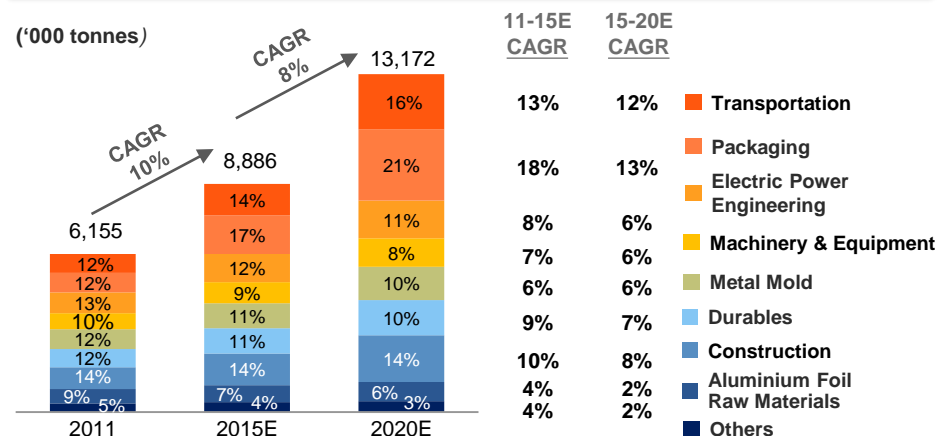
### Large Demand – Supply Gap for High-end Products

- High-end aluminium flat rolled products market is still in the early stage, relying on imports to meet market demand
- Automobile aluminium plates, aluminium railway passenger compartments plus cargo carriages, aviation and other sectors are still under-developed, while the beverage can consumption is significantly lower than the rest of the world

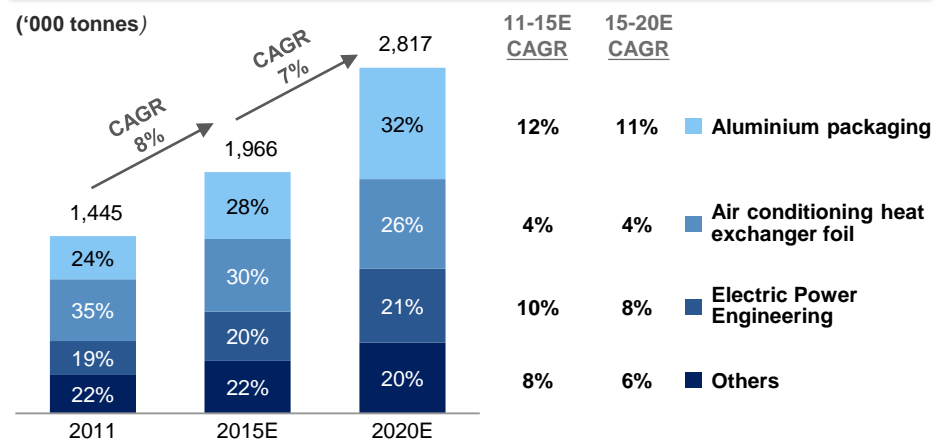
### Production Capacity and Technology of Enterprises Keep Rising

- Enterprises that produce flat rolled products have increased investments in production equipment and capacity over the past two years, and are actively exploring new downstream applications

