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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 2013

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 2013 together with the unaudited comparative figures for the same period in 2012.

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 2013 (the “**Period under Review**”), together with the unaudited comparative figures for the same period in 2012 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Notes	Three months ended 31 March	
		2013	2012
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	1	3,203,454	3,243,024
Cost of sales	2	(2,292,878)	(2,405,252)
Gross profit	3	910,576	837,772
Investment income		16,174	23,604
Other income, other gains and losses	4	61,931	4,686
Selling and distribution costs		(21,608)	(19,106)
Administrative and other operating expenses	5	(206,153)	(75,261)
Share of profit of an associate		595	845
Finance costs	6	(96,861)	(106,516)
Profit before taxation		664,654	666,024
Income tax	7	(169,260)	(174,651)
Profit for the period		495,394	491,373

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 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 continued 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 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 RMB3,203,454,000 (same period in 2012: approximately RMB3,243,024,000), representing a decrease of 1.2%. Our major revenue was generated from sales of aluminium extrusion products which amounted to approximately RMB3,178,512,000 or 99.2% (same period in 2012: 100.0%) of the total revenue. Other revenue primarily came from the sales of machinery and equipment, which generated revenue of approximately RMB24,942,000, accounting for 0.8% (same period in 2012: nil) of the total revenue.

	<b>Three months ended 31 March</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Aluminium extrusion business</b>		
Industrial segment	<b>3,088,166</b>	3,140,287
Construction segment	<b>90,346</b>	102,737
	<hr/>	<hr/>
Total	<b><u>3,178,512</u></b>	<u>3,243,024</u>

Revenue from the Group's aluminium extrusion business decreased by 2.0% from approximately RMB3,243,024,000 for the same period in 2012 to approximately RMB3,178,512,000 for the Period under Review. The Group's total product sales volume in aluminium extrusion business increased by 7.2% from 131,485 tonnes for the same period in 2012 to 141,013 tonnes for the Period under Review. The increase in sales volume of the Group's aluminium extrusion business was principally due to growth in product sales of the industrial segment. During the Period under Review, the average selling price of the Group's aluminium extrusion products was RMB22,541 per tonne, down 8.6% from the average selling price of RMB24,665 per tonne for the same period in 2012, which was principally due to lower prices for aluminium ingots and lower average processing fees for industrial aluminium extrusion products during the Period under Review as compared with those for the same period in 2012.

	<b>Three months ended 31 March</b>	
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b><i>(Unaudited)</i></b>	<i>(Unaudited)</i>
<b>Industrial segment</b>		
Industrial aluminium extrusion products	<b>2,771,381</b>	2,911,529
Deep-processed products	<b>316,785</b>	228,758
	<hr/>	<hr/>
Total	<b><u>3,088,166</u></b>	<u>3,140,287</u>

Revenue from the Group's industrial segment decreased by 1.7% from approximately RMB3,140,287,000 for the same period in 2012 to approximately RMB3,088,166,000 for the Period under Review. Total sales volume of the Group's industrial segment increased by 7.8% from 126,012 tonnes for the same period in 2012 to 135,899 tonnes for the Period under Review. The increase was principally attributable to growth in sales volume of both our industrial aluminium extrusion products and deep-processed products. During the Period under Review, the average selling price of our industrial segment products decreased by 8.8% from RMB24,921 per tonne for the same period in 2012 to RMB22,724 per tonne. The drop was principally due to lower prices for aluminium ingots and lower average processing fees for aluminium extrusion products of our industrial segment during the Period under Review as compared with those for the same period in 2012.

Revenue from the Group's industrial aluminium extrusion products amounted to approximately RMB2,771,381,000 for the Period under Review, a decrease of 4.8% from approximately RMB2,911,529,000 for the same period in 2012, mainly because of lower average selling price of the Group's industrial aluminium extrusion products during the Period under Review. The average selling price of the Group's industrial aluminium extrusion products dropped by 8.0% from RMB24,159 per tonne for the same period in 2012 to RMB22,235 per tonne for the Period under Review, mainly because lower prices for aluminium ingots and lower average processing fees for industrial aluminium extrusion products during the Period under Review. The Group's sales volume of industrial aluminium extrusion products increased by 3.4% from 120,517 tonnes for the same period in 2012 to 124,638 tonnes for the Period under Review, principally due to the fact that our focused development of the domestic market had led to an increase in domestic sales of our industrial aluminium extrusion products.

