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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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2014

The Board of the Company hereby announces the unaudited major financial results and operational statistics of the Group for the nine-month period ended 30 September 2014 together with the unaudited comparative figures for the corresponding period in 2013.

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 nine-month period ended 30 September 2014 (the “**Period under Review**”), together with the unaudited comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Notes	Nine months ended 30 September	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	1	12,310,509	10,930,662
Cost of sales	2	(8,787,157)	(7,909,758)
Gross profit	3	3,523,352	3,020,904
Investment income		96,796	104,737
Other income/(expenses) and other gains/(losses), net	4	125,115	198,533
Selling and distribution costs		(113,082)	(108,995)
Administrative and other operating expenses	5	(916,747)	(756,937)
Share of profit of an associate		2,966	2,485
Finance costs	6	(385,112)	(385,761)
Profit before taxation		2,333,288	2,074,966
Income tax	7	(381,382)	(500,671)
Profit for the period		1,951,906	1,574,295

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 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 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.

The Group continues to focus on the development of high precision, large-section and high value-added industrial aluminium extrusion products, making an all-round effort to tap the enormous market potentials of China's aluminium processing industry in line with our market outreach strategy focused primarily on China and to a lesser extent on the overseas. We have extended our business scope to cover high value-added deep-processed products, a segment with promising market potentials. We have developed not only deep-processed products targeting overseas markets such as aluminium pallets, but also those high value-added deep-processed products with enormous market potentials, such as aluminium-intensive semi-trailers, oil tank trucks, fire trucks, garbage trucks and the carriages for railway vehicles. In the meantime, the Group has actively extended our business of high-end aluminium flat rolled products, a segment that offers synergies with the business of industrial extrusion products. The high-end aluminium flat rolled product project in Tianjin is progressing steadily as planned and the first production line of Phase 1 is scheduled to commence commercial production in the second half of 2015, which, together with the Group's existing industrial aluminium extrusion products and deep-processed products, will form the Group's three core business lines that will complement each other, underpin the Group's model of sustainable growth and continuously sharpen our major competitive edges in the aluminium processing sector.

1. Revenue

During the Period under Review, the Group's total revenue amounted to approximately RMB12,310,509,000 (corresponding period in 2013: approximately RMB10,930,662,000), representing a growth of 12.6%. Our major revenue was generated from sales of aluminium extrusion business which amounted to approximately RMB12,300,370,000 (corresponding period in 2013: approximately RMB10,925,707,000) or 99.9% of the Group's total revenue. Other revenue primarily comprised metal trade agency fees, amounting to approximately RMB10,139,000 (corresponding period in 2013: approximately RMB4,955,000).

The following sets forth the breakdowns of our Group's revenue of the aluminium extrusion business by segments and products for the Period under Review and the corresponding period in 2013:

	Nine months ended 30 September	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Aluminium extrusion business		
Industrial segment	11,546,490	10,261,632
Industrial aluminium extrusion products	10,164,273	9,135,156
Deep-processed products	1,382,217	1,126,476
Construction segment	753,880	664,075
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Total	12,300,370	10,925,707
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Revenue from the Group's aluminium extrusion business amounted to approximately RMB12,300,370,000 for the Period under Review, an increase of 12.6% over the corresponding period in 2013. The total product sales volume of our aluminium extrusion business increased by 15.9% from 495,423 tonnes for the corresponding period in 2013 to 574,018 tonnes for the Period under Review. The average selling price of the Group's aluminium extrusion products dropped by 2.8% from RMB22,053 per tonne for the corresponding period in 2013 to RMB21,429 per tonne for the Period under Review, mainly because of lower aluminium ingot prices during the Period under Review. The Group typically sets prices for its aluminium extrusion products on a "cost-plus" basis, pursuant to which the selling price of our products is determined on the prevailing price of aluminium ingots plus a processing fee charged by the Group. The average aluminium ingot price (tax-inclusive) in China for the Period under Review was RMB13,596 per tonne, 7.0% lower than the average aluminium ingot price (tax-inclusive) of RMB14,622 per tonne for the corresponding period in 2013¹.

Revenue from the Group's industrial segment increased by 12.5% over the corresponding period in 2013 to approximately RMB11,546,490,000 for the Period under Review. Total sales volume of the Group's industrial segment increased by 15.3% from 457,561 tonnes for the corresponding period in 2013 to 527,711 tonnes for the Period under Review.

¹ The calculation of the average aluminium ingot prices (tax-inclusive) in China for the Period under Review and the corresponding period in 2013 was based on the relevant data from the website of the Shanghai Futures Exchange.

