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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 2015

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 2015 together with the unaudited comparative figures for the corresponding period in 2014.

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 2015 (the “**Period under Review**”), together with the unaudited comparative figures for the corresponding period in 2014 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF INCOME

		<b>Nine months ended 30 September</b>	
		<b>2015</b>	<b>2014</b>
		<b>RMB'000</b>	<b>RMB'000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	1	<b>12,680,788</b>	12,310,509
Cost of sales	2	<b>(8,268,187)</b>	(8,787,157)
Gross profit	3	<b>4,412,601</b>	3,523,352
Investment income	4	<b>207,112</b>	96,796
Other income/(expenses) and other gains, net		<b>96,807</b>	125,115
Selling and distribution costs		<b>(100,941)</b>	(113,082)
Administrative and other operating expenses	5	<b>(1,118,665)</b>	(916,747)
Share of (loss)/profit of associates		<b>(2,345)</b>	2,966
Finance costs	6	<b>(425,942)</b>	(385,112)
Profit before taxation		<b>3,068,627</b>	2,333,288
Income tax	7	<b>(547,742)</b>	(381,382)
Profit for the period		<b>2,520,885</b>	1,951,906

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 and aluminium high-speed train carriages suitable for alpine cold regions. In the meantime, the Group has actively extended our business of high-end aluminium flat rolled products, a segment that offers synergies with industrial aluminium extrusion business. The high-end aluminium flat rolled product project in Tianjin is progressing steadily as planned and the plant construction and equipment installation of the first production line of Phase I has been almost completed. The equipment testing of the entire production line is being carried out, and it is expected to enter trial operation as scheduled, followed by formal operation by the end of this year, which, together with the Group's existing industrial aluminium extrusion business and deep processing business, 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 RMB12,680,788,000 (corresponding period in 2014: approximately RMB12,310,509,000), representing a growth of 3.0%. During the Period under Review, the Group's major revenue was generated from sales of aluminium extrusion business which amounted to approximately RMB12,608,347,000. Other revenue, which amounted to approximately RMB72,441,000, primarily comprised metal trade agency fees and revenue generated from financial services by Zhongwang Group Finance Limited established by the Group at the end of 2014. During the corresponding period in 2014, revenue from sales of aluminium extrusion business amounted to approximately RMB12,300,370,000 and other revenue primarily from metal trade agency fees amounted to approximately RMB10,139,000.

The following sets forth the breakdowns of the Group's revenue of the aluminium extrusion business by segments and products for the Period under Review and the corresponding period in 2014:

	<b>Nine months ended 30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Aluminium extrusion business</b>		
Industrial segment	<b>11,794,168</b>	11,546,490
Industrial aluminium extrusion products	<b>10,312,449</b>	10,164,273
Deep-processed products	<b>1,481,719</b>	1,382,217
Construction segment	<b>814,179</b>	753,880
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Total	<b><u>12,608,347</u></b>	<b><u>12,300,370</u></b>

Revenue from the Group's aluminium extrusion business amounted to approximately RMB12,608,347,000 for the Period under Review, representing an increase of 2.5% over the corresponding period in 2014. The Group's total product sales volume in aluminium extrusion business for the Period under Review was 563,230 tonnes, substantially the same as that of 574,018 tonnes for the corresponding period in 2014. The average selling price of the Group's aluminium extrusion products increased by 4.5% from RMB21,429 per tonne for the corresponding period in 2014 to RMB22,386 per tonne for the Period under Review, mainly because of the increase in the share of high-end industrial aluminium extrusion products with higher selling prices in aluminium extrusion products sold during the Period under Review.

Revenue from the Group's industrial segment increased by 2.1% over the corresponding period in 2014 to approximately RMB11,794,168,000 for the Period under Review. Total product sales volume of the Group's industrial segment decreased by 3.1% from 527,711 tonnes for the corresponding period in 2014 to 511,185 tonnes for the Period under Review.