To address changes in the external market environment on the basis of its research and judgment on the future development trends of the aluminium processing industry, the Group fully leveraged its existing technologies and market and customer resources in the upstream and downstream of the industry chain to develop high-margin deep-processed products, in connection with which a new deep-processing centre completed construction at the end of 2012 to further increase the Group's production capacity for deep-processed products so that it would become an important profit growth point for the Group. The sales volume of the Group's deep-processed products increased by 104.9% from 5,495 tonnes for the same period in 2012 to 11,261 tonnes for the Period under Review, raising the revenue from deep-processed products by 38.5% from approximately RMB228,758,000 for the same period in 2012 to approximately RMB316,785,000 for the Period under Review. The average selling price of the Group's deep-processed products decreased by 32.4% from RMB41,632 per tonne for the same period in 2012 to RMB28,131 per tonne for the Period under Review. The decrease was primarily due to certain price concessions we offered to existing deep-processed product customers in our effort to further expand the overseas markets and boost export sales and a price decline of aluminium ingots during the Period under Review.

Revenue from the Group's construction segment decreased by 12.1% from approximately RMB102,737,000 for the same period in 2012 to approximately RMB90,346,000 for the Period under Review, which was mainly attributable to decreases in product sales and average selling price of our construction segment. The sales volume of the Group's construction segment decreased by 6.6% from 5,473 tonnes for the same period in 2012 to 5,114 tonnes for the Period under Review, while the average selling price decreased by 5.9% from RMB18,772 per tonne for the same period in 2012 to RMB17,666 per tonne for the Period under Review primarily because of market competition and a price decline of aluminium ingots during the Period under Review.

Geographically, the Group's overseas clients mainly came from countries and regions such as the United States (the "US"). For the Period under Review, our revenue from overseas sales amounted to approximately RMB367,537,000 (same period in 2012: approximately RMB293,083,000), representing 11.5% (same period in 2012: 9.0%) 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 same period in 2012:

	<b>Three months ended 31 March</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
PRC	<b>2,835,917</b>	2,949,941
US	<b>365,809</b>	292,861
Others	<b>1,728</b>	222
	<hr/>	<hr/>
Total	<b><u>3,203,454</u></b>	<u>3,243,024</u>

For the Period under Review, our domestic sales increased by 3.0% to 128,573 tonnes from 124,865 tonnes for the same period in 2012, while our domestic revenue for the Period under Review amounted to approximately RMB2,835,917,000, down 3.9% from approximately RMB2,949,941,000 for the same period in 2012, which was principally due to a lower average selling price of aluminium extrusion products during the Period under Review.

Currently, the Group's product sales to the US comprise mostly deep-processed products. The growth in deep-processed product sales led to a relatively big increase in export sales to the US for the Period under Review as compared with the same period in 2012. Our export revenue from the US increased by 24.9% from approximately RMB292,861,000 for the same period in 2012 to approximately RMB365,809,000 for the Period under Review, which was mainly due to our continuous expansion of production scale in deep-processed products in response to demand for these products in international markets.

## **2. Cost of Sales**

Our cost of sales decreased by 4.7% to approximately RMB2,292,878,000 for the Period under Review from approximately RMB2,405,252,000 for the same period in 2012 and the unit cost of aluminium extrusion business products decreased by 11.9% to RMB16,116 per tonne for the Period under Review from RMB18,293 per tonne for the same period in 2012. The decrease was mainly due to lower prices for aluminium ingots and improved cost control by the Group during the Period under Review.

