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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 2014

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 2014 together with the unaudited comparative figures for the same 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 three-month period ended 31 March 2014 (the “**Period under Review**”), together with the unaudited comparative figures for the same period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Notes	Three months ended 31 March	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	1	3,571,296	3,203,454
Cost of sales	2	(2,614,823)	(2,292,878)
Gross profit	3	956,473	910,576
Investment income		29,310	16,174
Other income/(expenses) and other gains/ (losses), net	4	11,680	61,931
Selling and distribution costs		(25,938)	(21,608)
Administrative and other operating expenses	5	(252,148)	(206,153)
Share of profit of an associate		812	595
Finance costs	6	(119,455)	(96,861)
Profit before taxation		600,734	664,654
Income tax	7	(100,065)	(169,260)
Profit for the period		500,669	495,394

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, heavy trucks, 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. In the meantime, we have extended our business scope to cover deep-processed products, an export driver, as well as the business of high precision aluminium flat rolled products, a segment that offers synergies with the business of industrial aluminium extrusion products. These three core business lines will 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 RMB3,571,296,000 (same period in 2013: approximately RMB3,203,454,000), representing a growth of 11.5%. Our major revenue was generated from sales of aluminium extrusion business which amounted to approximately RMB3,565,453,000 (same period in 2013: approximately RMB3,178,512,000), accounting for 99.8% of the total revenue (same period in 2013: 99.2%).

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

	Three months ended 31 March	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Aluminium extrusion business		
Industrial segment	3,462,995	3,088,166
Industrial aluminium extrusion products	3,058,270	2,771,381
Deep-processed products	404,725	316,785
Construction segment	102,458	90,346
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Total	3,565,453	3,178,512
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Revenue from the Group's aluminium extrusion business amounted to approximately RMB3,565,453,000 for the Period under Review, an increase of 12.2% over the same period of 2013. The Group's total product sales volume in aluminium extrusion business increased by 17.4% to 165,535 tonnes for the Period under Review from 141,013 tonnes for the same period in 2013. The average selling price of the Group's aluminium extrusion products dropped by 4.4% to RMB21,539 per tonne for the Period under Review from RMB22,541 per tonne in the same period of 2013, 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. During the Period under Review, the average aluminium ingot price (tax-inclusive) in China was RMB13,745 per tonne, 7.7% lower than the average aluminium ingot price (tax-inclusive) of RMB14,899 per tonne for the same period in 2013¹.

Revenue from the Group's industrial segment increased by 12.1% over the same period of 2013 to approximately RMB3,462,995,000 for the Period under Review. Total sales volume of the Group's industrial segment increased by 17.2% to 159,250 tonnes for the Period under Review from 135,899 tonnes in the same period of 2013.

Revenue from the Group's industrial aluminium extrusion products amounted to approximately RMB3,058,270,000 for the Period under Review, an increase of 10.4% over the same period of 2013, mainly because our enhanced efforts in market development and capacity expansion led to a 15.8% increase of the Group's sales volume of industrial aluminium extrusion products from 124,638 tonnes in the same period of 2013 to 144,277 tonnes for the Period under Review. The average selling price of the Group's industrial aluminium extrusion products dropped by 4.7% to RMB21,197 per tonne for the Period under Review from RMB22,235 per tonne in the same period of 2013, 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. Sales volume of our deep-processed products increased by 33.0% to 14,973 tonnes for the Period under Review from 11,261 tonnes for the same period of 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 (the "US"), which in turn raised the revenue from deep-processed products by 27.8% to approximately RMB404,725,000 for the Period under Review. The average selling price of the Group's deep-processed products decreased by 3.9% to RMB27,030 per tonne for the Period under Review from RMB28,131 per tonne in the same period of 2013. The decrease was primarily due to lower aluminium ingot prices during the Period under Review.

Revenue from the Group's construction segment increased by 13.4% over the same period of 2013 to approximately RMB102,458,000 for the Period under Review, which was mainly attributable to increases in sales volume of our construction segment. The sales volume of the

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

Group's construction segment increased by 22.9% to 6,285 tonnes for the Period under Review from 5,114 tonnes in the same period of 2013, mainly because the Group, while ensuring the satisfaction of the demands of the industrial segment, increased the production volume of the construction segment and hence the sales volume as a result of greater demands for construction segment products during the Period under Review. The average selling price of the Group's construction segment decreased by 7.7% to RMB16,302 per tonne for the Period under Review from RMB17,666 per tonne in the same period of 2013 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 RMB501,338,000 (same period in 2013: approximately RMB367,537,000), accounting for 14.0% (same period in 2013: 11.5%) 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 same period in 2013:

	Three months ended 31 March	
	2014 <i>RMB'000</i> <i>(Unaudited)</i>	2013 <i>RMB'000</i> <i>(Unaudited)</i>
PRC	3,069,958	2,835,917
US	476,898	365,809
Others	24,440	1,728
Total	<u>3,571,296</u>	<u>3,203,454</u>

For the Period under Review, the Group's domestic revenue amounted to approximately RMB3,069,958,000, up 8.3% over the same period of 2013. The Group's overseas revenue increased by 36.4% over the same period of 2013 to approximately RMB501,338,000 for the Period under Review, including approximately RMB476,898,000 in revenue from exports to the US, an increase of 30.4% over the same period of 2013. Currently, the Group's products exported to the US comprise predominantly deep-processed industrial aluminium extrusion 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 RMB2,614,823,000 for the Period under Review (same period in 2013: approximately RMB2,292,878,000), an increase of 14.0% over the same period of 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 15.1% to approximately RMB2,614,765,000 for the Period under Review from approximately RMB2,272,610,000 for the same period in 2013. The Group's unit cost of aluminium extrusion

business decreased by 2.0% to RMB15,796 per tonne for the Period under Review from RMB16,116 per tonne for the same period in 2013, primarily due to a decline of aluminium ingot prices during the Period under Review.

3. Gross Profit and Gross Margin

The Group's gross profit increased by 5.0% to approximately RMB956,473,000 for the Period under Review from RMB910,576,000 for the same period in 2013. The increase was mainly due to increases in sales volume of aluminium extrusion products for the Period under Review. Our overall gross profit margin for aluminium extrusion business dropped to 26.8% for the Period under Review from 28.4% for the same period in 2013. The slight contraction of the gross profit margin was primarily attributable to increases in other production costs (fuel and power costs etc.) 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 RMB11,680,000 for the Period under Review, a decrease of approximately RMB50,251,000 from approximately RMB61,931,000 for the same period in 2013. This was principally due to a decrease in government subsidies of approximately RMB33,749,000 to approximately RMB48,294,000 for the Period under Review from approximately RMB82,043,000 in the same period of 2013. 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.

5. Administrative and Other Operating Expenses

Our administrative and other operating expenses mainly comprise research and development expenditures, land use taxes, amortization of land use rights, share option expenses, wages, salaries and benefits, intermediary fees, depreciation charges of office equipment and bank fees. The administrative and other operating expenses increased by 22.3% to approximately RMB252,148,000 for the Period under Review from approximately RMB206,153,000 for the same 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 RMB106,577,000 for the Period under Review from approximately RMB65,959,000 for the same period in 2013. The research and development expenditures were mainly spent on the development of and research on core sets of technologies for large and complex cross-section aluminium extrusion structural parts for transportation equipment in such sectors as aviation and aerospace, railway vehicles, heavy trucks, passenger cars and special vehicles;
- (ii) the Group's successive acquisitions of land use rights in Liaoning and Heilongjiang provinces in China since 2011 led to an increase of land use taxes to approximately RMB60,539,000 for the Period under Review from approximately RMB57,141,000 in the same period of 2013; and

(iii) other administrative and operating related expenses, comprising mainly amortization of land use rights, share option expenses, wages, salaries and benefits, intermediary fees, depreciation charges of office equipment, bank fees and business entertainment expenses, increased to approximately RMB85,032,000 for the Period under Review from approximately RMB83,053,000 for the same period in 2013.

6. Finance Costs

Our finance costs increased by 23.3% to approximately RMB119,455,000 for the Period under Review from approximately RMB96,861,000 for the same period in 2013, mainly as a result of increased amount of the Group's loans and debentures and higher interest rates per annum for debentures during the Period under Review as compared to those in the same period of 2013.

For the Period under Review, the interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment of the Group amounted to approximately RMB67,078,000 (same period in 2013: approximately RMB50,456,000) at an annualized capitalization rate of 4.55% (same period in 2013: 4.80%).

In the same period of 2013 and during the Period under Review, the Group's loans carried average interest rates of 5.03% and 4.95% per annum, respectively; the debentures carried interest rates ranged from 4.47% to 7.50% per annum for the Period under Review (same period in 2013: ranged from 4.07% to 5.68% per annum).

7. Income Tax Expense

Our income tax expense decreased by 40.9% to approximately RMB100,065,000 for the Period under Review from approximately RMB169,260,000 for the same 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 the 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% for the three years from 2013 to 2015.

Our effective tax rates for the same period in 2013 and the Period under Review were 25.5% and 16.7%, 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 same 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, 22 April 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