



**中国忠旺控股有限公司\***

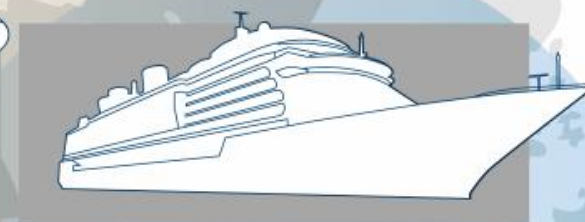
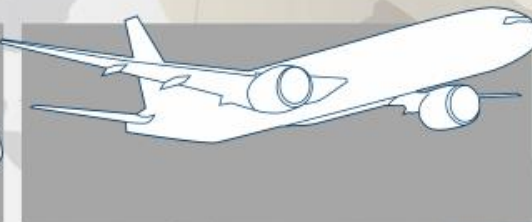
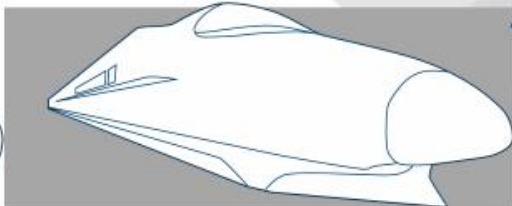
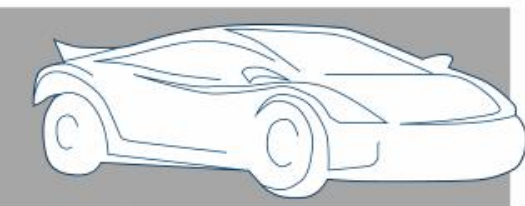
**China Zhongwang Holdings Limited**

(於開曼群島註冊成立的有限公司)

股份代號：01333

# 2017 Annual Results Corporate Presentation

23 March 2018

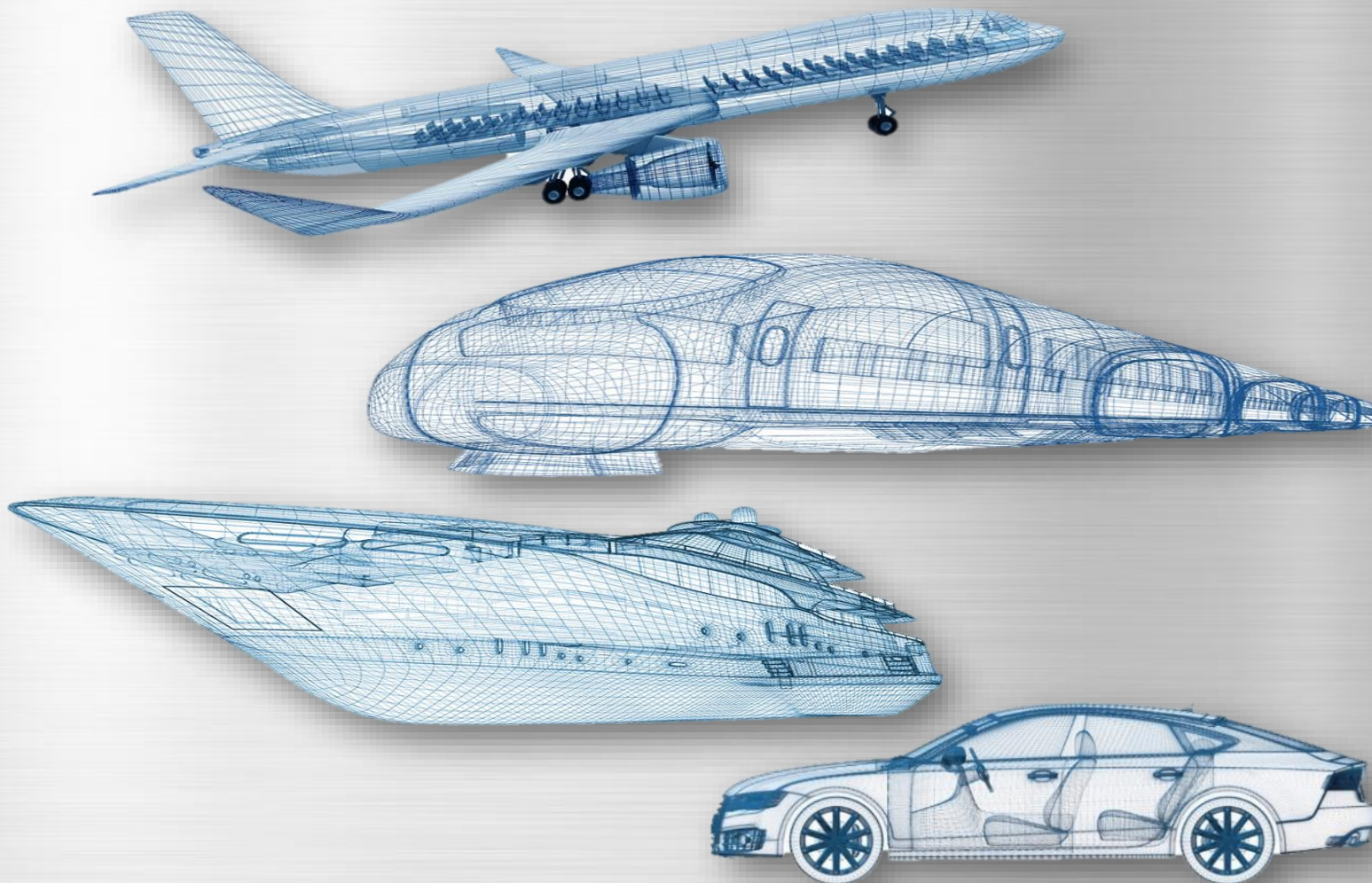


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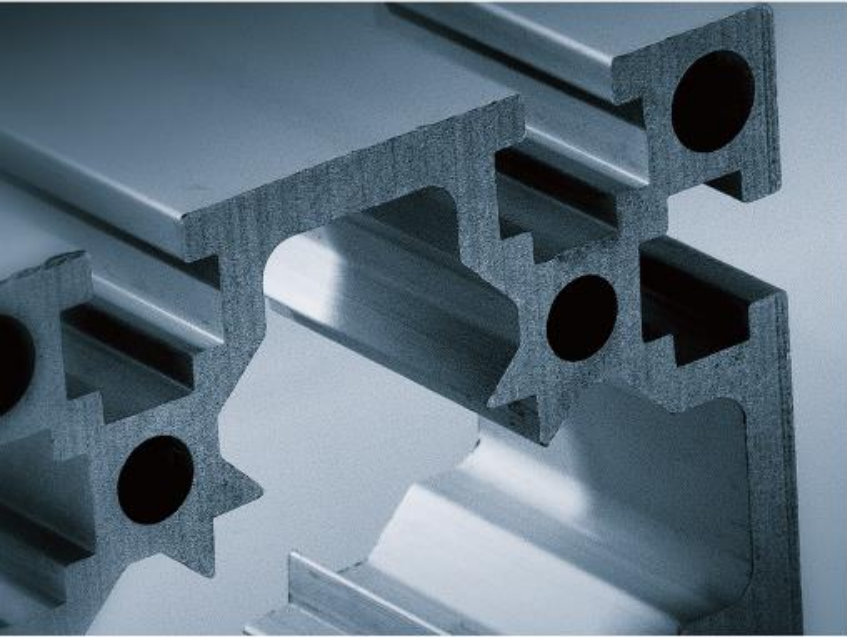
# Agenda

- 1 2017 Annual Results Highlights
- 2 Operational Highlights
- 3 Development Strategies





## 2017 Annual Results Highlights



# Results Highlights



## Enhanced profitability and continued to reward shareholders

- Revenue up **16.6%** year-on-year.
- EBITDA up **27.8%** year-on-year, profit for the year up **33.1%**.
- Recommended a final dividend of HKD**0.15** per share, annual dividend totalled HKD**0.25** per share, payout ratio at **41.2%**.



## Completed two overseas acquisitions

- Acquired Alunna, accelerating the development in automotive and aviation industries.
- Acquired SilverYachts, facilitating direct entry into the high-end marine manufacturing sector.