Among which, revenue from the Group's industrial aluminium extrusion products amounted to approximately RMB10,312,449,000 for the Period under Review, substantially the same as that for the corresponding period in 2014. The Group's sales volume in industrial aluminium extrusion products decreased by 4.1% from 476,942 tonnes for the corresponding period of 2014 to 457,527 tonnes for the Period under Review, mainly due to the fact that the major extrusion production lines of the Group were all running at full capacity during the Period under Review, thus forcing the Group to focus its business operation on securing the production and sales of products with higher gross profit, resulting in a slight drop in output of industrial aluminium extrusion products. The average selling price of the Group's industrial aluminium extrusion products increased by 5.8% from RMB21,311 per tonne for the corresponding period of 2014 to RMB22,540 per tonne for the Period under Review, mainly because of the increase in the share of high-end industrial aluminium extrusion products with higher selling prices in industrial aluminium extrusion products sold during the Period under Review.

Revenue from the Group's deep-processed products increased by 7.2% over the corresponding period of 2014 to approximately RMB1,481,719,000 for the Period under Review, mainly due to the increase in the sales volume of deep-processed products during the Period under Review. The Group's sales volume of deep-processed products increased by 5.7% from 50,769 tonnes for the corresponding period of 2014 to 53,658 tonnes for the Period under Review. The average selling price of the Group's deep-processed products was RMB27,614 per tonne for the Period under Review, substantially the same as that of RMB27,226 per tonne for the corresponding period in 2014.

Revenue from the Group's construction segment increased by 8.0% over the corresponding period in 2014 to approximately RMB814,179,000 for the Period under Review, which was mainly attributable to increases in product sales volume of the construction segment for the Period under Review. The Group's sales volume in construction segment products increased by 12.4% from 46,307 tonnes for the corresponding period in 2014 to 52,045 tonnes for the Period under Review. The average product selling price of the Group's construction segment decreased by 3.9% from RMB16,280 per tonne for the corresponding period in 2014 to RMB15,644 per tonne for the Period under Review.

Geographically, the Group's overseas clients mainly came from countries and regions including the United States (the "US"), Germany and the United Kingdom (the "UK"). For the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB1,883,065,000 (corresponding period in 2014: approximately RMB1,701,644,000), accounting for 14.8% (corresponding period in 2014: 13.8%) of the Group's total revenue.

The following sets forth the breakdowns of the Group's revenue by geographical regions for the Period under Review and the corresponding period in 2014:

	<b>Nine months ended 30 September</b>	
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
PRC	<b>10,797,723</b>	10,608,865
US	<b>1,426,129</b>	1,555,001
Germany	<b>126,744</b>	44,449
UK	<b>73,601</b>	30,422
Others	<b>256,591</b>	71,772
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Total	<b><u>12,680,788</u></b>	<u>12,310,509</u>

For the Period under Review, the Group's domestic revenue amounted to approximately RMB10,797,723,000, substantially the same as that for the corresponding period in 2014. The Group's overseas revenue increased by 10.7% over the corresponding period in 2014 to approximately RMB1,883,065,000. During the Period under Review, the Group continued proactively to explore overseas markets other than the US, leading to the substantial growth in sales volume in other countries and regions including Germany and the UK.

## **2. Cost of Sales**

The Group's cost of sales was approximately RMB8,268,187,000 for the Period under Review (corresponding period in 2014: approximately RMB8,787,157,000), representing a decrease of 5.9% over the corresponding period in 2014. The Group's cost of sales of aluminium extrusion business decreased by 6.0% over the corresponding period in 2014 to approximately RMB8,257,822,000 for the Period under Review (corresponding period in 2014: approximately RMB8,787,031,000), which was mainly due to the decrease in unit cost of aluminium extrusion business during the Period under Review. The Group's unit cost of aluminium extrusion business decreased by 4.2% to RMB14,662 per tonne for the Period under Review from RMB15,308 per tonne for the corresponding period in 2014, 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 25.2% from approximately RMB3,523,352,000 for the corresponding period in 2014 to approximately RMB4,412,601,000 for the Period under Review. The Group's overall gross margin increased from 28.6% for the corresponding period in 2014 to 34.8% for the Period under Review. The increase was mainly due to the Group's enhanced production efficiency, optimized product mix, and its emphasis on securing the production and sales of industrial aluminium extrusion products with higher gross profit and the decline of aluminium ingot prices during the Period under Review.

