

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNOUNCEMENT OF UNAUDITED QUARTERLY FINANCIAL RESULTS AND OPERATIONAL STATISTICS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

The Board of the Company hereby announces the unaudited major financial results and operational statistics of the Group for the three-month period ended 31 March 2017 together with the unaudited comparative figures for the corresponding period in 2016.

The Board (the “**Board**”) of directors (the “**Directors**”) of China Zhongwang Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the unaudited major financial results and operational statistics of the Group for the three-month period ended 31 March 2017 (the “**Period under Review**”), together with the unaudited comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Notes	Three months ended 31 March	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	1	3,098,987	3,456,739
Cost of Sales	2	(2,111,498)	(2,296,495)
Gross profit	3	987,489	1,160,244
Investment income		67,821	72,947
Other income		122,464	199,233
Selling and distribution costs		(38,992)	(29,990)
Administrative and other operating expenses	4	(389,255)	(444,636)
Share of profits less losses of associates		48,599	15,641
Finance costs	5	(168,293)	(219,033)
Profit before taxation		629,833	754,406
Income tax	6	(117,248)	(150,336)
Profit for the period		512,585	604,070

Note: The condensed consolidated statement of income has been prepared in accordance with the accounting policies which conform to International Financial Reporting Standards.

* For identification purposes only

The Group is a leading industrial aluminium extrusion product and aluminium flat-rolled product developer and manufacturer in the world, which is currently principally engaged in the production of high precision, large-section and high value-added industrial aluminium extrusion products. Products are widely used in the transportation sector (including railway passenger and cargo carriages, metropolitan rails, automobiles, commercial vehicles, vessels, aviation and aerospace), machinery and equipment and electric power engineering sectors.

1. Revenue

During the Period under Review, the Group's total revenue amounted to approximately RMB3.10 billion (corresponding period in 2016: approximately RMB3.46 billion). During the Period under Review, the Group's major revenue was generated from sales in the aluminium extrusion business and deep processing business which amounted to approximately RMB3.09 billion (corresponding period in 2016: approximately RMB3.45 billion). Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB4.58 million (corresponding period in 2016: approximately RMB2.09 million).

The following sets forth the breakdown by business segments of the Group's revenue, sales volume and average selling price for the Period under Review and the corresponding period in 2016.

	Three months ended 31 March								
	2017			2016			Change		
	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue RMB'000	Sales volume tonnes	Average selling price RMB/tonne	Revenue %	Sales volume %	Average selling price %
Aluminium extrusion business	3,412,612	148,910	22,917	3,265,675	177,946	18,352	4.5%	(16.3%)	24.9%
Industrial aluminium extrusion segment	3,329,847	143,860	23,146	3,165,757	170,843	18,530	5.2%	(15.8%)	24.9%
Construction aluminium extrusion segment	82,765	5,050	16,389	99,918	7,103	14,067	(17.2%)	(28.9%)	16.5%
Deep processing business	67,087	3,330	20,146	568,634	21,701	26,203	(88.2%)	(84.7%)	(23.1%)
Others	4,584	N/A	N/A	2,085	N/A	N/A	119.9%	N/A	N/A
Subtotal	3,484,283	152,240	22,887	3,836,394	199,647	19,216	(9.2%)	(23.7%)	19.1%
Elimination of internal sales	(385,295)	(31,706)	12,152	(379,655)	(30,850)	12,306	1.5%	2.8%	(1.3%)
Total	<u>3,098,988</u>	<u>120,534</u>	<u>25,710</u>	<u>3,456,739</u>	<u>168,797</u>	20,479	(10.3%)	(28.6%)	25.5%

Revenue from the Group's industrial aluminium extrusion segment consisted of two parts, namely sales revenue from external customers and sales revenue from inter-segment. Sales revenue from inter-segment mainly represents the sales of raw materials to the deep processing business and the high-precision aluminium raw materials used by the high value-added aluminium flat rolling project in Tianjin for trial run.

Revenue from sales of the Group's industrial aluminium extrusion segment increased by 5.2% to approximately RMB3.33 billion for the Period under Review from approximately RMB3.17 billion for the corresponding period in 2016. Such increase was mainly attributable to the increase in production and sales of the Group's high value-added aluminium extrusion products such as aluminium alloy formworks during the Period under Review.