## Business upgrade strengthened the overall competitiveness

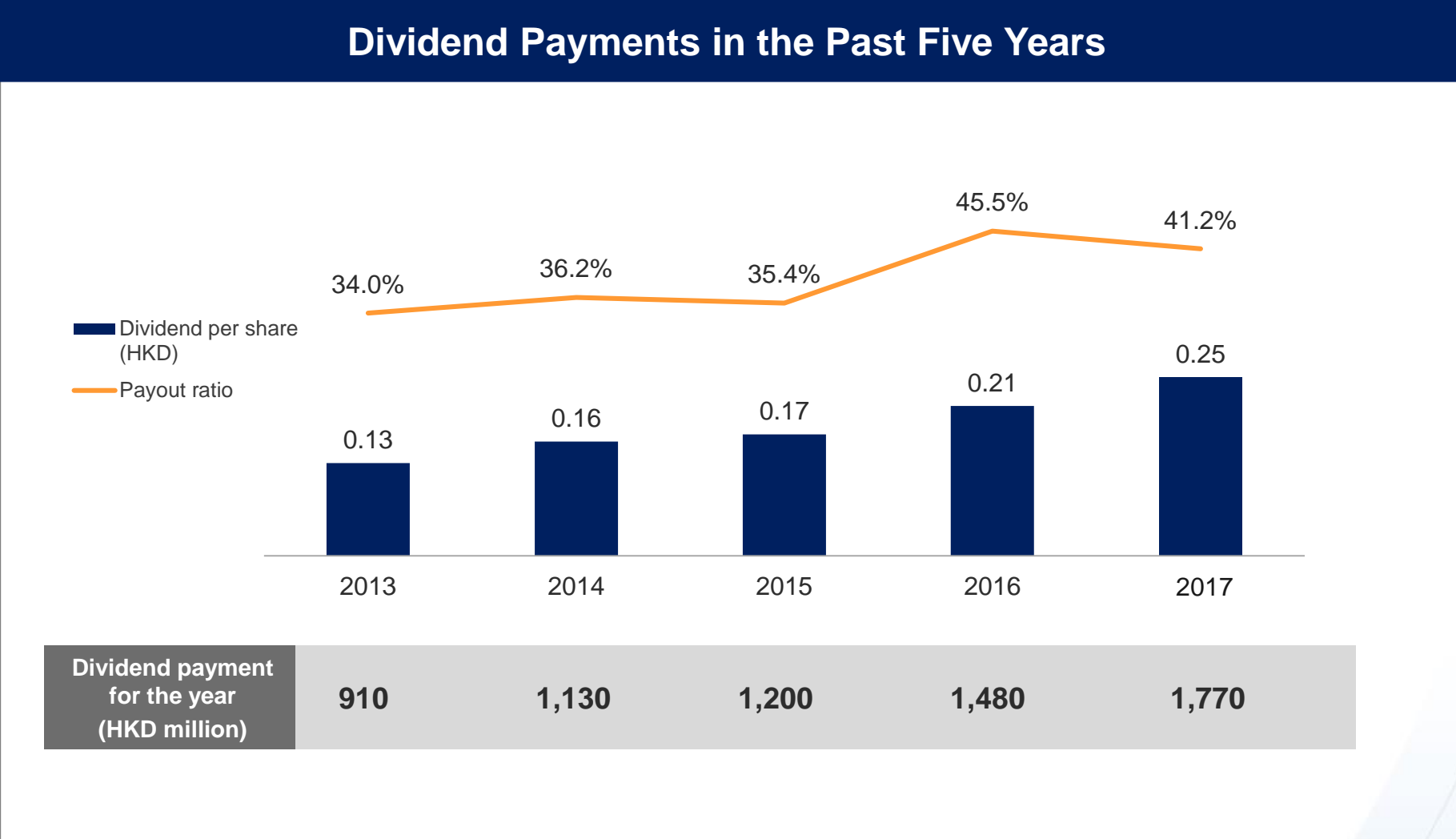
- The newly-developed aluminium alloy formwork business added impetus to business growth.
- The first production line of the flat rolling project commenced commercial operation with production capacity steadily ramping up.
- Reinforced R&D investment with a view to become an integrated light-weight solutions provider.

# 2017 Annual Results Highlights

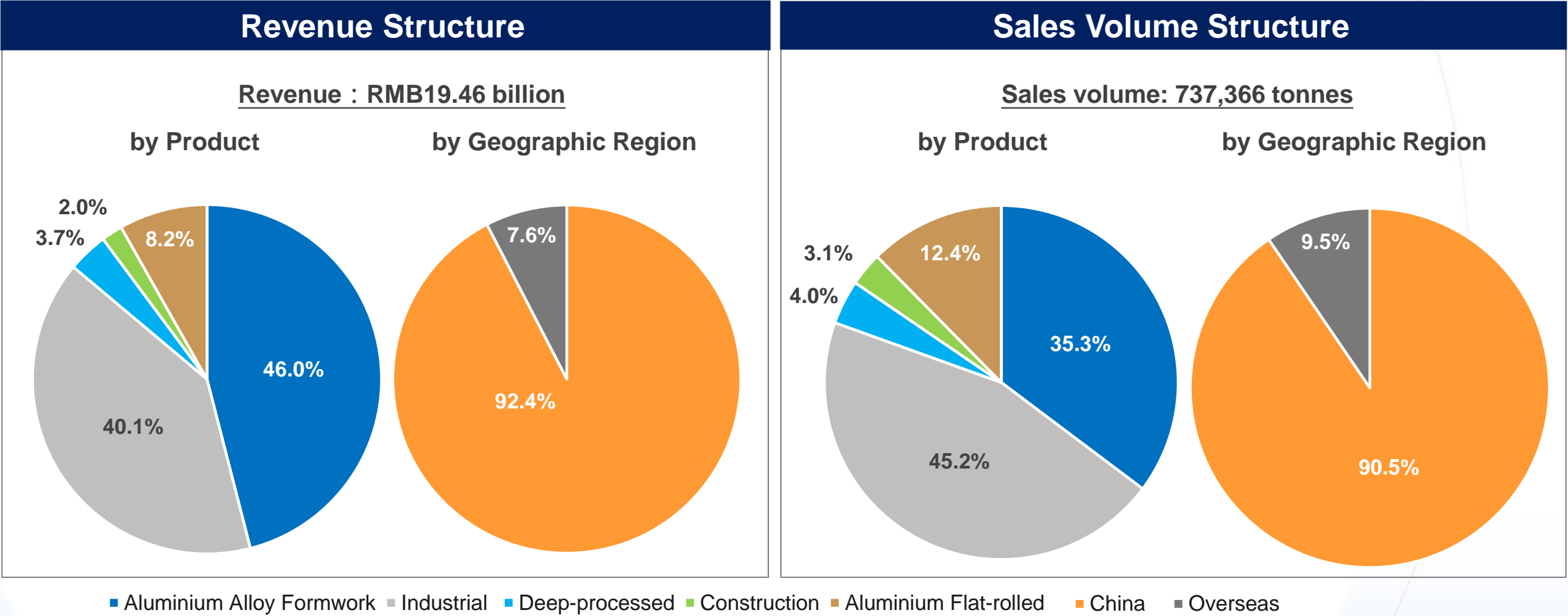
(RMB million)	For the Year Ended 31 December		Change
	2017	2016	
Sales volume (tonnes)	737,366	765,051	-3.6%
Revenue	19,459	16,695	+16.6%
Gross profit	6,349	6,288	+1.0%
EBITDA	6,856	5,366	+27.8%
Profit for the year	3,868	2,907	+33.1%
Dividend per share (HKD)	0.25	0.21	+19.1%

	2017	2016	Change
Gross margin	32.6%	37.7%	-5.1pts
EBITDA margin	35.2%	32.1%	+3.1pts
Net profit margin	19.9%	17.4%	+2.5pts