### 3. Gross Profit and Gross Profit Margin

	Three months ended 31 March	
	2013	2012
	(Unaudited)	(Unaudited)
Overall gross profit margin (%)	<u>28.4</u>	<u>25.8</u>

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

Our gross profit increased by 8.7% to approximately RMB910,576,000 for the Period under Review from approximately RMB837,772,000 for the same period in 2012. Our overall gross profit margin increased to 28.4% for the Period under Review from 25.8% for the same period in 2012. The increase was primarily attributable to improved cost control by the Group during the Period under Review.

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

For other income, other gains and losses, a net gain of approximately RMB61,931,000 was recorded for the Period under Review, a substantial increase over approximately RMB4,686,000 for the same period in 2012. This was principally due to the facts that:

- (i) there was an increase in government subsidies to approximately RMB82,043,000 for the Period under Review from approximately RMB11,472,000 for the same period in 2012. The aggregate amount of government subsidies for business development and research and development received by the Group in each period is determined and distributed by relevant PRC authorities at their sole discretion;
- (ii) during the Period under Review, the Group recorded foreign exchange losses of approximately RMB19,400,000 (same period in 2012: foreign exchange losses of approximately RMB7,190,000), which was primarily attributable to the impact of the continuously falling US dollar exchange rate on the Group’s deposits denominated in foreign currencies and sales settled in foreign currencies; and
- (iii) for other items such as income from disposal of scrap materials, consumables and dies, etc., we incurred a net loss of approximately RMB712,000 for the Period under Review (same period in 2012: a net gain of approximately RMB404,000).

## 5. Administrative and Other Operating Expenses

Administrative and other operating expenses mainly comprise research and development expenditures, land use taxes, amortization of land use right, bank fees, wages, salaries and benefits, intermediary fees, depreciation charges of office equipment, share option expenses and other related administrative and operating charges. Administrative and other operating expenses increased by 173.9% to approximately RMB206,153,000 for the Period under Review from approximately RMB75,261,000 for the same period in 2012. The increase was primarily attributable to the facts that:

- (i) research and development expenditures recorded under administrative and other operating expenses increased to approximately RMB65,959,000 for the Period under Review from approximately RMB304,000 for the same period in 2012. The substantial increase mainly resulted from the research and development that the Group conducted during the Period under Review, with a view toward further developing high value-added, refined-/deep-processed industrial aluminium products, 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 and passenger cars etc.
- (ii) land use taxes increased to approximately RMB57,141,000 for the Period under Review from approximately RMB24,858,000 for the same period in 2012 because of the successive acquisitions of land use right in Liaoning Province and Heilongjiang Province, China since 2011;
- (iii) amortization expenses of land use right increased to approximately RMB25,168,000 for the Period under Review from approximately RMB8,073,000 for the same period in 2012 because of the successive acquisitions of land use right in Liaoning Province, Heilongjiang Province and Tianjin Municipality, China since 2011;
- (iv) bank fees incurred for the Period under Review amounted to approximately RMB4,716,000 (same period in 2012: approximately RMB972,000), which was principally related to issuance of debentures; and
- (v) other administrative and operating related expenses increased to approximately RMB53,169,000 for the Period under Review from approximately RMB41,054,000 for the same period in 2012.

## 6. Finance Costs

Our finance costs decreased by 9.1% from approximately RMB106,516,000 for the same period in 2012 to approximately RMB96,861,000 for the Period under Review.

For the Period under Review, there had been an increase in the Group's borrowing as compared to the same period in 2012, but finance costs were reduced as a result of interest capitalization.

For the Period under Review, the interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment amounted to approximately RMB50,456,000 (same period in 2012: nil) at an annualized capitalization rate of 4.80% (same period in 2012: nil).

During the Period under Review and the same period in 2012, the Group's bank loans carried average interest rates of 5.03% and 6.22% per annum, respectively; the debentures carried interest rates ranged from 4.07% to 5.68% per annum.

## 7. Income Tax Expense

Our income tax expense decreased by 3.1% to approximately RMB169,260,000 for the Period under Review from approximately RMB174,651,000 for the same period in 2012, which was primarily attributable to the decrease in profit before taxation. Our effective tax rates for the Period under Review and the same period in 2012 were 25.5% and 26.2%, 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 2012 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 2013

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