During the Period under Review, sales volume of the Group's industrial aluminium extrusion segment was 143,860 tonnes. Among which, sales volume to external customers decreased by 19.9% from 139,993 tonnes for the corresponding period of 2016 to 112,154 tonnes for the Period under Review, which is mainly attributable to the Group's development of new products which occupied certain portions of our capacities for the trial and testing. Sales volume of high-precision raw materials to the high value-added aluminium flat rolling project in Tianjin amounted to 26,292 tonnes, representing an increase of 151.4% from 10,459 tonnes for the corresponding period of 2016. Sales volume of industrial aluminium extrusion products to the deep processing business decreased by 73.4% from 20,391 tonnes for the corresponding period of 2016 to 5,414 tonnes.

The average selling price to external customers increased by 25.5% from RMB20,479 per tonne for the corresponding period in 2016 to RMB25,710 per tonne for the Period under Review, mainly attributable to the increase in market average unit price of aluminium ingots (tax exclusive) from approximately RMB9,300 per tonne for the corresponding period of 2016 to approximately RMB11,500 per tonne for the Period under Review, and the increase in average processing fees from approximately RMB11,000 per tonne for the corresponding period of 2016 to approximately RMB14,000 per tonne for the Period under Review due to the greater share of high value-added aluminium extrusion products in our sales during the Period under Review.

Revenue from the Group's deep processing business decreased from approximately RMB570 million for the corresponding period in 2016 to approximately RMB67.09 million for the Period under Review, which was mainly attributable to the decrease in sales of deep-processed products exported to the United States of America during the Period under Review.

Geographically, the Group's overseas customers mainly came from countries and regions including Germany, Belgium, the Netherlands, the United Kingdom, Japan and the United States of America. For the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB190 million (corresponding period in 2016: approximately RMB520 million), accounting for 6.2% of the Group's total revenue (corresponding period in 2016: 15.0%).

2. Cost of Sales

The Group's cost of sales amounted to approximately RMB2.11 billion for the Period under Review, representing a decrease of 8.1% from approximately RMB2.30 billion for the corresponding period in 2016.

3. Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB990 million for the Period under Review, representing a decrease of 14.9% from approximately RMB1.16 billion for the corresponding period in 2016. The gross margin decreased from 33.6% for the corresponding period in 2016 to 31.9% for the Period under Review. The gross margin slightly declined as compared to that of the corresponding period of 2016 as a result of the combined effect of the positive influence on gross margin from the increase in average selling price due to the increase in sales of the Group's high value-added aluminium extrusion products during the Period under Review, and the negative influence on gross margin from the increase in unit production cost due to the decrease in sales caused by the trial and testing on, and production of, the new products during the Period under Review, which occupied certain portions of our capacities.

4. Administrative and Other Operating Expenses

Administrative and other operating expenses decreased from approximately RMB440 million for the corresponding period in 2016 to approximately RMB390 million for the Period under Review, primarily due to a decrease by approximately RMB23 million in non-cash flow expenses recognised by the Group from the options at fair value arising from the share options granted by the Group during the Period under Review, and the stamp duty of approximately RMB34.60 million incurred by the Group during the corresponding period of 2016 for the internal reorganisation in relation to the Proposed Spin-off and listing of Liaoning Zhongwang Group Company Limited, a wholly-owned subsidiary of the Company, which is not found in the Period under Review.

5. Finance Costs

The Group's finance costs decreased from approximately RMB220 million for the corresponding period in 2016 to approximately RMB170 million for the Period under Review, mainly due to the decrease in the average scale of the Group's indebtedness for the Period under Review as compared to that for the corresponding period in 2016.

6. Income Tax

The Group's income tax decreased from approximately RMB150 million for the corresponding period in 2016 to approximately RMB120 million for the Period under Review.

The Group's effective tax rates for the corresponding period in 2016 and the Period under Review were 19.9% and 18.6%, respectively.

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited quarterly financial results and operational statistics for the Period under Review and the corresponding period in 2016 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. **Investors are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board
China Zhongwang Holdings Limited
Liu Zhongtian
Chairman

Hong Kong, 28 April 2017

As at the date of this announcement, the Board consists of

Executive Directors

Mr. Liu Zhongtian, Mr. Lu Changqing and Mr. Gou Xihui

Non-executive Director

Mr. Chen Yan

Independent non-executive Directors

Mr. Wong Chun Wa, Mr. Wen Xianjun, Mr. Shi Ketong and Mr. Lo Wa Kei, Roy