## Aluminium Plate and Sheet Consumption in the Downstream Segments in China

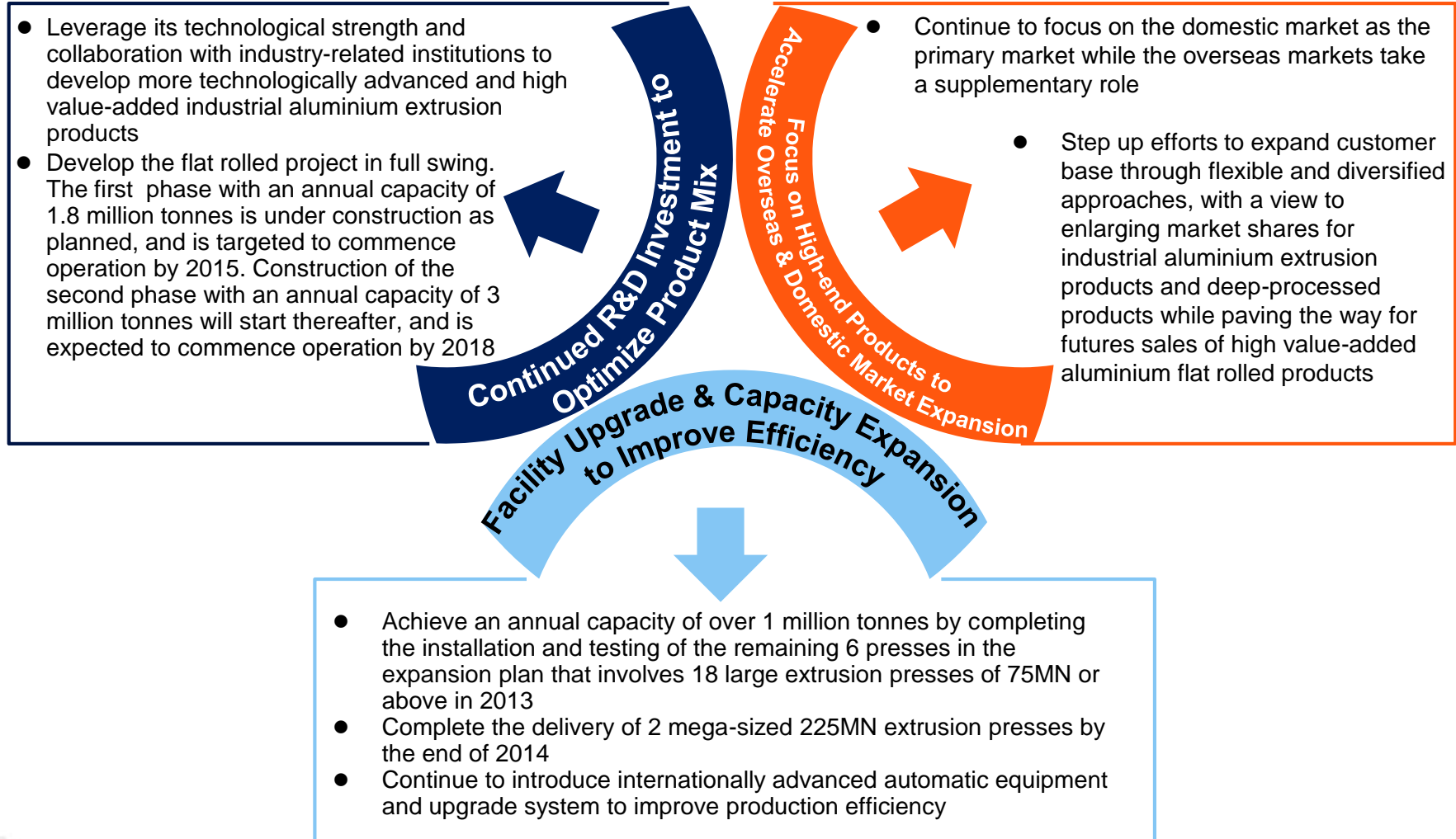


## Aluminium Foil Consumption in the Downstream Segments in China





# Future Strategies





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# Open Forum





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# Appendix



# Major Products

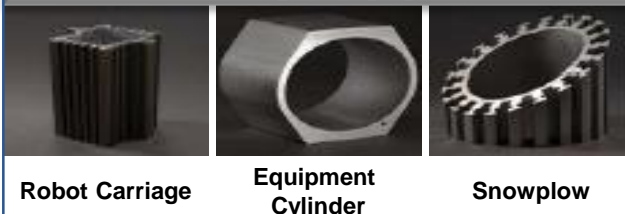
