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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 THREE MONTH PERIOD ENDED 31 MARCH 2011

The Board of the Company hereby presents the unaudited major financial results and operational statistics of the Group for the three month period ended 31 March 2011, together with the unaudited comparative figures for the corresponding period in 2010.

The Board (the “**Board**”) of directors (the “**Directors**”) of China Zhongwang Holdings Limited (the “**Company**”) hereby announces the unaudited major financial results and operational statistics of the Company and its subsidiaries (the “**Group**”) for the three month period ended 31 March 2011 together with the unaudited comparative figures for the corresponding period of last year as follows:

### CONDENSED CONSOLIDATED STATEMENT OF INCOME

	<i>Notes</i>	<b>Three months ended 31 March</b>	
		<b>2011</b> <i>RMB'000</i> <i>(Unaudited)</i>	<b>2010</b> <i>RMB'000</i> <i>(Unaudited)</i>
Revenue	1	<b>1,490,883</b>	3,820,229
Cost of sales	2	<b>(1,132,278)</b>	(1,920,188)
Gross profit	3	<b>358,605</b>	1,900,041
Bank interest income		<b>21,438</b>	11,704
Other income, other gains and losses	4	<b>(2,136)</b>	18,462
Selling and distribution costs		<b>(26,808)</b>	(30,310)
Administrative and other operating expenses	5	<b>(35,308)</b>	(44,693)
Finance costs		<b>(92,068)</b>	(112,021)
Profit before taxation		<b>223,723</b>	1,743,183
Income tax expense	6	<b>(58,872)</b>	(431,539)
Profit and total comprehensive income for the period attributable to owners of the Company		<b><u>164,851</u></b>	<u>1,311,644</u>

*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 purpose only

The Group is principally engaged in the production of high precision, large-section and high value-added industrial aluminium extrusion products which are widely used in the transportation sector (including railway passenger and cargo carriages, metropolitan rails, automobiles, heavy trucks, vessels, aviation and aerospace) as well as machinery equipment and electric power engineering fields.

In 2011, we continue to focus on sectors such as transportation, machinery equipment and electric power engineering, in particular on the light-weight development towards the target of reducing energy consumption and achieving low carbon emission, aggressively sharpen our edge in the industrial aluminium extrusion product sector. In addition, by capitalising on its existing technological strength and customer resources in the aluminium extrusion segment, the Group plans to develop the synergistic high value-added aluminium flat rolled product business. High value-added aluminium flat rolled products, mainly consisting of medium-to-high thickness plates, high-end foils and sheets, etc., are principally applied in sectors such as aviation and aerospace, vessels, railway transportation, automobiles, machinery equipment, packaging and electronics, etc. Diversification to this flat rolled product business will not only enable the Group to further leverage its leading edge in aluminium alloy smelting and product research, but will also help create synergies with the existing business by taking full advantage of its customer base and market resources in downstream application sectors.

## 1. Revenue

	<b>Three months ended 31 March</b>	
	<b>2011</b>	2010
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue:		
Industrial aluminium extrusion products	<b>1,416,501</b>	3,748,690
Construction aluminium extrusion products	<b>74,382</b>	71,539
	<hr/>	<hr/>
Total Revenue	<b><u>1,490,883</u></b>	<u>3,820,229</u>

For the three months ended 31 March 2011, the Group's revenue was RMB1,490,883,000, representing a decrease of 61.0% from RMB3,820,229,000 for the same period in 2010. The decrease in revenue was mainly due to the substantial decline in our export sales of aluminium extrusion products destined for the US for the first quarter of 2011 as a result of the adverse impact of the relevant anti-dumping and countervailing duty investigations by the US government. The Group's revenue from industrial aluminium extrusion products materially decreased by 62.2% to RMB1,416,501,000 for the three months ended 31 March 2011 from RMB3,748,690,000 for the same period in 2010, while revenue from construction aluminium extrusion products of RMB74,382,000 for the three months ended 31 March 2011 was substantially in line with RMB71,539,000 for the same period in 2010.

