CHANGFENG AXLE (CHINA) COMPANY LIMITED
暢豐車橋(中國)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1039)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHT

- Revenue decreased by approximately 21.6% from approximately RMB429.8 million for the year ended 31 December 2013 to approximately RMB336.9 million for the year ended 31 December 2014.

- The Group recorded a loss of RMB149.7 million for the year ended 31 December 2014 (31 December 2013: a loss of RMB228.1 million).

- Net cash from operating activities amount to RMB38.4 million for the year ended 31 December 2014 (31 December 2013: RMB62.9 million).

- The Board does not recommend the payment of any final dividend for the year ended 31 December 2014.

- The auditors of the Company have issued a qualified opinion to the Group's annual consolidated financial statements for the year ended 31 December 2014.

The board (the "**Board**") of directors (the "**Directors**") of Changfeng Axle (China) Company Limited (the "**Company**") is pleased to announce its annual audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	**2014**	2013
		RMB'000	*RMB'000*
Revenue	*4*	**336,928**	429,795
Cost of sales		**(298,243)**	(356,915)
Gross profit		**38,685**	72,880
Other (expense) income and other gains and losses	*5*	**(3,056)**	2,573
Selling and distribution expenses		**(20,529)**	(25,656)
Research and development expenditure		**(17,725)**	(23,988)
Administrative expenses		**(62,802)**	(68,204)
Loss on disposal of a subsidiary		**(6,105)**	–
Impairment loss on trade receivables		**(20,080)**	(89,600)
Impairment loss recognised in respect of property, plant and equipment		**(55,764)**	(52,133)
Impairment loss recognised in respect of prepaid lease payments		**–**	(30,332)
Reversal of impairment loss recognised in respect of property, plant and equipment classified as assets held for sale		**26,712**	19,602
Finance costs	*6*	**(29,336)**	(32,552)
Loss before tax	*7*	**(150,000)**	(227,410)
Taxation	*8*	**270**	(645)
Loss and total comprehensive expense for the year		**(149,730)**	(228,055)
(Loss) profit and total comprehensive (expense) income attributable to:			
Owners of the Company		**(152,449)**	(208,245)
Non-controlling interests		**2,719**	(19,810)
		(149,730)	(228,055)
		RMB	*RMB*
Basic loss per share	*9*	**(0.19)**	(0.26)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	NOTES	**2014**	2013
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**302,098**	524,037
Prepaid lease payments		**203,763**	262,391
Prepayment for acquisition of machinery		**236**	2,602
Deferred tax assets		**145**	–
		506,242	789,030
CURRENT ASSETS			
Inventories	*11*	**220,933**	240,344
Trade receivables	*12*	**160,420**	177,077
Bills receivables	*12*	**53,079**	87,449
Other receivables	*12*	**131,872**	140,508
Prepaid lease payments		**4,378**	6,241
Tax recoverable		**2,439**	2,439
Pledged bank deposits		**3,350**	–
Bank balances and cash		**6,858**	57,902
		583,329	711,960
Assets classified as held for sale		**187,544**	80,591
		770,873	792,551
CURRENT LIABILITIES			
Trade and bills payables	*13*	**87,919**	123,995
Other payables	*13*	**158,544**	119,721
Borrowings – due within one year		**336,879**	464,167
Tax liabilities		**1,343**	1,343
		584,685	709,226
NET CURRENT ASSETS		**186,188**	83,325
TOTAL ASSETS LESS CURRENT LIABILITIES		**692,430**	872,355
NON-CURRENT LIABILITIES			
Deferred tax liabilities		–	195
		692,430	872,160

	2014	2013
	RMB'000	*RMB'000*
CAPITAL AND RESERVE		
Share capital	**53,560**	53,560
Reserves	**638,870**	799,844
Equity attributable to owners of the Company	**692,430**	853,404
Non-controlling interests	**–**	18,756
	692,430	872,160