# Reward Shareholders



# Revenue and Sales Volume Analysis



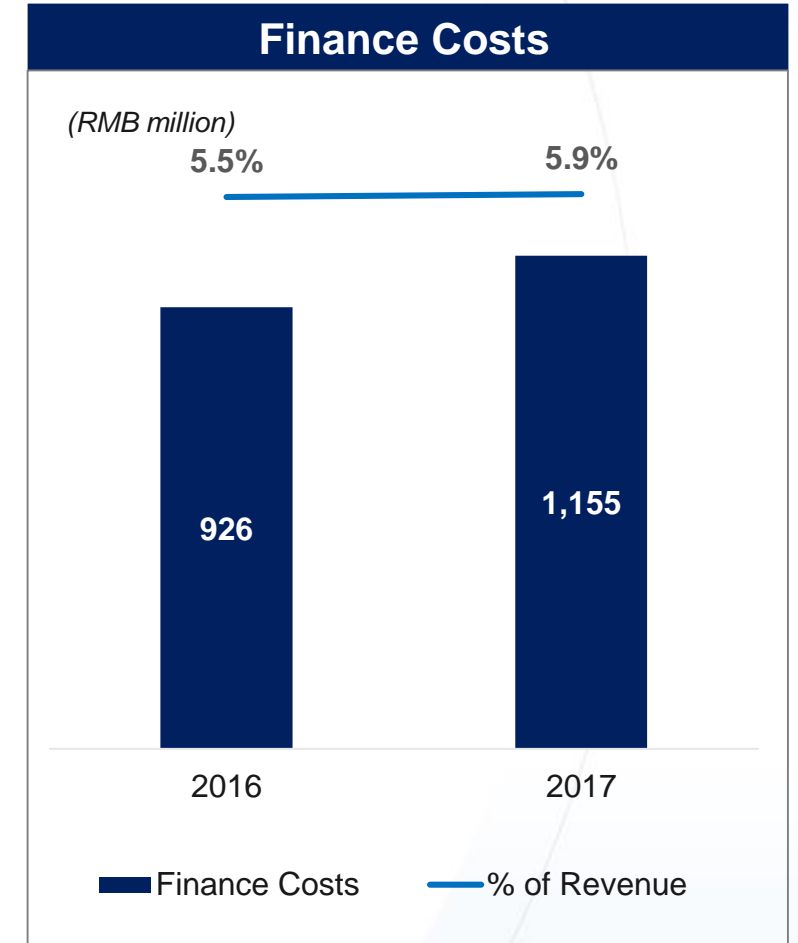
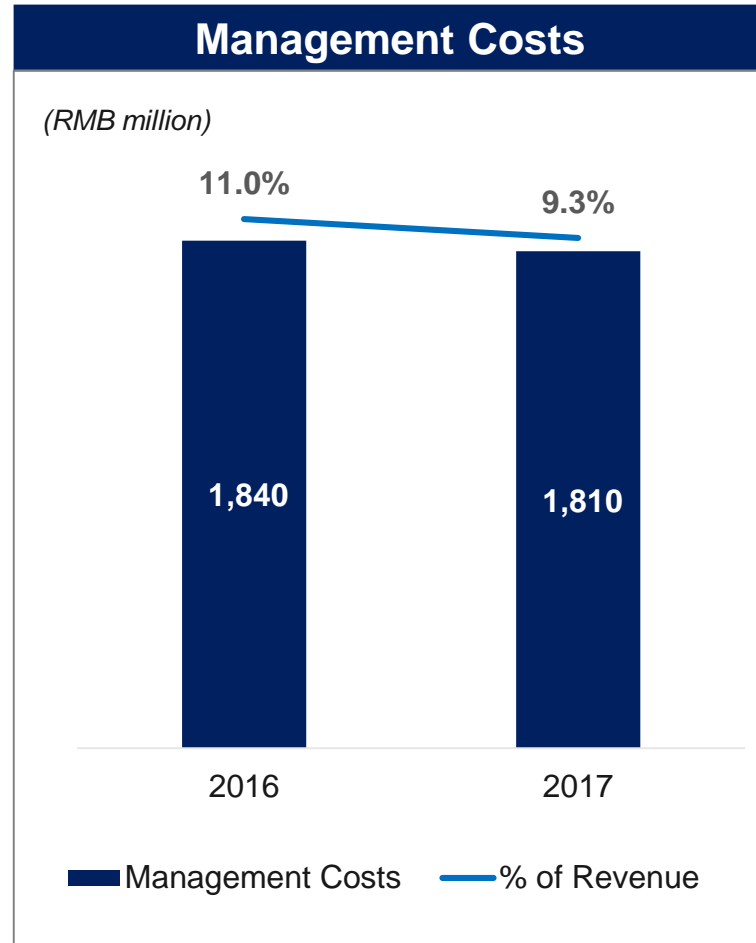
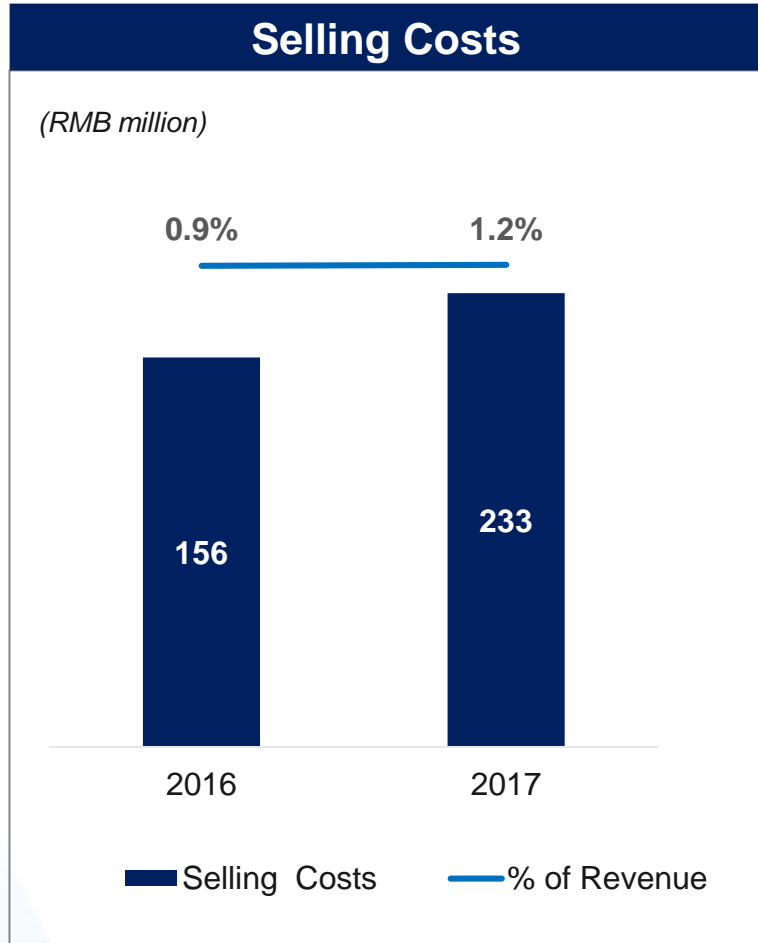
Aluminium Alloy Formwork
Industrial
Deep-processed
Construction
Aluminium Flat-rolled
China
Overseas

Remarks:

- 1.The first production line of the Group’s flat rolling project commenced commercial production in the second half of 2017.
- 2.The figures in percentage show share of total revenue and overall sales volume respectively.



# Analysis on Selling, Management and Finance Costs



# Effective Management and Solid Financial Position

<i>Turnover Days (Days)</i>	2016	2017 1H	2017
Trade receivable turnover days <sup>1</sup>	36	76	93
Trade payable turnover days <sup>2</sup>	176	179	187
Inventory turnover days <sup>3</sup>	124	148	153
<i>Balance Sheet Summary (RMB million)</i>	As at 31 December 2016	As at 30 June 2017	As at 31 December 2017
Total assets	79,038	90,271	101,268
Bank balances, financial products and cash <sup>4</sup>	14,516	16,198	13,575
Net assets <sup>5</sup>	28,016	28,564	30,488
Net asset value per share <sup>5</sup> (RMB)	3.96	4.04	4.31
Gearing ratio <sup>6</sup>	57.0%	61.7%	63.8%

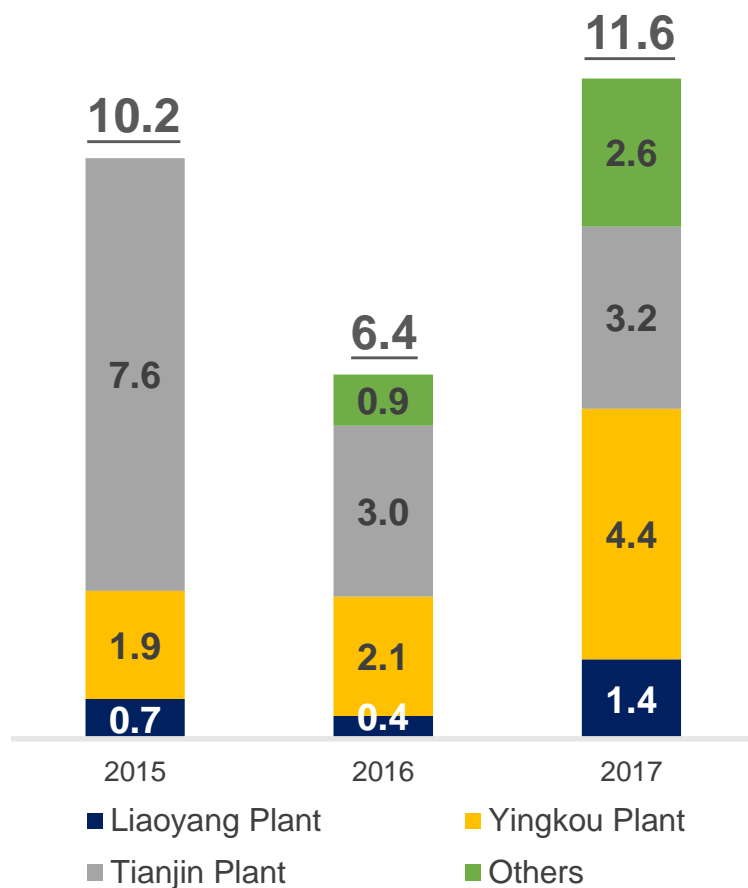
## Remarks:

1. Trade receivable turnover days =  $(365) * ((\text{trade and bills receivables balance at the beginning of the period} + \text{trade and bills receivables balance at the end of the period}) / 2) / \text{sales for the period}$
2. Trade payable turnover days =  $(365) * ((\text{trade and bills payables balance at the beginning of the period} + \text{trade and bills payables balance at the end of the period}) / 2) / \text{cost of sales for the period, excluding the non-production trade purchase}$
3. Inventory turnover days =  $(365) * ((\text{inventory balance at the beginning of the period} + \text{inventory balance at the end of the period}) / 2) / \text{cost of sales for the period}$
4. Bank balances, financial products and cash = cash and cash equivalents + short-term deposits + pledged bank deposits + available-for-sale financial assets
5. Net assets as at 31 December 2016, 30 June 2017 and 31 December 2017 exclude the perpetual capital instrument of around RMB6 billion
6. Gearing ratio =  $(\text{total liabilities} / \text{total assets}) * 100\%$