Total sales volume of the Group decreased to 64,267 tons for the three months ended 31 March 2011 from 105,400 tons for the same period in 2010. Sales volume of our industrial aluminium extrusion products decreased to 60,384 tons for the three months ended 31 March 2011

from 101,624 tons for the same period in 2010. The decrease was mainly due to the adverse impact on export sales of aluminium extrusion products from the relevant anti-dumping and countervailing duty investigations by the US government. Sales volume of our construction aluminium extrusion products of 3,883 tons for the three months ended 31 March 2011 was substantially in line with 3,776 tons for the same period in 2010.

Based on the shipping or delivery documents of each sales transaction, the management has categorized revenue by the location of our customers as follows:

	<b>Three months ended 31 March</b>	
	<b>2011</b> <i>RMB'000</i> <i>(Unaudited)</i>	2010 <i>RMB'000</i> <i>(Unaudited)</i>
People's Republic of China ("PRC")	<b>1,423,162</b>	1,090,818
United States of America ("US")	<b>13,390</b>	1,974,323
Australia	<b>53,786</b>	754,432
Others	<b>545</b>	656
Total	<b><u>1,490,883</u></b>	<u>3,820,229</u>

For the three months ended 31 March 2011, our revenue generated from domestic sales increased to RMB1,423,162,000 from RMB1,090,818,000 for the same period in 2010. It was mainly because the Group actively enlarged its market share in the Chinese domestic market.

For the three months ended 31 March 2011, our revenue generated from overseas sales was approximately RMB67,721,000, representing 4.5% of the Group's total revenue (71.4% for the same period in 2010). Overseas customers of the Group are mainly located in countries and regions such as the US and Australia. As a result of the anti-dumping and countervailing duty investigations in the US, our export sales to the US for the three months ended 31 March 2011 were substantially lower than the same period in 2010. Also, our export sales to the Australia for the three months ended 31 March 2011 decreased as compared to the same period in 2010. This was primarily because the Group focused on developing the domestic market and those large machineries which had been previously used for the production of large-section aluminium extrusion products to be sold overseas were applied instead to the production of products intended for domestic sales.

## **2. Cost of Sales**

Cost of sales decreased by 41.0% to RMB1,132,278,000 for the three months ended 31 March 2011 from RMB1,920,188,000 for the same period in 2010. Cost of sales for our industrial aluminium extrusion products decreased by 42.0% to RMB1,074,484,000 for the three months ended 31 March 2011 from RMB1,852,800,000 for the same period in 2010. The decrease was mainly due to lower sales volume of industrial aluminium extrusion products for the current period than the same period last year. The cost of sales for our construction aluminium extrusion products decreased by 14.2% to RMB57,794,000 for the three months ended 31

March 2011 from RMB67,388,000 for the same period in 2010. It was mainly because depreciation charges were lower in the current period following the provision of impairment loss for certain equipment related to the production of construction aluminium extrusion products at the end of 2010.

### 3. Gross Profit

	<b>Three months ended 31 March</b>	
	<b>2011</b>	2010
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gross profit margin (%):		
Industrial aluminium extrusion products	<b>24.2</b>	50.6
Construction aluminium extrusion products	<b>22.3</b>	5.8
	<hr/>	<hr/>
Overall gross profit margin (%)	<b><u>24.1</u></b>	<b><u>49.7</u></b>

The Group generally sets prices for our products on a cost-plus basis. Processing fees are added as component of final prices, taking into account the complexity of product design, level of precision of the product, size of the contract, our trading history and relationship with customers, and the overall market condition and demand.

Our overall gross profit margin decreased to 24.1% for the three months ended 31 March 2011 from 49.7% for the same period in 2010. It was mainly due to the decline of gross profit margin of our industrial aluminium extrusion products. The gross profit margin of our industrial aluminium extrusion products decreased to 24.2% for the three months ended 31 March 2011 from 50.6% for the same period in 2010. It was principally because the export sales of industrial aluminium extrusion products with high gross profit margin dropped significantly for the three months ended 31 March 2011 as a result of the relevant anti-dumping and countervailing duty investigations by the US government and decreases in average processing fees of industrial aluminium extrusion products sold domestically.