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before tax	**(150,000)**	(227,410)
Adjustments for:		
Reversal of impairment losses on trade receivables	**(20,884)**	(4,388)
Depreciation of property, plant and equipment	**37,016**	38,214
Finance costs	**29,336**	32,552
Release of prepaid lease payments	**5,524**	6,436
Impairment loss recognised in respect of		
– trade receivables	**20,080**	89,600
– advance to suppliers	**8,619**	–
– inventories	**19,272**	–
– property, plant and equipment	**55,764**	52,133
– prepaid lease payments	**–**	30,332
Reversal of impairment loss recognised in respect of property, plant and equipment classified as assets held for sale	**(26,712)**	(19,602)
Loss on disposal of a subsidiary	**6,105**	–
Loss (gain) on disposal of property, plant and equipment	**25,599**	(580)
Interest income	**(250)**	(216)
Operating cash flows before movements in working capital	**9,469**	(2,929)
Decrease in inventories	**139**	38,389
Decrease (increase) in trade receivables	**17,461**	(6,892)
Decrease in bills receivables	**34,370**	21,369
Decrease (increase) in other receivables	**28,300**	(3,974)
(Decrease) increase in trade and bill payables	**(36,076)**	23,802
Decrease in other payables	**(15,217)**	(7,248)
Cash generated from operations	**38,446**	62,517
Income tax refund	**–**	644
Income tax paid	**(70)**	(245)
NET CASH FROM OPERATING ACTIVITIES	**38,376**	62,916

	2014	2013
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Deposit received for disposal of assets classified as held for sale	**36,000**	–
Proceeds on disposal of a subsidiary	**35,000**	–
Deposit received for disposal of a subsidiary	**28,000**	28,000
Proceeds on disposal property, plant and equipment	**5,875**	9,725
Interest received	**250**	216
Proceeds from disposal of held for trading investments	**–**	20,000
Prepayment for acquisition of machinery	**(236)**	(40,083)
Payment of prepaid lease payments	**(1,001)**	(7,217)
Purchases of property, plant and equipment	**(3,334)**	(10,582)
Placement of pledged bank deposits	**(3,350)**	–
Acquisition of additional interest in subsidiary	**(30,000)**	–
NET CASH FROM INVESTING ACTIVITIES	**67,204**	59
FINANCING ACTIVITIES		
Repayments of borrowings	**(526,588)**	(553,470)
Interest paid	**(29,336)**	(32,552)
New borrowings raised	**399,300**	519,077
NET CASH USED IN FINANCING ACTIVITIES	**(156,624)**	(66,945)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(51,044)**	(3,970)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**57,902**	61,872
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash	**6,858**	57,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability in the Cayman Islands. Its immediate and also its ultimate holding company is Changfeng Axle Holdings Ltd. (incorporated in the British Virgin Islands), which 50.8% equity interests are owned by Wong Kwai Mo and Wu Ching in aggregate. The Company's shares were listed on the Stock Exchange of Hong Kong Limited with effect from 24 September 2010. The address of the Company's registered office is at Room 708, 7/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Group are manufacture and sale of axle and related components in the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Company, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of RMB149,730,000 for the year ended 31 December 2014. In the opinion of the directors of the Company, the Group is able to continue as a going concern at least in the coming twelve months taking into consideration the measures which include, but are not limited to the following:

(a) The Group is able to renew banking facilities from various banks in full upon their maturity based on the past history and good relationships of the Group with the banks, for the operation requirements of the Group.

(b) The disposal of land held by Sichuan Changefeng Axle Co., Ltd. ("Sichuan Changefeng") will be completed and the outstanding consideration as at 31 December 2014 amounted to RMB35,084,000. In February 2015, RMB10,000,000 was received and the remaining of RMB25,084,000 would be received by April 2015.

(c) The disposal of land held by Kaifeng Changfeng Axle Co., Ltd. ("Kaifeng Changfeng") at a consideration of RMB102,690,000 will be completed. In January 2015, RMB73,000,000 has been received and the remaining of RMB29,690,000 would be received by April 2015.

(d) The suspension in the sales of train and railway components is temporary and the directors believe the sales will be recommenced in the second quarter of 2015.

(e) The Group has been applying more stringent selection criteria to select new customers for new sales orders with better repayment terms.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 Fair Value Measurements.

The application of the amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRS 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRS 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRS 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with early application is permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors anticipate that the application of the new or revised HKFRSs, other than those set out above, will have no material impact on the results and the financial position of the Group.