Revenue from the Group's industrial aluminium extrusion products amounted to approximately RMB10,164,273,000 for the Period under Review, an increase of 11.3% over the corresponding period in 2013, mainly because our enhanced efforts in market development and capacity expansion led to a 14.4% increase of the Group's sales volume of industrial aluminium extrusion products to 476,942 tonnes for the Period under Review from 416,859 tonnes in the corresponding period in 2013. The average selling price of the Group's industrial aluminium extrusion products dropped by 2.8% from RMB21,914 per tonne for the corresponding period in 2013 to RMB21,311 per tonne for the Period under Review, mainly because of lower aluminium ingot prices during the Period under Review.

Deep-processed products are an important driver of profit growth that the Group has been vigorously developing. Currently, our deep-processed products mainly include aluminium pallets, large components for the carriages for mass transit railways and automobile components. The sales volume increased by 24.7% to 50,769 tonnes for the Period under Review from 40,702 tonnes for the corresponding period in 2013, principally because our intensified efforts in developing overseas markets led to an increase of the export sales of deep-processed products to the United States ("US"), which in turn raised the revenue from deep-processed products by 22.7% over the corresponding period in 2013 to approximately RMB1,382,217,000 for the Period under Review. The average selling price of the Group's deep-processed products decreased by 1.6% from RMB27,676 per tonne for the corresponding period in 2013 to RMB27,226 per tonne for the Period under Review. The decrease was primarily due to lower aluminium ingot prices during the Period under Review.

Revenue from the Group's construction segment increased by 13.5% over the corresponding period in 2013 to approximately RMB753,880,000 for the Period under Review, which was mainly attributable to increases in sales volume of our construction segment. The sales volume of the Group's construction segment increased by 22.3% from 37,862 tonnes for the corresponding period in 2013 to 46,307 tonnes for the Period under Review, mainly because the Group, while ensuring the satisfaction of the demands of the industrial segment, increased the production volume of the construction segment as a result of greater demands during the Period under Review. The average selling price of the Group's construction segment decreased by 7.2% from RMB17,539 per tonne for the corresponding period in 2013 to RMB16,280 per tonne for the Period under Review primarily because of a decline in the price of aluminium ingots during the Period under Review.

Geographically, the Group's overseas clients mainly came from the US. For the Period under Review, our revenue from overseas sales amounted to approximately RMB1,701,644,000 (corresponding period in 2013: approximately RMB1,310,937,000), representing 13.8% (the corresponding period in 2013: 12.0%) of the Group's total revenue.

The following sets forth the breakdowns of our revenue by geographical regions for the Period under Review and the corresponding period in 2013:

	Nine months ended 30 September	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC	10,608,865	9,619,725
US	1,555,001	1,293,422
Others	146,643	17,515
	<hr/>	<hr/>
Total	<u>12,310,509</u>	<u>10,930,662</u>

For the Period under Review, the Group's domestic revenue amounted to approximately RMB10,608,865,000, up 10.3% over the corresponding period in 2013. The Group's overseas revenue increased by 29.8% over the corresponding period in 2013 to approximately RMB1,701,644,000, including approximately RMB1,555,001,000 in revenue from exports to the US, an increase of 20.2% over the corresponding period in 2013. The Group's export of products to the US comprise mostly deep-processed products. The growth in exports to the US for the Period under Review was attributable to the Group's vigorous efforts in expanding its production scale for deep-processed products to tap the US market in response to increasing demand for these products in the US.

2. Cost of Sales

Our cost of sales was approximately RMB8,787,157,000 for the Period under Review (corresponding period in 2013: approximately RMB7,909,758,000), an increase of 11.1% over the corresponding period in 2013. The increase was mainly due to growth in aluminium extrusion product sales during the Period under Review. The cost of sales of our aluminium extrusion business increased by 11.1% over the corresponding period in 2013 to approximately RMB8,787,031,000 for the Period under Review (corresponding period in 2013: approximately RMB7,909,699,000). The Group's unit cost of aluminium extrusion business decreased by 4.1% to RMB15,308 per tonne for the Period under Review from RMB15,966 per tonne in the corresponding period in 2013, primarily due to the decline of aluminium ingot prices during the Period under Review.

3. Gross Profit and Gross Margin

The Group's gross profit increased by 16.6% from approximately RMB3,020,904,000 for the corresponding period in 2013 to approximately RMB3,523,352,000 for the Period under Review. The increase was mainly due to increases in sales volume of aluminium extrusion products for the Period under Review. The Group's overall gross profit margin increased from 27.6% for the corresponding period in 2013 to 28.6% for the Period under Review. The increase was mainly due to the decline of aluminium ingot prices during the Period under Review.