# Capex Overview

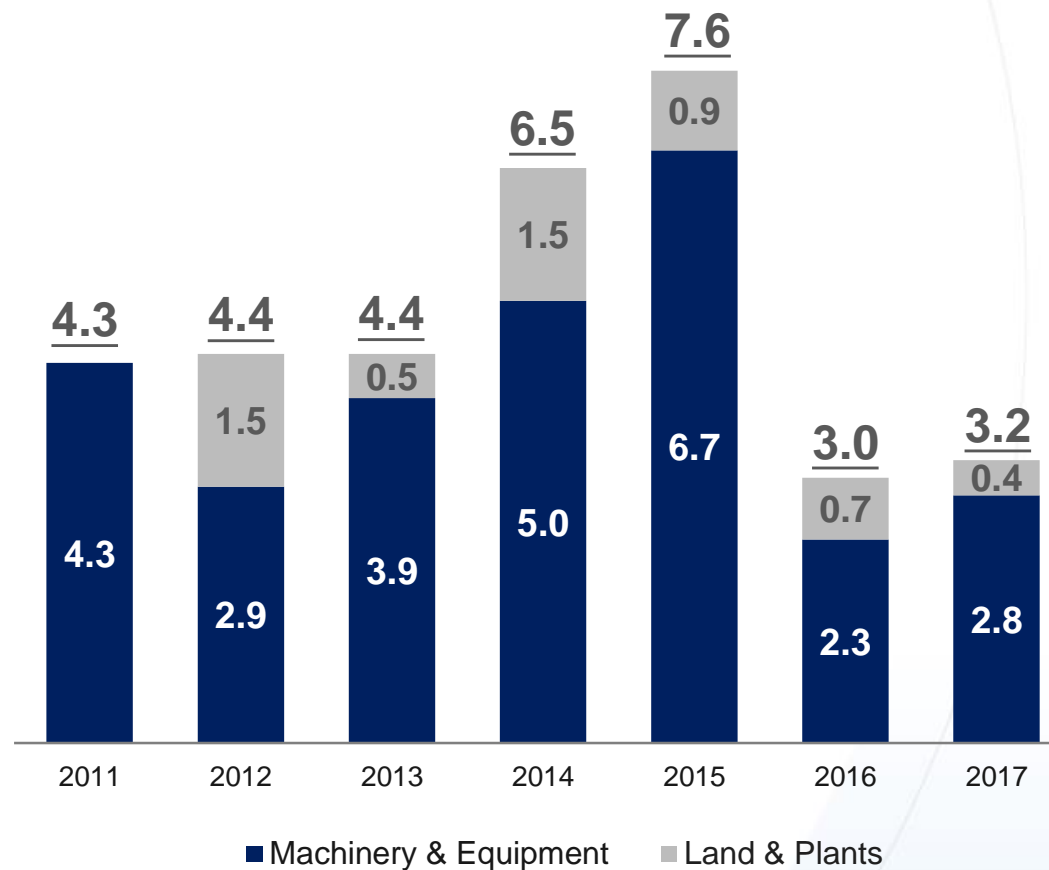
## Overall Capex

(RMB billion)

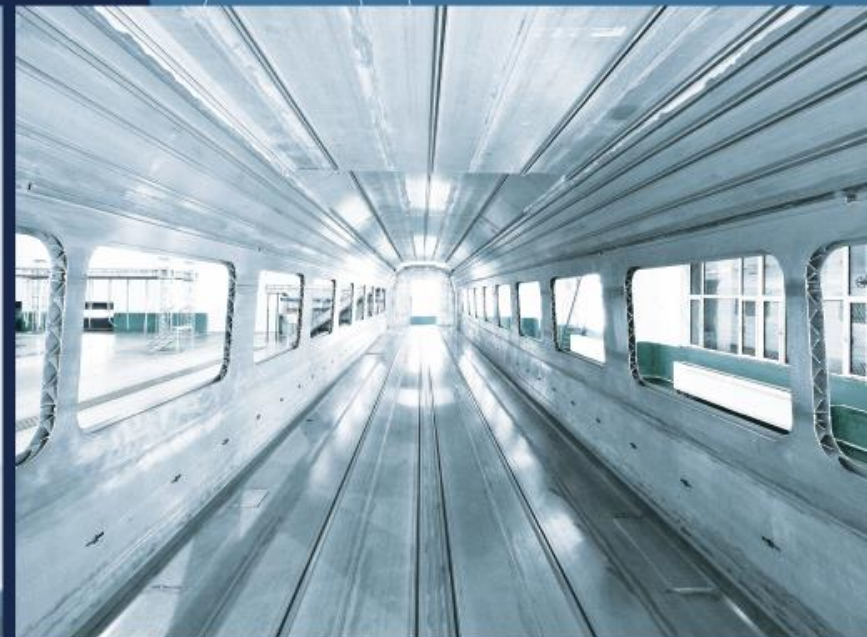
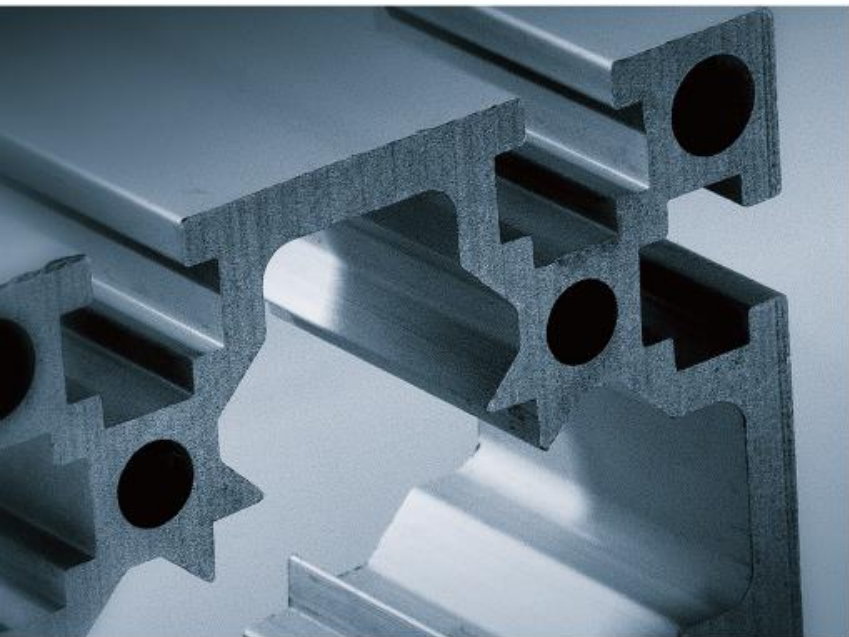


## RMB33.4 billion Capex of Aluminium Flat Rolling Project

(RMB billion)



# Operational Highlights





# Aluminium Extrusion and Deep Processing Businesses



## Product Mix Upgrade

- Enhanced product added value;
- Enriched variety of high-end products;
- Developed key products including:
  - aluminium alloy formwork
  - Structural parts for vehicle
  - large-sized parts for transportation use, e.g. parts for high-speed train body etc.

*Strengthening the long-term profitability*



## Production Capacity Expansion and Optimisation

- The first ultra-large 225MN extrusion press was put into official operation;
- The second one is under testing;
- Several of the 99 extrusion presses ordered were delivered for installation;
- Added automatic welding machines and spray coating lines.

*Improving the production efficiency of high-end products*



## Service Model Innovation

- Provided one-stop light-weight solutions covering R&D, design, production, and after-sales services;
- Explored a win-win cooperation mode;
- Improved customers' knowledge on the application of aluminium;
- Enhanced the R&D efficiency.

*Enhancing the Group's added value as a supplier*

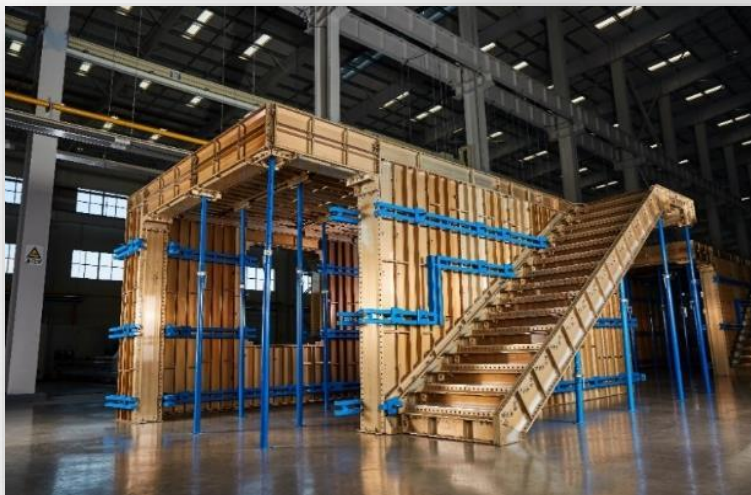
► **Transition into an Integrated Light-weight Solutions Provider**



# Star Product - Aluminium Alloy Formwork

## Applications and Advantages

- ✓ Applied in large-scale residential and infrastructure construction projects.
- ✓ Advantages of aluminium alloy formwork:
  - Light in weight, safe
  - Shorten construction period and enhance efficiency
  - Turnover reaches 300 times, reduce average costs
  - Environmental friendly, high recycle value



## Made by Zhongwang

- ✓ Stronger and more durable with upgraded alloy.
- ✓ Provide greater support with upgraded product specification.
- ✓ Better surface quality with upgraded surface treatment.

## Production and Use

1. Design for assembly
2. Fabrication
  - extrusion, cutting, punching, welding, surface treatment, etc.
3. Pre-assembly and quality check
4. Reuse during construction
5. Recycle





# Showcase of Zhongwang's Aluminium Alloy Formwork Application



► COFCO | Beijing



► Country Garden | Shenzhen



► Country Garden | Shenzhen



► Evergrande | Tianjin



► Vanke | Hefei



► Power China | Changsha



# Key Products



## Chery Electric Car Model eQ

- ✓ The Group is the exclusive supplier of the aluminium body frame.
- ✓ The Group assisted in R&D of model upgrade.
- ✓ Parametres of “Little Ant”:
  - Over 90% of its body frame consists of aluminium alloy.
  - Weights 40% less than traditional cars.