4. REVENUE AND SEGMENT INFORMATION

(a) Products within each operating segment

The segment information reported was presented based on the types of products and the types of customers to which the products are sold, which is consistent with the internal information that is regularly reviewed by the directors of the Company, who are the chief operating decision makers of the Group, for the purposes of resource allocation and assessment of performance.

The Group has three reportable operating segments as follows:

- OEM and related market – manufacturing and selling of axle assemblies and axle components to heavy duty truck and middle duty truck manufacturers and other assembly manufacturers.

- Aftermarket – manufacturing and selling of axle components and axle assemblies to market for providing after-sales services.

- Train and railway business – manufacturing and selling of train and railway components which commenced sales and became a new operating segment since 2013.

(b) Segment revenue and results

	Segment revenue		**Segment results**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
OEM and related market	**168,713**	172,769	**18,785**	29,726
Aftermarket	**165,851**	222,864	**19,276**	34,035
Train and railway business	**2,364**	34,162	**624**	9,119
External revenue/segment results	**336,928**	429,795	**38,685**	72,880
Other (expense) income and other gains and losses			**(3,056)**	2,573
Selling and distribution expenses			**(20,529)**	(25,656)
Research and development expenditure			**(17,725)**	(23,988)
Administrative expenses			**(62,802)**	(68,204)
Loss on disposal of a subsidiary			**(6,105)**	-
Impairment loss on trade receivables (note)			**(20,080)**	(89,600)
Impairment loss recognised in respect of property, plant and equipment			**(55,764)**	(52,133)
Impairment loss recognised in respect of prepaid lease payments			**–**	(30,332)
Reversal of impairment loss recognised in respect of property, plant and equipment classified as assets classified as held for sale			**26,712**	19,602
Finance costs			**(29,336)**	(32,552)
Loss before tax			**(150,000)**	(227,410)
Taxation			**270**	(645)
Loss and total comprehensive expense for the year			**(149,730)**	(228,055)

Revenue reported above represents revenue generated from external customers. There was no inter-segment sales during the year.

Segment results represent the gross profit of each operating segment. This is the measure reported to the directors of the Company for the purposes of resources allocation and performance assessment.

Note: The amount consisted of an impairment loss on trade receivables for the OEM and related market of RMB1,825,000 (2013: RMB31,112,000) and trade receivables for aftermarket of RMB18,255,000 (2013: RMB58,488,000).

(c) Segment assets

	Assets	
	2014	2013
	RMB'000	*RMB'000*
OEM and related market	**84,744**	83,643
Aftermarket	**75,676**	93,434
Train and railway business	**254,721**	247,443
Total of all segments	**415,141**	424,520
Unallocated	**861,974**	1,157,061
Consolidated assets	**1,277,115**	1,581,581

Segment assets represent trade receivables for OEM and related market and Aftermarket, and inventories and property, plant and equipment related to Train and railway business.

Segment liabilities are not presented as liabilities are generally incurred for all operating segments and not presented to the directors for performance assessment and resource allocation.

(d) Geographical information

The Group principally operates in the PRC (country of domicile of the operating subsidiaries). All non-current assets of the Group are located in the PRC.

The Group's revenue from external customers are attributed to the PRC of RMB334,564,000 (2013: RMB395,633,000) and Russia of RMB2,364,000 (2013: RMB34,162,000) respectively.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Assets	
	2014	2013
	RMB'000	*RMB'000*
Customer A[1]	**84,301**	51,617
Customer B[1]	**N/A[3]**	47,460
Customer C[2]	**42,583**	N/A[3]

1 Revenue from OEM and related market.
2 Revenue from aftermarket.
3 The corresponding revenue did not contribute over 10% of the total sales of the Group.