4. Other Income/Expenses and Other Gains/Losses, Net

Other income/expenses and other gains/losses recorded net gains of approximately RMB125,115,000 for the Period under Review, a decrease of approximately RMB73,418,000 from the net gains of approximately RMB198,533,000 for the corresponding period in 2013. This was principally due to the following factors:

- (i) the government subsidies decreased from approximately RMB169,528,000 for the corresponding period in 2013 to approximately RMB133,192,000 for the Period under Review. The aggregate amount of government subsidies for business development and technological research received by the Group in each period is determined and distributed by relevant PRC authorities at their sole discretion;
- (ii) exchange loss increased to approximately RMB38,294,000 for the Period under Review from approximately RMB7,110,000 for the corresponding period in 2013, primarily due to the increase in borrowings in foreign exchange by the Group and a weaker Renminbi during the Period under Review;
- (iii) the net income from the sales of machinery and equipment decreased from approximately RMB33,466,000 for the corresponding period in 2013 to approximately RMB18,199,000 for the Period under Review. The Group launched the manufacturing and sales business of machinery and equipment in 2013, providing mostly machines and equipment related to metal processing; and
- (iv) net gain from other items, such as income from disposal of scrap materials, consumables and moulds, increased to approximately RMB12,018,000 for the Period under Review from approximately RMB2,649,000 for the corresponding period in 2013.

5. Administrative and Other Operating Expenses

Our administrative and other operating expenses mainly comprise research and development expenditures, wages, salaries and benefits, land use taxes, amortization of land use rights, bank fees, share option expenses, intermediary fees and depreciation charges of office equipment. The administrative and other operating expenses increased by 21.1% to approximately RMB916,747,000 for the Period under Review from approximately RMB756,937,000 for the corresponding period in 2013. The increase was primarily attributable to the facts that:

- (i) the Group's research and development expenditures under administrative and other operating expenses increased to approximately RMB384,273,000 for the Period under Review from approximately RMB310,331,000 for the corresponding period in 2013. The research and development expenditures were mainly used on the development and research of the large and complex cross-section aluminium extrusion structural parts and the complete sets of the technologies for transportation equipment in sectors, such as aviation and aerospace, railway carriages, commercial vehicles, passenger cars and special vehicles;

- (ii) the Group's amortization expenses of land use rights and land use taxes arising from the acquisitions of land use rights in Liaoning Province, Heilongjiang Province and Tianjin Municipality in China increased to approximately RMB265,234,000 for the Period under Review from approximately RMB235,536,000 for the corresponding period in 2013;
- (iii) the Group's wages, salaries and benefits under administrative and other operating expenses during the Period under Review increased to approximately RMB99,150,000 for the Period under Review from approximately RMB55,203,000 for the corresponding period in 2013, primarily due to an increase in number of employees as a result of production capacity expansion, the development of deep-processing business and the flat rolled aluminium product project;
- (iv) the Group's bank fees under administrative and other operating expenses during the Period under Review increased to approximately RMB42,488,000 for the Period under Review from approximately RMB26,737,000 for the corresponding period in 2013, primarily due to an increase in borrowings by the Group in the Period under Review; and
- (v) other administrative and operating related expenses, comprising share option expenses, intermediary fees, depreciation charges of office equipment and business entertainment expenses, decreased to approximately RMB125,602,000 for the Period under Review from approximately RMB129,130,000 for the corresponding period in 2013.

6. Finance Costs

The Group's finance costs for the Period under Review amounted to approximately RMB385,112,000, substantially similar to the finance cost of approximately RMB385,761,000 for the corresponding period in 2013.

For the Period under Review, the Group's interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment amounted to approximately RMB180,539,000 (corresponding period in 2013: approximately RMB154,427,000) at an annualized capitalization rate of 4.38% (corresponding period in 2013: 4.61%).

During the Period under Review and the corresponding period in 2013, the Group's loans carried average interest rates of 4.53% and 5.61% per annum, respectively. During the Period under Review, the debentures carried interest rates ranged from 4.93% to 7.50% per annum (corresponding period in 2013: ranged from 4.07% to 5.68% per annum).

7. Income Tax Expense

Our income tax expense decreased by 23.8% to approximately RMB381,382,000 for the Period under Review from approximately RMB500,671,000 for the corresponding period in 2013, mainly because Liaoning Zhongwang Group Company Limited (“**Liaoning Zhongwang**”), the Group’s principal operating entity in China, was recognized in November 2013 as one of the second batch of high and new technology enterprises in Liaoning province in 2013. In accordance with relevant PRC laws and regulations, Liaoning Zhongwang is entitled to the preferential treatment on corporate income tax enjoyed by high and new technology enterprises for three years from 2013 to 2015. As such, the applicable corporate income tax rate for Liaoning Zhongwang has been reduced from 25% to the preferential tax rate of 15%.

The Group’s effective tax rates for the corresponding period in 2013 and the Period under Review were 24.1% and 16.3%, 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 2013 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, 30 October 2014

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

Executive Directors

Mr. Liu Zhongtian, Mr. Lu Changqing, Mr. Chen Yan, Ms. Zhong Hong and Mr. Gou Xihui

Independent non-executive Directors

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