## The First All-aluminium Body & All-aluminium Chassis Bus

- ✓ The Group worked with China FAW Group in R&D.
- ✓ The Group supplies parts for body frame and chassis.
- ✓ Filled in the gaps in application of aluminium alloy in chassis.
- ✓ Focused on aluminium in lieu of steel in urban public transportation.





# Key Products (continued)



## Electric Bus Frame and Body

- ✓ The Group is a major supplier for BYD electric bus.
- ✓ The Group supplies large parts including the front panel, roof, and side-wall.
- ✓ For a 12m long aluminium intensive bus:
  - Average usage of aluminium: 900 kg
  - Weighs over 30% less than a traditional bus.

## Fabricated Parts for Rail Transit

- ✓ The Group is a major supplier of high-speed train body in China.
- ✓ The Group supplies large parts including side wall, floor, roof, and corbel.
- ✓ Standard multiple units trains of over 350km/hr in speed carries aluminium train body.
- ✓ For the “Fuxing EMU”:
  - Eight compartments for each train.
  - Each compartment requires 12 tonnes of aluminium extrusion products.



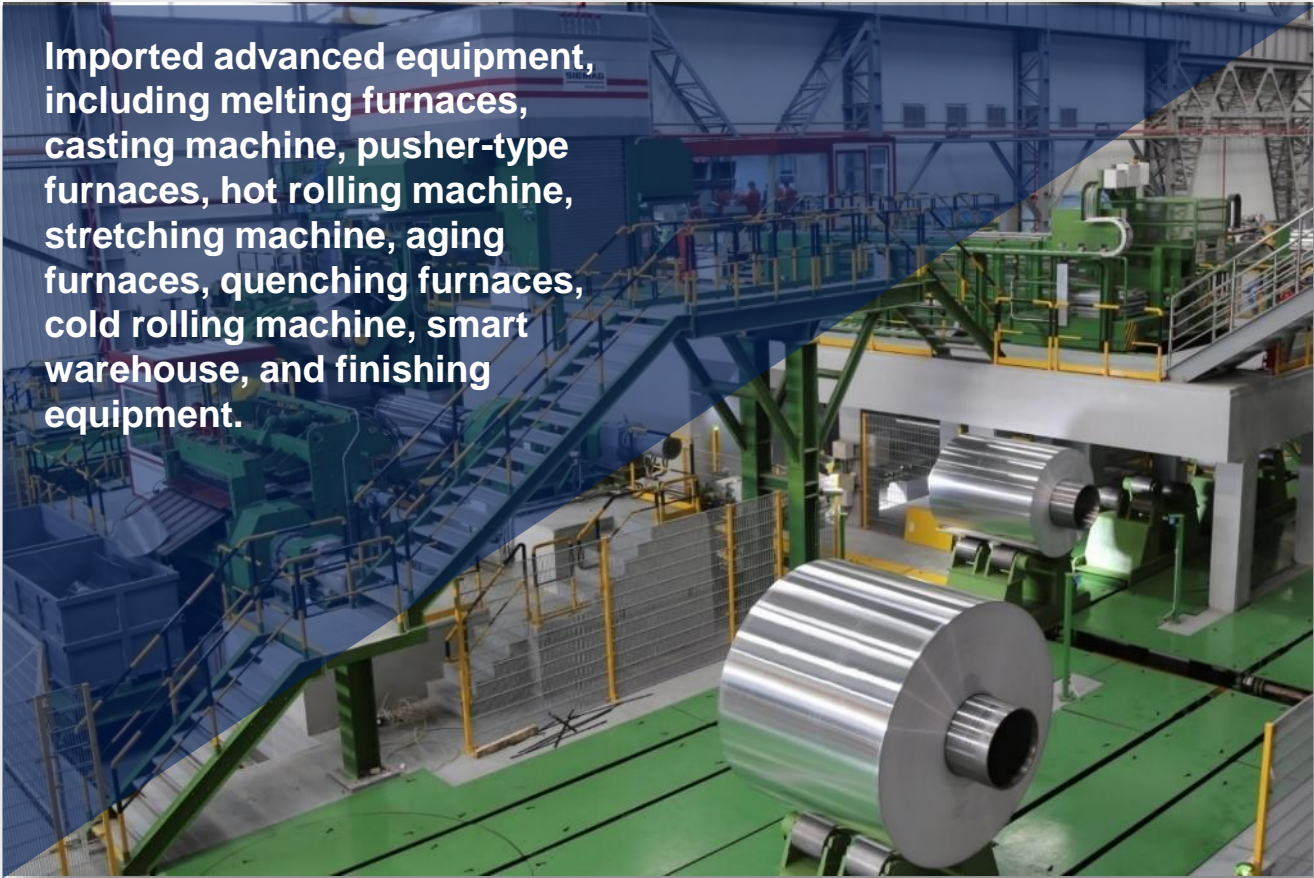
# Commercial Operation of the First Production Line of Flat Rolling Project



## Project Overview

	<u>First Line</u>	<u>Second Line</u>
Location	Auto Parts Industrial Park in Wuqing District, Tianjin	
Designed capacity	600,000 tonnes p.a.	1,200,000 tonnes p.a.
Status	Commenced commercial production	Equipment testing
Main production processes	Casting, Hot Rolling, Cold Rolling, Finishing	
Products	Plates and sheets	Sheets
Applications	Aviation and aerospace, transportation, machinery and equipment, chemical containers, tankers, packaging, industrial, durable consumer goods, etc.	

## Advanced Facilities, State-of-the-art Equipment

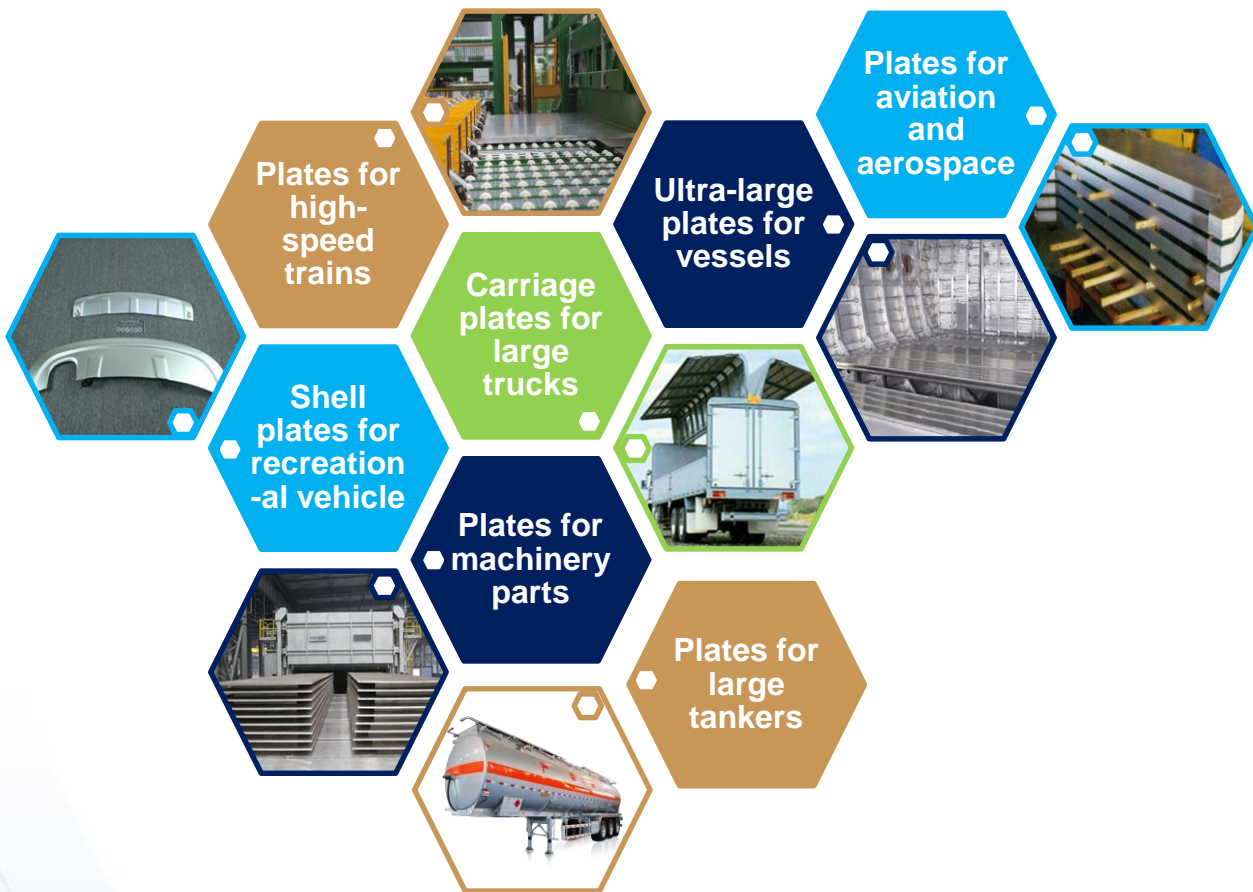


► **The world’s largest top-notch aluminium flat rolling production base with state-of-the-art equipment**