5. OTHER (EXPENSE) INCOME AND OTHER GAINS AND LOSSES

	2014	2013
	RMB'000	*RMB'000*
Reversal of impairment loss on trade receivables	**20,884**	4,388
Government grant (note)	**8,326**	6,255
Income from suppliers on defects claim	**825**	3,869
Bank interest income	**250**	216
(Loss) gain on disposal of property, plant and equipment	**(25,599)**	580
Loss on sales of scrap materials	**(15,144)**	(7,176)
Net foreign exchange loss	**(4)**	(522)
Others	**7,406**	(5,037)
	(3,056)	2,573

Note: Grants primarily represented incentives received from local authorities by the group entities as encouragement of its business development. These grants are accounted for as immediate financial support with no future related costs expected to be incurred nor related to any assets.

6. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**27,543**	31,675
Other borrowings wholly repayable within five years	**1,793**	877
	29,336	32,552

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2014	2013
	RMB'000	*RMB'000*
Employee benefits expenses (including directors):		
– salaries and other benefits	**50,676**	64,332
– retirement benefit scheme contributions	**6,223**	8,238
Total staff costs (included RMB33,124,000 (2013: RMB43,712,000) in cost of sales, RMB1,860,000 (2013: RMB2,904,000) in selling and distribution expenses, RMB1,978,000 (2013: RMB2,498,000) in research and development expenditure, and RMB19,937,000 (2013: RMB23,456,000) in administrative expenses)	**56,899**	72,570
Depreciation of property, plant and equipment	**37,016**	38,214
Release of prepaid lease payments	**5,524**	6,436
Impairment loss on property, plant and equipment	**55,764**	52,133
Auditors' remuneration	**1,347**	1,562
Impairment loss on advance to suppliers	**8,619**	–
Impairment loss on trade receivables	**20,080**	89,600
Cost of inventories recognised as expenses		
– included in cost of sales	**297,653**	353,904
– included in research and development expenditure	**10,807**	15,217
Allowance for inventories, net (included in cost of sales)	**19,272**	–
Reversal of impairment loss on trade receivables	**(20,884)**	(4,388)

8. TAXATION

	2014	2013
	RMB'000	*RMB'000*
The taxation comprises:		
Current tax expense	**–**	1,862
Under(over)provision in prior years	**70**	(1,449)
Deferred taxation	**(340)**	232
	(270)	645

The taxation expense for the year represents the PRC Enterprise Income Tax which is calculated at the prevailing tax rate of 25% on the taxable income of the group entities in the PRC for the years ended 31 December 2014 and 2013.

The Company was incorporated in the Cayman Islands and is not subject to any income tax.

On 26 June 2013 and 5 September 2013, Kaifeng Changfeng and Longyan Shengfeng Machinery Manufacturing Co., Ltd. ("Longyan Shengfeng"), both are wholly owned subsidiaries of the Company, obtained "High and New Technology Enterprise" status for 3 years and subject to a preferential tax rate of 15% for the period from 2013 to 2015 according to the PRC Tax Law.

The taxation for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	RMB'000	*RMB'000*
Loss before tax	**(150,000)**	(227,410)
Tax at the domestic income tax rate of 25%	**(37,500)**	(56,853)
Tax effect of expenses not deductible for tax purpose	**25,856**	20,950
Tax effect of deductible temporary difference not recognised	**(201)**	22,393
Tax effect of tax losses not recognised	**16,823**	21,294
Tax effect of preferential tax rate	**(5,318)**	(5,690)
Under (over) provision in prior years	**70**	(1,449)
	(270)	645

Under the New Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated distributable profits of the PRC subsidiaries amounting to approximately RMB115,909,000 and RMB197,917,000 for the years ended at 31 December 2014 and 2013 respectively, as the Company is able to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2014, the Group had deductible temporary difference of RMB282,231,000 (2013: RMB283,035,000) attributable to the impairment loss on trade receivables. No deferred tax asset has been recognised in relation to such deductible temporary difference as, in the opinion of directors, the utilisation of such temporary difference is remote.

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2014	2013
	RMB'000	*RMB'000*
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	**(152,449)**	(208,245)

	2014	2013
Number of shares		
Number of ordinary shares for the purposes of basic loss per share	**800,000,000**	800,000,000

No diluted loss per share is presented as the Company did not have any potential ordinary shares in issue during both years or at the end of each reporting period.

10. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2014 and 2013.