## Existing Products

### Industrial Aluminium Extrusion

#### Transportation



#### Machinery & Equipment



#### Electrical Engineering



### Construction Aluminium Extrusion

#### Aluminium Window



#### Aluminium Door



#### Bridge-cut Aluminium Alloy

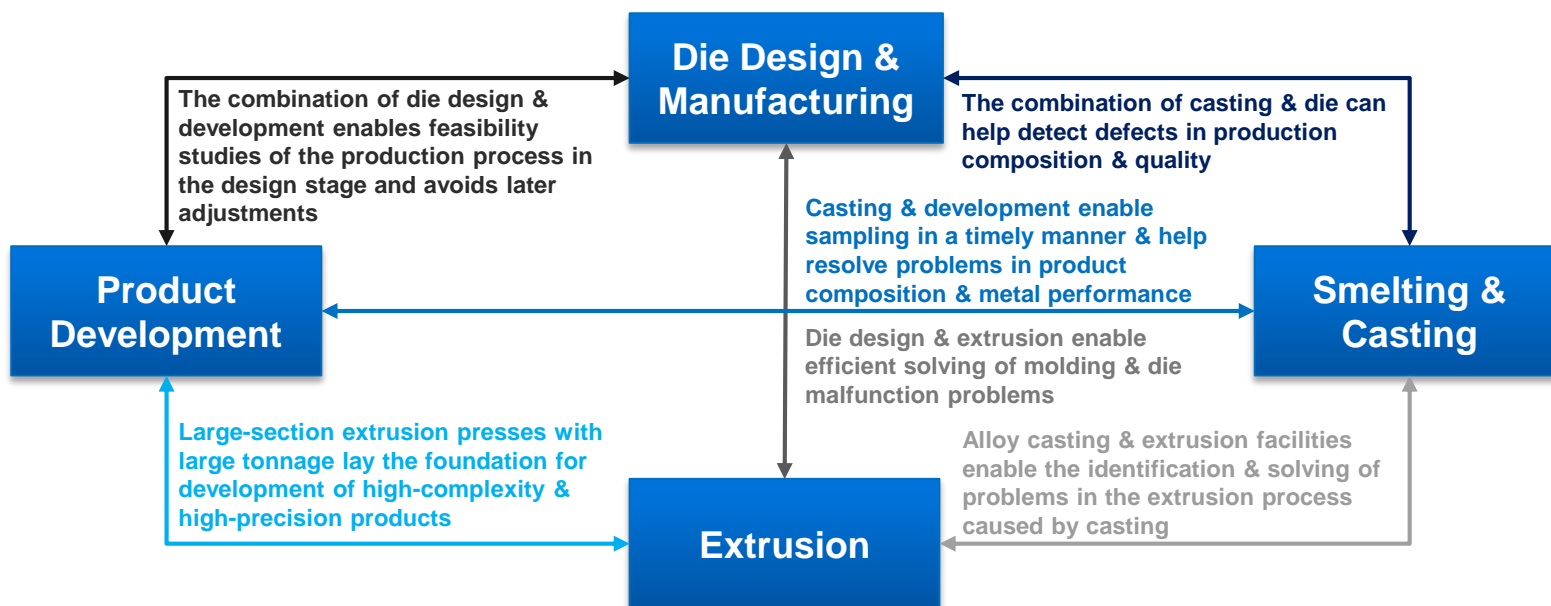


## Future Products



# Unique Four-in-one Business Model

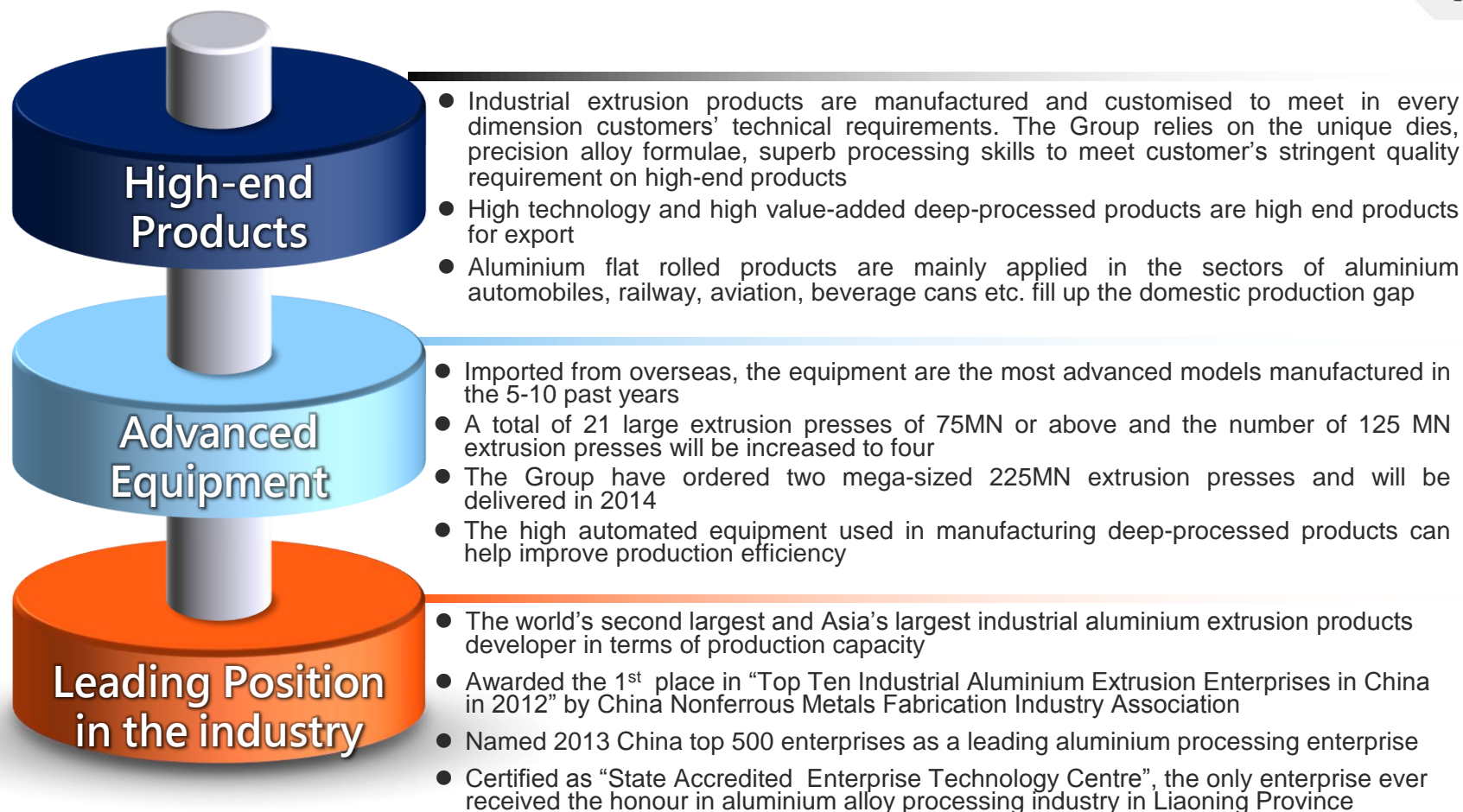
## Leading Die and Alloy Smelting & Casting Capabilities – Two Major Industrial Aluminium Extrusion Technology



- 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**

# Core Competitiveness of the Group



**High-end technology is the future direction of aluminium industry in China.  
Strong capital, core equipment and technology, as well as a leading position in the industry  
are keys to success**



