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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: 1333)

### ANNOUNCEMENT OF UNAUDITED QUARTERLY FINANCIAL RESULTS AND OPERATIONAL STATISTICS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2009

The board of directors (the “**Board**”) of China Zhongwang Holdings Limited (the “**Company**”) is pleased to present the unaudited major financial results and operational statistics of the Group for the nine months ended 30 September 2009. The unaudited comparative figures for the corresponding period in 2008 are also disclosed in this announcement.

The Board of the Company is pleased to announce the unaudited major financial results and operational statistics of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2009 together with the unaudited comparative figures for the corresponding period in 2008 as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Nine months from 1.1 to 30.9	
		2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Revenue	1	9,642,218	8,951,284
Cost of sales		(5,928,333)	(6,432,041)
Gross profit	2	3,713,885	2,519,243
Interest income	3	35,773	42,871
Other income	4	25,516	14,726
Selling and distribution costs	5	(103,931)	(106,174)
Administrative and other operating expenses	6	(138,519)	(85,434)
Listing expense	7	(36,558)	—
Finance costs	8	(243,207)	(202,438)
Profit before taxation		3,252,959	2,182,794
Taxation	9	(857,646)	(571,465)
Profit for the period and total comprehensive income for the period attributable to owners of the Company (Note1)		2,395,313	1,611,329

Note: 1. Excluding the one-off expense incurred in connection to the Listing, which was charged to the income statement, the Company's profit for the period increased to RMB2,431,871,000 (corresponding period in 2008: RMB1,611,329,000).

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

\* For identification purpose only

The Group produces plain, sizable, large-section and high precision-aluminum extrusion products primarily used as parts and components for end products such as railway cargo and passenger carriages, metropolitan rails (subways and light rails), automobiles, aircraft, vessels, power transmitters, machinery equipment and infrastructure. The Group's industrial aluminum extrusion products are manufactured on a customized basis in accordance with our customers' specifications and quality standards.

As a result of the Group's business strategy to increase its penetration of the industrial aluminum market, which has shown an increasing demand and provided a higher profit margin than the construction aluminum market, the sales of the Group's industrial aluminum extrusion products increased significantly during the first three quarters of 2009.

## 1. Revenue

	<b>Nine months from 1.1 to 30.9</b>		<b>Change %</b>
	<b>2009 (RMB million)</b>	<b>2008 (RMB million)</b>	
Revenue:			
Industrial aluminum extrusion products	<b>7,646</b>	4,776	60.1
Construction aluminum extrusion products	<b>1,996</b>	4,175	(52.2)
	<u><b>9,642</b></u>	<u>8,951</u>	
Total revenue	<u><b>9,642</b></u>	<u>8,951</u>	7.7

Revenue increased by 7.7% to RMB9,642,218,000 for the period ended 30 September 2009 from RMB8,951,284,000 for the corresponding period in 2008. The increase in revenue was mainly attributable to the growing market demand for the Group's industrial aluminum extrusion products used in the transportation, machinery equipment and infrastructure sectors. As such, revenue of the Group's industrial aluminum extrusion products increased significantly as a result of increased processing fees charged to our customers by the Company. Revenue generated from the Group's industrial aluminum extrusion products increased by 60.1% to RMB7,645,794,000 for the period ended 30 September 2009 from RMB4,775,790,000 for the corresponding period in 2008. Revenue generated from the Group's construction aluminum extrusion products decreased by 52.2% to RMB1,996,424,000 for the period ended 30 September 2009 from RMB4,175,494,000 for the corresponding period in 2008.

Cost of sales decreased by 7.8% to RMB5,928,333,000 for the period ended 30 September 2009 from RMB6,432,041,000 for the corresponding period in 2008. Cost of sales for our industrial aluminum extrusion products increased significantly by 44.4% to RMB4,199,279,000 for the period ended 30 September 2009 from RMB2,907,285,000 for the corresponding period in 2008, while cost of sales for our construction aluminum extrusion products decreased by 50.9%

to RMB1,729,054,000 for the period ended 30 September 2009 from RMB3,524,756,000 for the corresponding period in 2008. Such decreases were mainly due to the fact that the average purchasing price of aluminum ingots and sales volume of the products for the period decreased as compared to the same period last year. Aluminum ingots made up the primary cost of sales for the Group.

The Group's total sales volume increased to 365,504 tons for the period ended 30 September 2009 from 343,110 tons for the corresponding period in 2008. The sales volume of the Group's industrial aluminum extrusion products increased to 257,281 tons for the period ended 30 September 2009 from 155,528 tons for the corresponding period in 2008. The sales volume of the Group's construction aluminum extrusion products decreased to 108,223 tons for the period ended 30 September 2009 from 187,582 tons for the corresponding period in 2008.