11. INVENTORIES

	2014 *RMB'000*	2013 *RMB'000*
Raw materials	**131,990**	109,845
Work in progress	**43,825**	51,677
Finished goods	**45,118**	78,822
	220,933	240,344

The amount includes inventories related to Train and railway business, being work in progress amounted to RMB32,756,000 (2013: RMB9,199,000) and finished goods amounted to RMB1,611,000 (2013: RMB2,438,000). It was noted that the sales to the only customer in Russia have been suspended since May 2014 and have not recommenced as at the date of this announcement.

Accordingly, the directors of the Company is of the opinion that the net realisable value of inventories approximates their carrying amounts and therefore no impairment loss was recognised for the year ended 31 December 2014.

12. TRADE, BILLS AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2014 *RMB'000*	2013 *RMB'000*
Trade receivables	**442,651**	460,112
Less: impairment loss on trade receivables	**(282,231)**	(283,035)
	160,420	177,077
Bills receivables	**53,079**	87,449
Other receivables	**8,831**	7,580
Advances to suppliers	**105,211**	94,711
Prepaid expenses	**–**	1,942
VAT-in recoverable	**17,830**	36,275
Total trade and other receivables	**345,371**	405,034

At the end of the reporting period, trade receivables with outstanding amount of RMB37,500,000 (2013: RMB29,409,000) have been factored to certain banks. The Group continues to present the factored trade receivables as trade receivables until maturity.

At the end of the reporting period, bills receivables with outstanding amount of RMB26,194,000 (2013: RMB65,114,000) have been endorsed to certain creditors. The Group continues to present the endorsed bills as bills receivables until maturity.

The Group allows credit period of 90-120 days to its trade customers. The aging analysis of trade receivables and bills receivables is presented based on the invoice date at the end of the reporting period.

The aging of trade receivables (net of impairment loss on trade receivables) is presented based on the invoice date, which approximated the respective revenue recognition date as follows:

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**58,773**	81,660
91 to 120 days	**8,847**	18,148
121 to 180 days	**17,416**	33,238
181 to 365 days	**37,801**	41,463
Over 365 days	**37,583**	2,568
	160,420	177,077

The aging of bills receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**24,774**	73,507
91 to 120 days	**5,420**	7,070
121 to 180 days	**22,885**	6,872
	53,079	87,449

Before accepting any new customers, the Group has assessed the potential customer's credit quality and defined credit limit of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of trade receivables, the Committee that is responsible for understanding background, financial strength, sales and repayment ability of each debtor, regularly reviewed recoverability of trade receivables (including regularly communicating with individual debtor, holding internal meeting to discuss and analyse the status of each individual debtor, and seeking for lawyer review on the status of debtor with financial or operational problems). Based on the nature of customers, the Committee classified the customers to different portfolios for analysis.

It was noted by the Committee that some of the debtors had financial problems and the recoverability of these receivables was low, and a report was prepared by the Committee suggesting a provision of RMB282,231,000 (2013: RMB283,035,000) based on an analysis of the recoverability by customer portfolio. The analysis was based on the present value of estimated future cash flows discounted at individual debtors' original effective interest rate, together with the subsequent settlement and aging of individual debtors. The board of directors has reviewed the report of the Committee and considered the provision suggested is adequate but not excessive.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB101,647,000 and RMB95,417,000 at 31 December 2014 and 2013 respectively, which are past due for which the Group has not provided for impairment loss as continuous business relationship and subsequent settlement of RMB13,410,000 was received from those debtors and the remaining amounts are still considered recoverable based on historical experience.

Aging of trade receivables which are past due but not impaired:

	2014	2013
	RMB'000	*RMB'000*
91 to 120 days	**8,847**	18,148
121 to 180 days	**17,416**	33,238
181 to 365 days	**37,801**	41,463
Over 365 days	**37,583**	2,568
	101,647	95,417

Movement in the impairment loss on trade receivables

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**283,035**	197,643
Impairment loss recognised on receivables	**20,080**	89,600
Amounts recovered during the year	**(20,884)**	(4,208)
At 31 December	**282,231**	283,035

13. TRADE, BILLS AND OTHER PAYABLES

Trade, bills and other payables comprise the following:

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**43,875**	58,880
Bills payables	**44,044**	65,115
	87,919	123,995
Advances from customers	**7,500**	13,772
Payables for property, plant and equipment	**12,755**	40,752
Deposit received for disposal of a subsidiary	**56,000**	28,000
Deposit received for disposal of assets classified as held for sale	**36,000**	-
Payroll and welfare payables	**15,297**	7,262
Warranty provision (note)	**1,063**	1,071
Other accruals	**14,032**	14,762
Other tax payables	**7,342**	5,295
Other payables	**8,555**	8,807
	158,544	119,721
	246,463	243,716

Note: Movement of warranty provision is as follows:

	Warranty provision
	RMB'000
At 1 January 2013	1,065
Additional provision during the year	8,931
Utilisation of provision	(8,925)
At 31 December 2013 and 1 January 2014	1,071
Additional provision during the year	6,727
Utilisation of provision	(6,735)
At 31 December 2014	1,063

At 31 December 2014 and 2013, the warranty provision represents management's best estimate of the Group's liability under 6-month warranty granted on products, based on prior experience and industry practice for defective products.

The following is an aging analysis of trade payables, presented based on invoice date, at the end of the reporting period:

	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**12,141**	19,888
31 to 60 days	**5,122**	8,657
61 to 90 days	**3,547**	8,072
91 to 180 days	**15,539**	10,628
181 to 365 days	**7,526**	11,635
	43,875	58,880

Trade payables and bills payables principally comprise amounts outstanding for purchase of goods. The credit period for purchase of goods is between 30 to 180 days.

The aging of bills payables is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**15,530**	16,204
31 to 60 days	**6,612**	13,754
61 to 90 days	**12,847**	22,555
91 to 180 days	**9,055**	12,602
	44,044	65,115

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual consolidated financial statements for the year ended 31 December 2014:

BASIS FOR QUALIFIED OPINION

Included in the consolidated financial statements as at 31 December 2014 were property, plant and equipment and inventories related to the Group's train and railway business with carrying amounts of approximately RMB220,354,000 and RMB34,367,000 respectively. As set out in notes 16 and 19 to the consolidated financial statements, the directors of the Company determined that the recoverable amount of the property, plant and equipment and the net realisable value of the inventories approximated to their carrying amounts and therefore no impairment loss was recognised for the year ended 31 December 2014.

However, the sales of train and railway components to the Group's only customer in Russia have been suspended since May 2014 and have not recommenced as at the date of this report. The cash flow projection prepared by the directors on which the Group's impairment analysis is based assumes a significant volume of sales to this customer in the coming twelve months and thereafter. The directors of the Company considered the suspension in the sales to be temporary and the sales will be recommenced in the second quarter of 2015, and therefore did not adjust the assumptions in the cash flow projection. Due to the ongoing suspension of sales to this customer, we were unable to satisfy ourselves as to whether such assumption is reasonable and accordingly whether any impairment in respect of the property, plant and equipment and the inventories should be recognised for the year ended 31 December 2014. Any adjustments found to be necessary would affect the Group's financial position as at 31 December 2014 and the loss for the year then ended.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group incurred a loss of approximately RMB149,730,000 during the year ended 31 December 2014. The directors of the Company consider that the Group will have sufficient working capital to finance its operations provided that it is able to successfully renew the banking facilities and implement the other measures as set out in note 2 to the consolidated financial statements. However, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an independent axle component provider for China's medium duty truck ("**MDT**") and heavy duty truck ("**HDT**") aftermarket, and also an independent axle assembly providers for China's MDT and HDT original equipment manufacturers ("**OEM**") market. The Group is principally engaged in the manufacture and sales of axle assemblies and axle components in the People's Republic of China ("**PRC**").

The Group's products cover all major axle components, including cast steel and punched steel axle housings, brake drums, axle shafts, axle differentials and reductors, steering knuckles and front axle beams. An extensive range of front, middle and rear axle assemblies and suspension assemblies are also manufactured.