# Industrial Aluminium Extrusion Products – Rapid Growth in China Market for the Coming Years

## Industry's Favourable Factors / Advantages

### Rising Demand in Downstream Industries

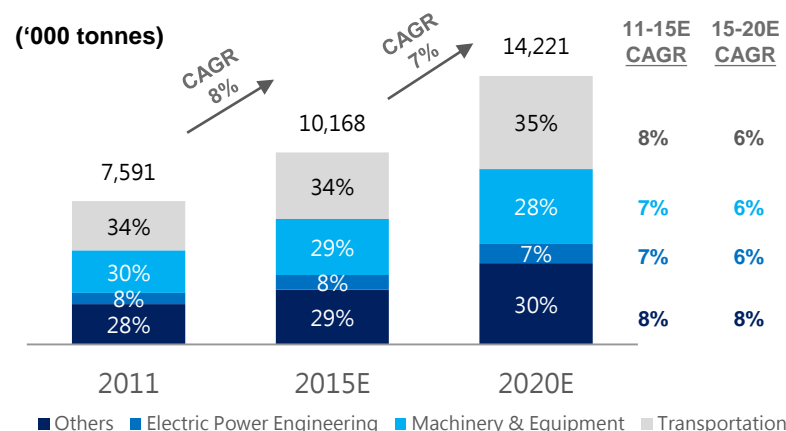
- Strong demand from transportation industry
  - Automobiles: 14% CAGR of industrial aluminium extrusion consumption till 2020
  - High-speed and metro railway: demand for aluminium extrusion will see a steady growth
  - Large-scale upgrade and rapid development in shipping industry
- Continuous development in machinery & equipment industry
  - Demand for automated and large-scale equipment orders due to industry restructuring
  - China's support for agriculture has encouraged the growth of agricultural machinery
  - Expanding domestic demand and development strategies in western regions
- The construction of new energy and UHV power grid drives demand for electrical equipment and upgrade of the product mix

### Rising Demand of High-end Products

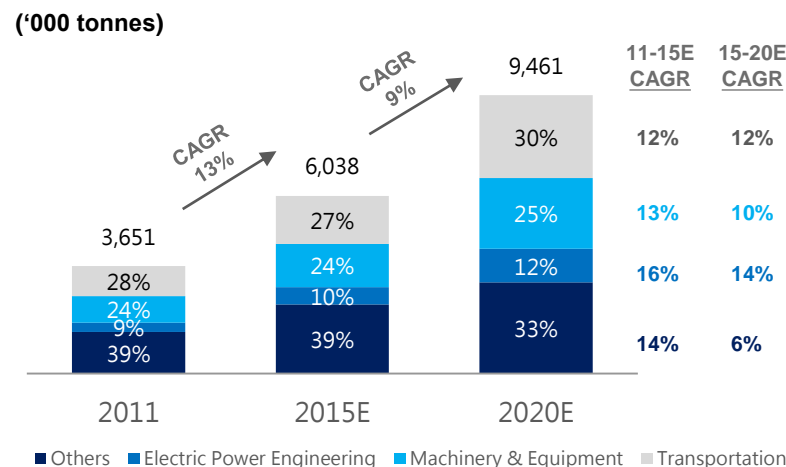
- High-end aluminium products satisfy strategic emerging industries and technology industry demand
- Revenue from high-end aluminium products accounted for 8% of aluminium processing sales in 2010 and the percentage will increase to 20% in 2015