China has been the major market for the products of the Group. Nevertheless, overseas orders have also been increasing owing to the Group's increased investments in the field of industrial aluminum extrusion, and coupled with our efforts in the research of medium to high-end industrial aluminum extrusion products for international market and expanding our customer base in recent years, especially upon the commencement of commercial operation of the 125MN oil-driven dual action extrusion press in early 2009. In addition, the enhanced international reputation of the Company upon the listing of its shares on the main board of the Stock Exchange of Hong Kong Limited (the "Listing") and the increasing demands from overseas customers resulted in a rise in the Group's export sales from 12,878 tons for the period ended 30 September 2008 to 93,438 tons for the period ended 30 September 2009. Overseas customers of the Group are mainly located in the United States and Australia.

## 2. Gross profit

	<b>Nine months from 1.1 to 30.9</b>	
	<b>2009</b>	2008
	%	%
Gross profit margin (%):		
Industrial aluminum extrusion products	<b>45.1</b>	39.1
Construction aluminum extrusion products	<b>13.4</b>	15.6
Overall gross profit margin	<b><u>38.5</u></b>	<u>28.1</u>

The Group's overall gross profit margin increased to 38.5% for the period ended 30 September 2009 from 28.1% for the corresponding period in 2008. The gross profit margin of the Group's industrial aluminum extrusion products increased to 45.1% for the period ended 30 September 2009 from 39.1% for the corresponding period in 2008, mainly because some of the Group's large aluminum extrusion presses commenced production in 2008. The commencement of production allowed us to produce large-section, high-precision aluminum extrusion products, which enhanced the Company's competitiveness in the market and increased market demand for the Company's industrial aluminum extrusion products. The gross profit margin of the

Group's construction aluminum extrusion products decreased to 13.4% for the period ended 30 September 2009 from 15.6% for the corresponding period in 2008, primarily due to the Group's reduction in the manufacturing and sales of construction aluminum extrusion products and the decrease in its inventory level as compared with the corresponding period in 2008.

### **3. Interest income**

Interest income decreased by 16.6% to RMB35,773,000 for the period ended 30 September 2009 from RMB42,871,000 for the corresponding period in 2008, which was mainly due to a decrease in the average interest rate for bank deposits during the period.

### **4. Other income**

Other income increased significantly by 73.3% to RMB25,516,000 for the period ended 30 September 2009 from RMB14,726,000 for the corresponding period in 2008, which was mainly due to the increases in government subsidies and foreign exchange gains.

### **5. Selling and distribution cost**

Selling and distribution costs decreased by 2.1% to RMB103,931,000 for the period ended 30 September 2009 from RMB106,174,000 for the corresponding period in 2008, which was mainly due to the decrease in promotional expenses during the period as compared to the same period last year.

### **6. Administrative and other operating expenses**

Administrative and other operating expenses increased by 62.1% to RMB138,519,000 for the period ended 30 September 2009 from RMB85,434,000 for the corresponding period in 2008. This increase was primarily due to the non-cash outflow charges of RMB39,314,000 arising from the pre-IPO share options measured at fair value (for the period ended 30 September 2008: nil) recognized for the period ended 30 September 2009. The Group did not recognize such share option charges during the corresponding period in 2008 because the management was not certain as to whether the Listing would be successful.

### **7. Listing expense**

Listing expense represents the one-off expense of RMB36,558,000 incurred in connection with the Listing, which was charged to the income statement.

### **8. Finance costs**

Finance costs increased by 20.1% to RMB243,207,000 for the period ended 30 September 2009 from RMB202,438,000 for the corresponding period in 2008. This increase was mainly due to the increases in short-term loans for our working capital during the period.

## 9. Taxation

Income tax expenses of the Group increased significantly by 50.1% to RMB857,646,000 for the period ended 30 September 2009 from RMB571,465,000 for the corresponding period in 2008, which was mainly due to an increase in profit before taxation. Our effective tax rates for the periods ended 30 September 2008 and 30 September 2009 were 26.2% and 26.4%, respectively.

## CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited quarterly financial results and operational statistics for the nine months ended 30 September 2009 and the corresponding period in 2008 are based on the Group's internal records. 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 shares of the Company.**

By Order of the Board  
**China Zhongwang Holdings Limited**  
**Liu Zhongtian**  
*Chairman*

Hong Kong, 10 November 2009

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

*Non-executive Director*

Mr. Ma Xiaowei

*Independent non-executive Directors*

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