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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 2017

GROUP FINANCIAL HIGHLIGHTS

	The third quarter ended 30 September		Change %
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	
Sales volume (tonne)	204,170	219,397	(6.9%)
Revenue	5,388,612	4,790,483	12.5%
Gross profit	1,899,137	1,948,877	(2.6%)
EBITDA (Note)	1,873,826	1,734,481	8.0%
Profit for the period	<u>1,084,460</u>	<u>1,069,349</u>	1.4%
	Nine months ended 30 September		
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	
Sales volume (tonne)	488,731	587,176	(16.8%)
Revenue	12,713,794	12,465,780	2.0%
Gross profit	4,334,387	4,768,733	(9.1%)
EBITDA (Note)	4,313,232	4,278,148	0.8%
Profit for the period	<u>2,344,196</u>	<u>2,439,139</u>	(3.9%)

Note: EBITDA = profit before taxation + finance costs + amortisation of prepaid lease payments + depreciation of property, plant and equipment

* For identification purposes only

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 2017 (the “**Period under Review**”), together with the unaudited comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME

		Nine months ended	
		30 September	
		2017	2016
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	<i>1</i>	12,713,794	12,465,780
Cost of sales	<i>2</i>	(8,379,407)	(7,697,047)
Gross profit	<i>3</i>	4,334,387	4,768,733
Investment income		227,847	204,786
Other income	<i>4</i>	407,377	109,463
Selling and distribution costs		(164,694)	(105,976)
Administrative and other operating expenses	<i>5</i>	(1,299,690)	(1,305,974)
Share of profits less losses of associates		130,446	46,545
Finance costs	<i>6</i>	(816,487)	(651,616)
Profit before taxation		2,819,186	3,065,961
Income tax		(474,990)	(626,822)
Profit for the period		2,344,196	2,439,139
Attributable to:			
Equity shareholders of the Company		2,093,396	2,439,139
Holders of perpetual capital instruments		250,800	–

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

The Group is a leading fabricated aluminium product developer and manufacturer in the world, which is currently principally engaged in the production of high precision, large-section, high value-added industrial aluminium extrusion products and aluminium flat-rolled products. Products are 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.

1. Revenue

During the Period under Review, the Group's total revenue amounted to approximately RMB12.71 billion (the corresponding period in 2016: approximately RMB12.47 billion), of which approximately RMB12.7 billion (the corresponding period in 2016: approximately RMB12.45 billion) was generated from sales in the aluminium extrusion business, deep processing business and aluminium flat rolling business. Other revenue primarily comprised metal trade agency commission and amounted to approximately RMB15.05 million (the corresponding period in 2016: approximately RMB13.4 million).

The following sets forth the breakdown by business segments of the Group's revenue, sales volume and average selling price for the Period under Review and the corresponding period in 2016.

	Nine months ended 30 September								
	2017			2016			Change		
	Revenue RMB'000	Sales volume tonne	Average selling price RMB/tonne	Revenue RMB'000	Sales volume tonne	Average selling price RMB/tonne	Revenue %	Sales volume %	Average selling price %
Aluminium extrusion business	11,868,633	446,929	26,556	10,410,944	512,171	20,327	14.0%	(12.7%)	30.6%
Aluminium alloy formwork segment	6,189,100	187,050	33,088	485,686	14,963	32,459	1,174.3%	1,150.1%	1.9%
Industrial aluminium extrusion segment	5,348,360	240,014	22,284	9,167,678	446,838	20,517	(41.7%)	(46.3%)	8.6%
Construction aluminium extrusion segment	331,173	19,865	16,671	757,580	50,370	15,040	(56.3%)	(60.6%)	10.8%
Deep processing business	498,068	20,687	24,076	2,041,440	75,005	27,217	(75.6%)	(72.4%)	(11.5%)
Aluminium flat rolling business	332,046	21,115	15,726	-	-	N/A	N/A	N/A	N/A
Others	15,047	N/A	N/A	13,396	N/A	N/A	12.3%	N/A	N/A
Total	12,713,794	488,731	26,014	12,465,780	587,176	21,230	2.0%	(16.8%)	22.5%