The gross profit margin of our construction aluminium extrusion products increased to 22.3% for the three months ended 31 March 2011 from 5.8% for the same period in 2010. This was primarily due to the reduction in cost of sales of construction aluminium extrusion products as a result of lower depreciation charges for the three months ended 31 March 2011 following the provision of impairment loss for the equipment used in the production of construction aluminium extrusion products at the end of 2010.

### 4. Other Income, Other Gains and Losses

Other income, other gains and losses recorded a net loss of RMB2,136,000 for the three months ended 31 March 2011, while a net gain of RMB18,462,000 was recorded for the same period in 2010. Such change was mainly due to: (i) foreign exchange losses increased from RMB2,776,000 for the same period in 2010 to RMB4,310,000 for the three months ended 31 March 2011, which mainly reflected the impact of the continuously rising RMB exchange

rate on the Group's deposits denominated in foreign currencies and sales settled in foreign currencies; and (ii) a decrease in government subsidies to RMB10,000 for the three months ended 31 March 2011 from RMB19,984,000 for the same period in 2010. The aggregate amount of government subsidies for research and development received by us in each period is determined and distributed by relevant PRC authorities at their sole discretion.

## **5. Administrative and Other Operating Expenses**

Administrative and other operating expenses mainly comprise wages, salaries and benefits, depreciation charges of office equipment, share option charges, professional service charges and other charges. Administrative and other operating expenses decreased by 21.0% to RMB35,308,000 for the three months ended 31 March 2011 from RMB44,693,000 for the same period in 2010. Such change was mainly due to the fact that the non-cash charges arising from share options calculated at fair value dropped to RMB7,092,000 for the three months ended 31 March 2011 from RMB10,961,000 for the same period in 2010. Also, other administrative and operating expenses, such as professional service charges, decreased to RMB28,216,000 for the three months ended 31 March 2011 from RMB33,732,000 for the same period in 2010.

## **6. Income Tax Expense**

Our income tax expense decreased by 86.4% to RMB58,872,000 for the three months ended 31 March 2011 from RMB431,539,000 for the same period in 2010. This was mainly due to the decline of profit before taxation. Our effective tax rates for the three months ended 31 March 2010 and 2011 were 24.8% and 26.3%, respectively. Our effective tax rate for the three months ended 31 March 2011 was higher than the same period last year because the proportion of the withholding income tax which a wholly-owned subsidiary established in Hong Kong had to pay on its interest income earned from loans to another wholly-owned subsidiary established in China to the Group's income tax in the current period was slightly higher than the same period last year.

## **7. Anti-dumping and Countervailing Duty Investigations**

The Group's revenue from export sales is subject to the adverse impact of changes in the policies, laws and regulations of countries or regions to which the products are distributed. In April 2010, the US Department of Commerce and the US International Trade Commission initiated investigations on exports of certain aluminium extrusion products from China to US pursuant to US anti-dumping and countervailing duty regulations.

On 29 March 2011, the US Department of Commerce made a final determination in its anti-dumping and countervailing duty investigations on certain aluminium extrusion exports from China to the US, imposing an anti-dumping duty of 33.28% and a countervailing duty of 374.15% on certain aluminium extrusion exports from the Group. On 28 April 2011, the U.S. International Trade Commission ruled by vote that certain aluminium extrusion exports from China to the US injured the US industry, and the ruling result will be delivered to the US Department of Commerce in mid-May this year. If the US Department of Commerce issues anti-dumping and countervailing duty orders in line with the US International Trade

Commission's ruling, the US tariffs on some of the Group's aluminium extrusion exports to the US will increase significantly and the Group's exports to the U.S. market will be adversely affected.

To foster new revenue growth engines and mitigate the adverse impact from the relevant antidumping and countervailing measures, the Group has stepped up its efforts to develop markets in other countries and regions and enlarge its market share in the Chinese domestic market, actively extend its reach in the industrial chain of aluminium deep-processing business, and develop the synergistic high value-added aluminium flat rolled product business by capitalizing on its existing technological edge and customer resources in the aluminium extrusion industry.

## CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited quarterly financial results and operational statistics for the three months ended 31 March 2011 and the corresponding period in 2010 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, 13 May 2011

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