## **4. Investment Income**

Investment income mainly consists of interest income from bank deposits and interest income from available-for-sale financial assets. Investment income increased from approximately RMB96,796,000 for the corresponding period in 2014 to approximately RMB207,112,000 for the Period under Review, which was mainly attributable to the following factors:

- (i) interest income from bank deposits increased from approximately RMB83,978,000 for the corresponding period in 2014 to approximately RMB130,361,000 for the Period under Review; and
- (ii) interest income from available-for-sale financial assets increased from approximately RMB12,818,000 for the corresponding period in 2014 to approximately RMB76,751,000 for the Period under Review. Interest income from available-for-sale financial assets is mainly from financial products invested by the Group. In addition to placing surplus funds as fixed-term deposits within banks, the Group also invests in certain low-risk and principal-protected financial products of some financial institutions to help preserve the Group's liquidity and increase interest income.

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

Administrative and other operating expenses mainly comprise research and development expenditures, land use rights amortization expenses, land use taxes, wages, salaries and benefits, bank fees, rentals, intermediary fees and depreciation charges of office equipment.



Administrative and other operating expenses increased to approximately RMB1,118,665,000 for the Period under Review from approximately RMB916,747,000 for the corresponding period in 2014. 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 RMB385,332,000 for the Period under Review from approximately RMB384,273,000 for the corresponding period in 2014. The research and development expenditures were mainly used on the research and development of large and complex cross-section aluminium extrusion structural components and related complete sets of technologies for transportation equipment in the sectors, such as aviation and aerospace, railway carriages, commercial vehicles, passenger cars and special vehicles;
- (ii) the Group's land use rights amortization expenses and land use taxes arising from the acquisitions of land use rights in Liaoning Province, Heilongjiang Province and Tianjin Municipality in China decreased to approximately RMB257,996,000 for the Period under Review from approximately RMB265,234,000 for the corresponding period in 2014;
- (iii) the Group's wages, salaries and benefits under administrative and other operating expenses increased to approximately RMB191,771,000 for the Period under Review from approximately RMB99,150,000 for the corresponding period in 2014, primarily due to the increase in number of employees as a result of the Group's business expansion both in scope and size;
- (iv) the Group's bank fees under administrative and other operating expenses increased to approximately RMB118,070,000 for the Period under Review from approximately RMB42,488,000 for the corresponding period in 2014, primarily due to an increase in the Group's borrowings during the Period under Review; and
- (v) other administrative and operating related expenses, comprising rentals, intermediary fees and depreciation charges of office equipment, increased to approximately RMB165,496,000 for the Period under Review from approximately RMB125,602,000 for the corresponding period in 2014.

## **6. Finance Costs**

The Group's finance costs increased from approximately RMB385,112,000 for the corresponding period in 2014 to approximately RMB425,942,000 for the Period under Review, mainly due to the increase in the scale of the Group's debentures and loans for the Period under Review as compared to that for the corresponding period in 2014.

For the Period under Review, the Group's interest expenses directly capitalized into deposits for acquisitions of property, plant and equipment amounted to approximately RMB447,111,000 (corresponding period in 2014: approximately RMB180,539,000) at an annualized capitalization rate of 4.29% (corresponding period in 2014: 4.38%).

During the Period under Review and the corresponding period in 2014, the Group's loans carried average interest rates of 4.33% and 4.53% per annum, respectively. During the Period under Review, the debentures carried interest rates ranged from 4.60% to 7.50% per annum (corresponding period in 2014: ranged from 4.93% to 7.50% per annum).

## **7. Income Tax**

The Group's income tax increased from approximately RMB381,382,000 for the corresponding period in 2014 to approximately RMB547,742,000 for the Period under Review, primarily attributable to the increase in profit before taxation.

The Group's effective tax rates for the corresponding period in 2014 and the Period under Review were 16.3% and 17.8%, 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 2014 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 2015

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