Source: BCG Analysis Report

## Global Industrial Aluminium Extrusion Products Consumption in the Downstream Segments

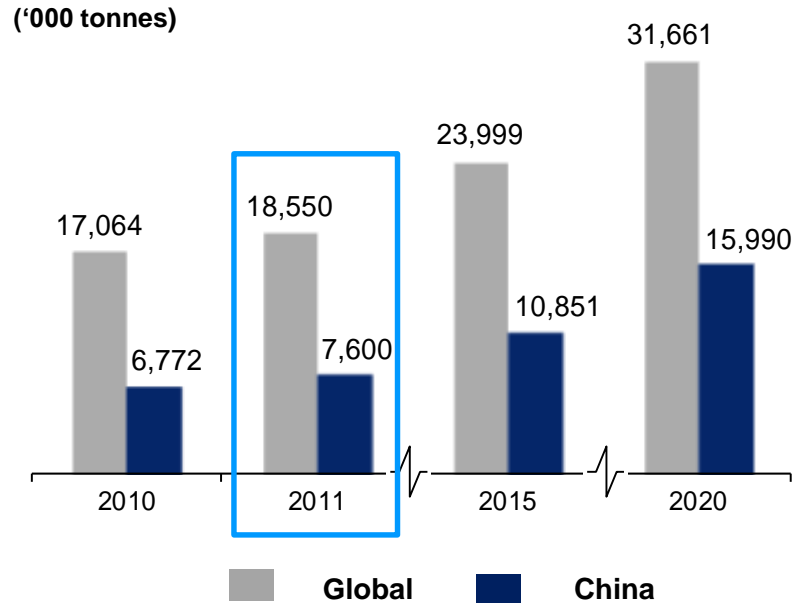


## Industrial Aluminium Extrusion Products Consumption in the Downstream Segments in China



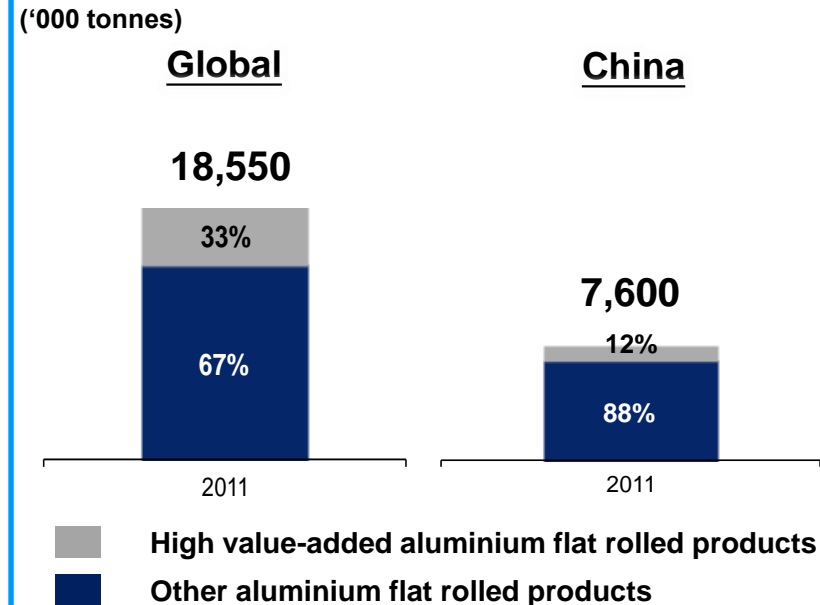
# High Value-Added Aluminium Flat Rolled Product Market – Low Consumption Provides Huge Potential in China

## Total Sales Volume of Aluminium Flat Rolled Products



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

## 2011 Aluminium Flat Rolled Product Sales Volume Analysis



## China Market – Current Status

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

# Properties of Aluminium

## 1<sup>st</sup> 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

## 2<sup>nd</sup> Most Widely Used Metal after Steel

- Extensive applications due to lightweight, corrosion-resistant, and good electrical and thermal conductivity qualities
- Weights 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 <sup>3</sup>	7.6g/cm <sup>3</sup>	8.5g/cm <sup>3</sup>

## 3<sup>rd</sup> Most Abundant Material in the Earth's Crust

- Accounts for 7.3% of the Earth's crust, 3<sup>rd</sup> 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

### 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<sub>2</sub> over the lifetime of the vehicle. Improve the emission 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

Source: International Aluminium Institute





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## Committed to Light-Weight Development For a Greener World

A light-weight material, aluminium alloy enables:

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

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