Aluminium alloy formwork is the newly developed product of the Group. As the higher quality of the aluminium alloy formwork manufactured by the Group, it gained popularity in the market since its launch with increasing sales volume. During the Period under Review, sales volume of the Group's aluminium alloy formwork segment was 187,050 tonnes (the corresponding period in 2016: 14,963 tonnes) with sales amount of approximately RMB6.19 billion (the corresponding period in 2016: RMB490 million). For the first three quarters of 2017, sales volume of the Group's aluminium alloy formwork segment was 48,584 tonnes, 62,729 tonnes and 75,737 tonnes, respectively, with sales amount of RMB1.58 billion, RMB2.04 billion and RMB2.57 billion, respectively.

Sales volume of the Group's industrial aluminium extrusion segment for the Period under Review was 240,014 tonnes with sales amount of approximately RMB5.35 billion, the decrease in both sales volume and amount as compared to those in the corresponding period in 2016 was mainly due to optimisation of product mix by the Group, emphasis on developing high value-added products, such as aluminium alloy formwork, as well as partial production capacity being occupied for developing and manufacturing of new products.

During the Period under Review, revenue of the Group's deep processing business was approximately RMB500 million (the corresponding period in 2016: approximately RMB2.04 billion) with sales volume of 20,687 tonnes (the corresponding period in 2016: 75,005 tonnes).

The first production line of the Group's aluminium flat rolling project in Tianjin commenced commercial production in the second half of 2017. In the third quarter of 2017, its sales volume was 21,115 tonnes with sales amount of approximately RMB330 million.

Geographically, the Group's overseas customers mainly came from countries and regions including Germany, the United Kingdom, Belgium and the Netherlands. For the Period under Review, the Group's revenue from overseas sales amounted to approximately RMB930 million (the corresponding period in 2016: approximately RMB2.04 billion), accounting for 7.3% of the Group's total revenue (the corresponding period in 2016: 16.4%).

2. Cost of Sales

For the Period under Review, the Group's cost of sales increased by 8.9% to approximately RMB8.38 billion as compared to approximately RMB7.7 billion for the corresponding period in 2016. Such increase was due to an increase in price of aluminium ingots during the Period under Review; and a significant increase in number of staff for the expansion of the Group's aluminium alloy formwork segment, resulting in an increase in staff costs.

3. Gross Profit and Gross Margin

The Group's gross profit amounted to approximately RMB4.33 billion for the Period under Review, representing a decrease of 9.1% from approximately RMB4.77 billion for the corresponding period in 2016. The overall gross margin of the Group decreased to 34.1% for the Period under Review from 38.3% for the corresponding period in 2016, principally because the Group continued to optimise and adjust production capacity and product mix during the Period under Review, the production volume and efficiency of the aluminium alloy formwork segment has not reached their optimal level, and a decrease in sales volume of aluminium extrusion business and deep processing business resulted in an increase in fixed costs per unit. As the sales volume of aluminium alloy formwork has been expanding, the overall gross margin of the Group for the first three quarters of 2017 steadily improved to 31.9%, 34.3% and 35.2%, respectively.

4. Other Income

Other income increased by 272.2% to approximately RMB410 million for the Period under Review from approximately RMB110 million for the corresponding period in 2016, which was mainly due to the significant increase in exchange gain for the Period under Review arising from the Group's borrowings denominated in foreign currencies, which was caused by the appreciation of RMB.

5. Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group was approximately RMB1.3 billion for the Period under Review, substantially at the same level of approximately RMB1.31 billion for the corresponding period in 2016.

6. Finance Costs

The Group's finance costs increased to approximately RMB820 million for the Period under Review from approximately RMB650 million for the corresponding period in 2016. Such increase was principally due to a decrease in capitalized interest expenses on loans of the Group for the Period under Review as compared to that in the corresponding period in 2016.

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 2016 are based on the Group's internal information. Investors should note that undue reliance on or use of such information may cause investment risks. **Shareholders and 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, 31 October 2017

As at the date of this announcement, the Board consists of:

Executive Directors

Mr. Liu Zhongtian, Mr. Lu Changqing and Mr. Gou Xihui

Non-executive Director

Mr. Chen Yan

Independent non-executive Directors

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