# Building a New Flagship of Aluminium Flat Rolling

## Main Product Applications



## Major Achievements

### ► Obtained a variety of authoritative accreditations:

- ✓ Nadcap certification for aviation industry
- ✓ Det Norske Veritas (DNV)
- ✓ Nippon Kaiji Kyokai (NK)
- ✓ American Bureau of Shipping (ABS)
- ✓ China Classification Society (CCS)
- ✓ ISO/TS16949 accreditation for automotive industry
- ✓ International Railway Industry Standard (IRIS)
- ✓ Lloyd's Register of Shipping

### ► Able to cast slab as wide as 2,670mm, a new record in China.

### ► Able to roll plates as wide as 4,300mm, a new record in Asia.

### ► Certification of car plates is in progress.

# A New Chapter of Exploring High-end Aluminium Applications with the First Two Overseas Acquisitions

## Acquisition of Alunna: Accelerate the Development in Automotive and Aviation Sectors



### 100-year-old Enterprise

- Located in Germany
- Established in 1914
- 100,000 sq m in area
- One-stop production

### A Leading Aluminium Tube Manufacturer

- Seamless extruded tubes
- Porthole extruded tubes
- Products widely used in global aviation and automotive industries
- One of the only three aluminium tube manufacturers in the world with accreditations / certification for all aviation applications

### Heritage and Evolution

- Capacity expansion is being planned
- Technical exchange with the Group was conducted



## Acquisition of SilverYachts: Direct Entry into High-end Marine Manufacturing Sector



### Artists / Artisans

- Shipyard located in Australia
- The only company in the world capable of building large scale all-aluminium alloy superyachts of over 70 metres
- In-house design, production, and assembly
- Top superyacht designer as a co-founder

### An Innovator of Aluminium Application in the Ocean

- All-aluminium hull and interiors
- The fastest conventionally powered superyachts
- “Super sports cars of the ocean”
- Lighter and more corrosion resistant

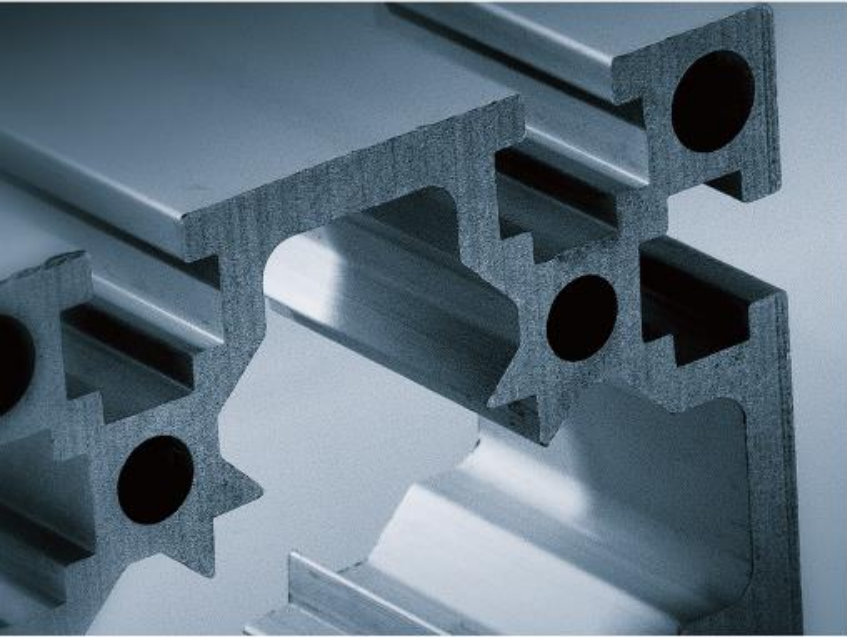
### A New Journey

- Will establish a new shipyard in China with the Group's support





## Development Strategies



# High-end Applications of Green Materials Became the Norm

## Supportive Policies Brings in Demand in the Downstream Sectors

### ► Ecological Construction

#### “Integrated Work Proposal for Energy Conservation and Emission Reduction for the 13th Five-Year Plan Period”

- Strengthen building energy conservation.
- By 2020, the area coverage of buildings constructed with green materials in urban will reach as high as 50% of all newly constructed area.

#### “13th Five-Year Plan for Building Energy Conservation and Green Building Development”

- By 2020, green materials will account for 40% of all building materials.
- The concept of energy saving and green development will be applied in construction sector in all aspects, through the entire process within the whole industry chain.



### ► Rail Transportation

#### “Three-Year Action Plan for Major Construction of Transportation Infrastructure (2016-2018)”

- Determine the investment amount in national railway, highway and rail transit projects.

#### “Mid- to Long-term Railway Network Planning (2016–2030)”

- High speed railway network upgrade to “8 vertical and 8 horizontal tracks”.
- During the “13th Five-Year Plan” period, the CAGR of China's high-speed rail operating mileage can exceed 9%.

#### Data from China Urban Rail Transit Association

- In 2017, China's newly added urban rail transit mileage hit a new record.
- By the end of 2017, the total planned urban rail transit in Mainland China exceeded 9,000 km.



# High-end Applications of Green Materials Became the Norm (Continued)

## Huge Potential in New Energy Vehicle Market

### ► New Energy Vehicle Policies in China

#### "Fuel Consumption Limits for Passenger Cars"

- To implement the fourth stage of the emission standards.

#### "Roadmap for Energy Conservation and New Energy Automobiles"

- To establish energy saving target and sales target of new energy cars.

#### "Mid- to Long-term Development Plan for the Automobile Industry"

- To promote key technical breakthroughs and green development.

#### "Measures for the Parallel Administration of Average Fuel Consumption and New Energy Vehicle Credits for Passenger Vehicle Enterprises"

- "Double Credit Method" established for long-term management.



## Countries to Ban Traditional Fuel Cars

<i>Countries</i>	<i>To ban gas and diesel cars sales by</i>
Netherlands	2025
Norway	2025
India	2030
Germany	2030
France	2040
U.K.	2040

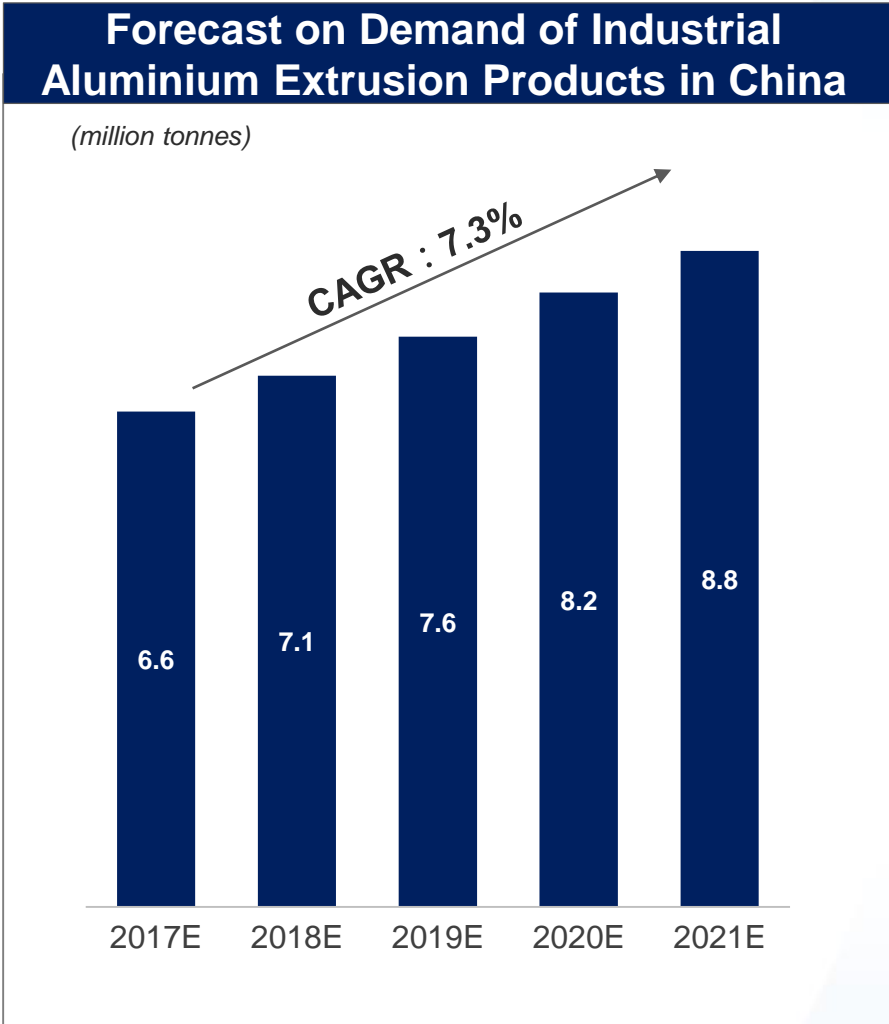
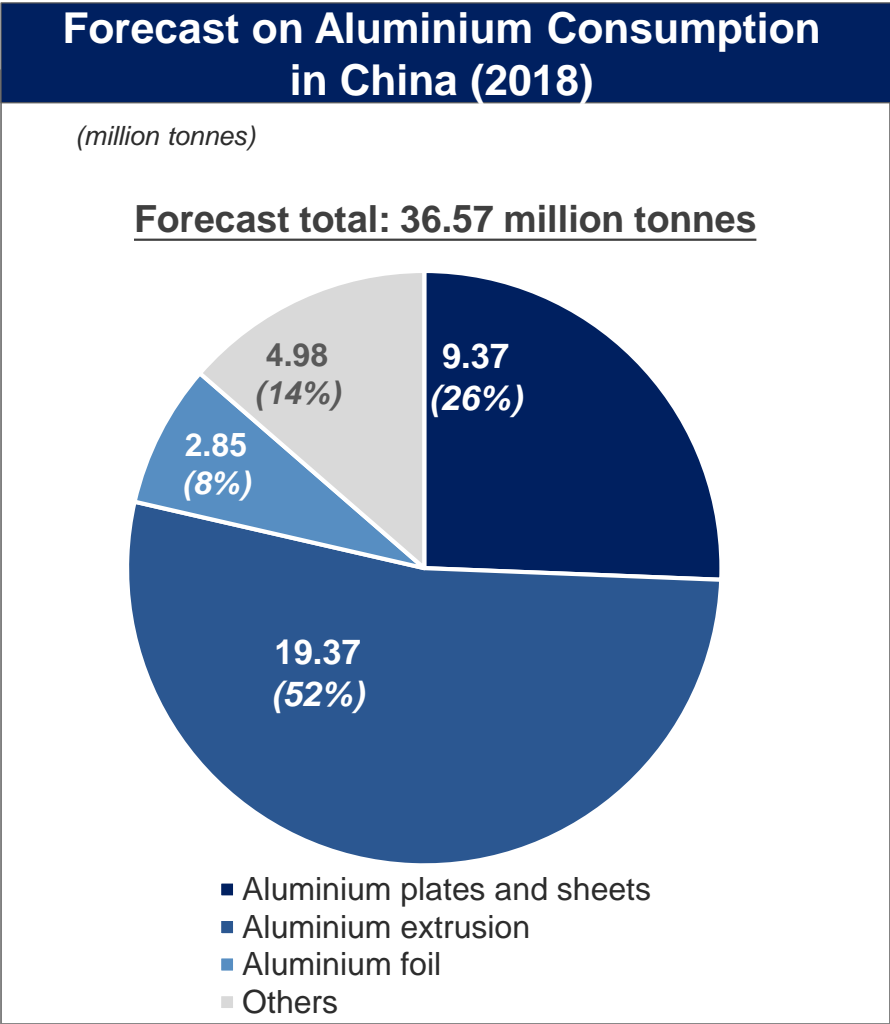
### Ministry of Industry and Information Technology of China:

*Studying when to ban sales of traditional fuel cars*

(Source: public information consolidation)



# Growth Potential of High-end Aluminium Application in China

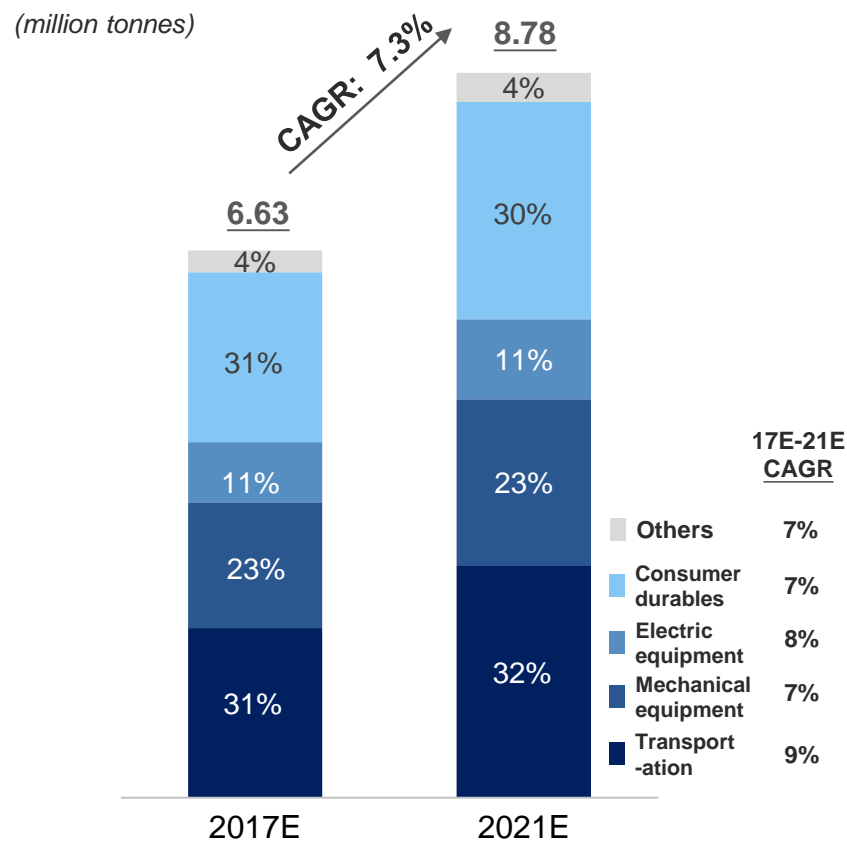


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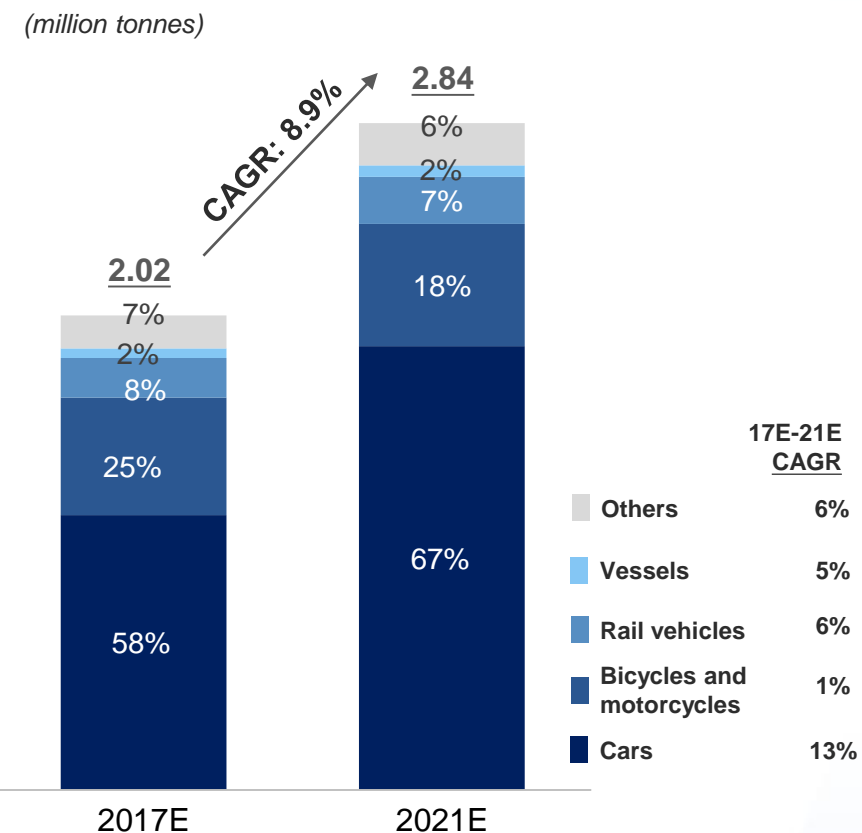
1. Source: "Non-ferrous market development report" issued by Antaika in January 2018 and "Research report on the aluminium extrusion market in China and elsewhere" issued by Antaika in June 2017.
2. Percentage data represents the share in total amount.

# Growth Potential of High-end Aluminium Application in China (Continued)

**Forecast of Demand on Industrial Aluminium Extrusion Product in China – by Applications**



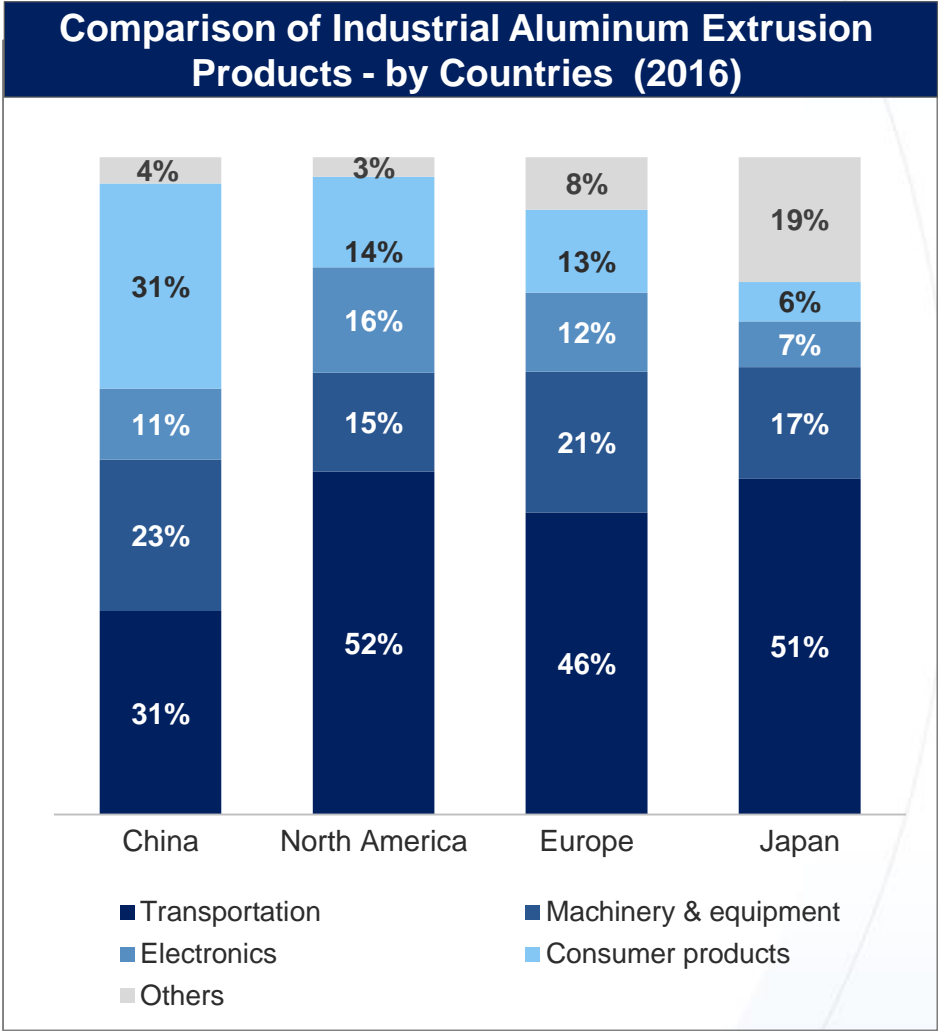
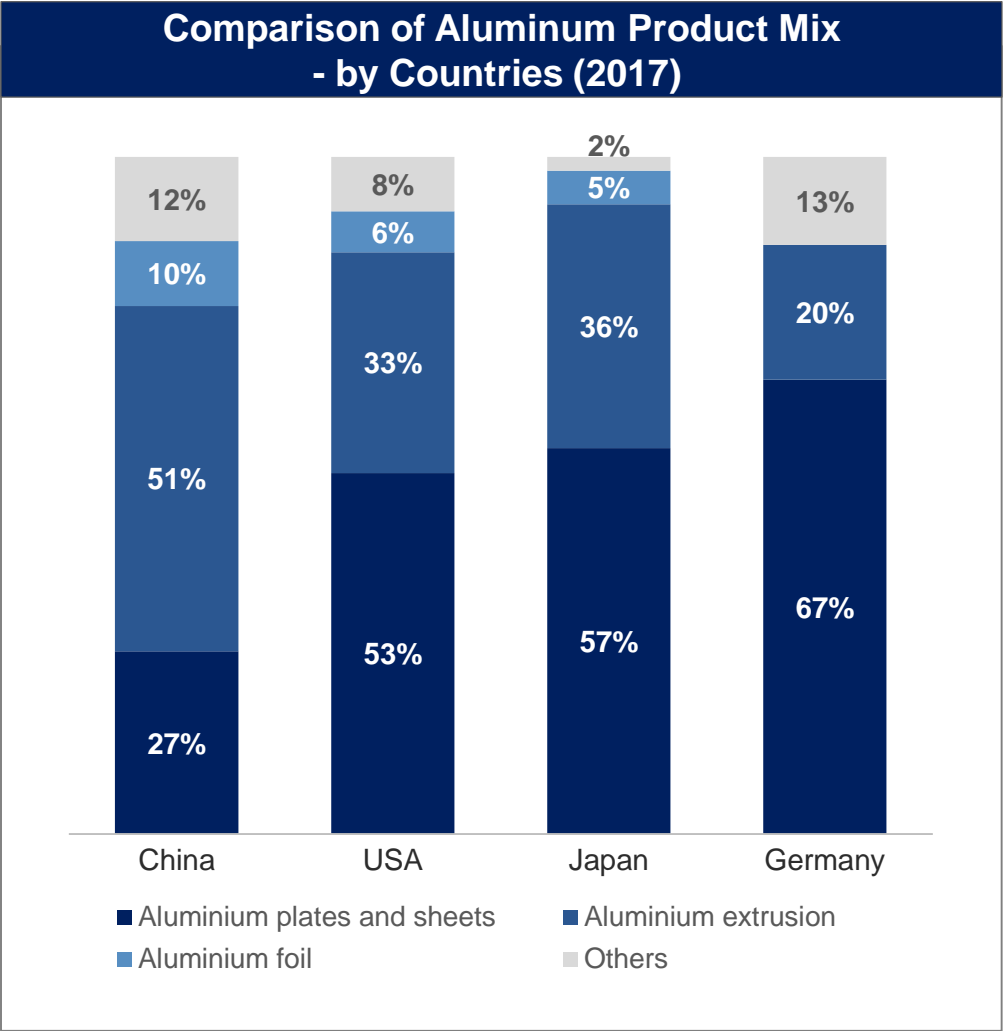
**Forecast of Demand on Aluminium Extrusion Products in China's Transportation Sector**



**Remarks:**

1. Source: "Research report on the aluminium extrusion market in China and overseas" issued by Antaike in June 2017.
2. Percentage data represents the share in total amount.

# Comparison of High-end Aluminium Applications in Various Countries



**Remarks:**

1. Source: "Non-ferrous market development report" issued by Antaike in January 2018 and "Research report on the aluminium extrusion market in China and elsewhere" issued by Antaike in June 2017.
2. Percentage data represents the proportion to total amount.

# Impetus for Future Development

## Production

The full production of the aluminium flat rolling project will add momentum to long-term development.



Enrich high-end product portfolio while increase contribution from high value-added products.

## Optimisation



## Consolidation

Continue to implement production capacity optimisation and expansion to consolidate capability in high-end production.



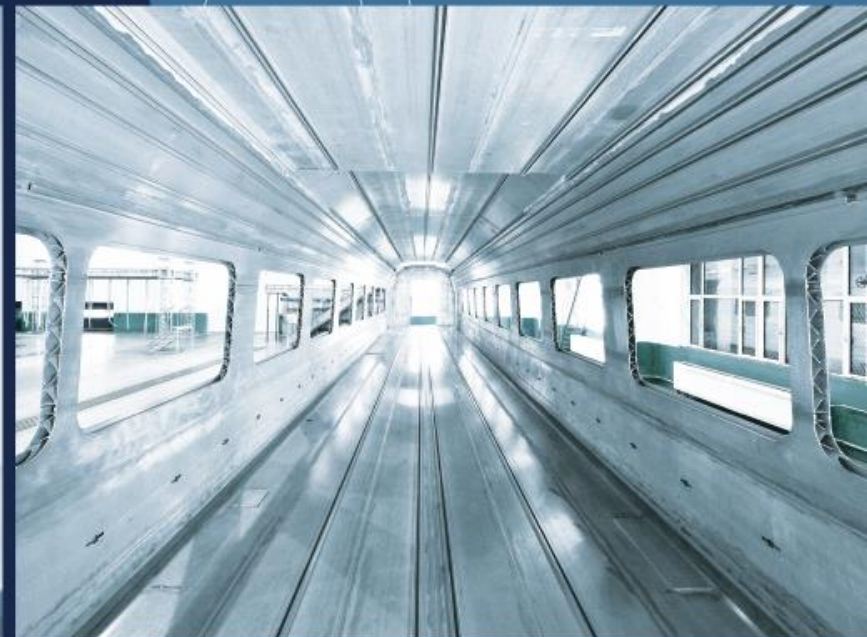
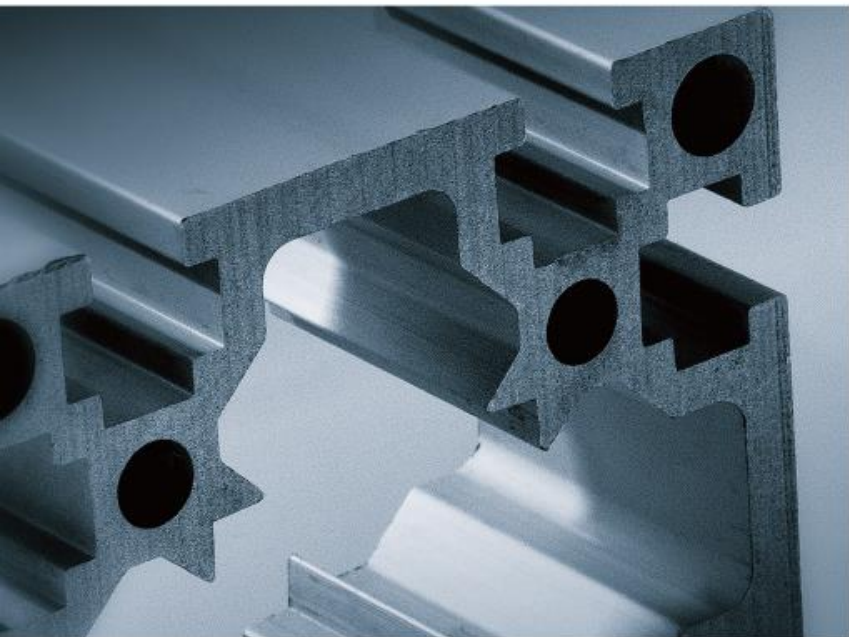
Enhance R&D while accelerate technological innovation to improve our comprehensive strengths.

## R&D





# A Global Leading Fabricated Aluminium Product Developer and Manufacturer



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