In year 2014, through the effort of the casting experts and breakthrough in the casting process of the Group, the Group has commenced the delivery of the train bolster and train side frame to the Commonwealth of Independent States ("**CIS**") and establish the platform for the Group's entrance into the international railway industry. However, to a large extent, this business was suspended in 2014 due to continued unstable political and market environment in Russia and other member states of the CIS, as well as the need to apply for certification under new standards imposed by Russia, Belarus and Kazakhstan (member states of CIS) for the Group's railway components as the Group had previously relied on certification issued by Ukraine testing authorities which had become invalid for the Russian market following diplomatic fallout between Russia and Ukraine. Formal submission of the Group's railway components to the official testing facilities was made in October 2014. New certification will only be issued if all the Group's railway components pass the new standard as laid out by the authorities at the end of the testing process. The testing process is currently on schedule and is expected to finish by end March 2015. However, the testing authorities have the right to extend the testing time of such components if necessary.

The Group has two production facilities in the PRC, one of which is located in Kaifeng city, Henan province, and another one is located in Longyan city, Fujian province. Those production facilities are strategically located in proximity to primary suppliers and customers so as to accelerate the Group's procurement process, reduce product delivery time and transportation costs and improve logistical efficiency to meet customers' demands.

MDT and HDT Aftermarket

The Group is an independent axle component provider for China's MDT and HDT aftermarket with diversified product offerings among independent axle component providers in China. During the year ended 31 December 2014, the axle components were sold to customers in the aftermarket through its extensive sales, marketing and services network across the PRC. For the year ended 31 December 2014, revenue generated from the aftermarket amounted to approximately RMB165.9 million (2013:

approximately RMB222.9 million) and accounted for approximately 49.2% (2013: approximately 51.9%) of the Group's total revenue, representing a decrease of approximately 25.6% as compared with the corresponding period in 2013.

MDT and HDT OEM market

The Group primarily sells axle assemblies directly to OEMs in the PRC on a made-to-order basis to match its customers' specification requirements. A small portion of axle components is occasionally sold to other axle assembly providers. For the year ended 31 December 2014, revenue from the OEM market amounted to approximately RMB168.7 million (2013: approximately RMB172.8 million) and accounted for 50.1% (2013: 40.2%) of the Group's total revenue, representing a decrease of 2.3% as compared with the corresponding period in 2013.

Train and railway market

The Group commenced the export of the train side frame and train bolster in 2013. For the year ended 31 December 2014, revenue from the train and railway market amounted to approximately RMB2.4 million (2013: RMB34.2 million) and accounted for 0.7% (2013: 7.9%) of the Group's total revenue.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014, the Group recorded a consolidated revenue of approximately RMB336.9 million (2013: approximately RMB429.8 million), representing a decrease of 21.6% as compared with the same period in 2013. Since the second half of year 2013, there was increasing pressure on the aftermarket and OEM market, the business environment of the truck market remained challenging in the year of 2014.

Revenue from the Group's aftermarket segment decreased by approximately 25.6% from RMB222.9 million in 2013 to RMB165.9 million in 2014. The decrease in revenue was mainly due to (i) less favorable industry environment caused by the slow down of construction and infrastructure development projects in China, which hampered the demand in the aftermarket industry; and (ii) decrease in unit selling price of certain products under keen competition in the aftermarket industry. The keen competition in the aftermarket industry was mainly due to the slow down of demand in axle components industry and tightening of the credit policy in China, as a result some of the competitors sold their products at a low cost in order to maintain cashflow liquidity.

Revenue from the Group's OEM and related market segment slightly decreased by approximately 2.3% from RMB172.8 million in 2013 to RMB168.7 million in 2014. This was mainly due to the decline in growth rate in the trucking industry.

Revenue from the train and railway market of RMB2.4 million was recognised after the commencement of delivery of the train and railway components in year 2014.

Gross profit and gross profit margin

For the year ended 31 December 2014, the Group's gross profit decreased by 46.9% from approximately RMB72.9 million in 2013 to approximately RMB38.7 million in 2014. Gross profit margin decreased from approximately 17.0% in 2013 to approximately 11.5% in 2014 mainly due to the decrease in average unit selling price under the keen competition in the aftermarket industry, which increased the Group's pressure on the gross profit margin of the Company.

Other expense and other gains and losses

Other expense of the Group decreased from other gains of approximately RMB2.6 million in 2013 to other expense of approximately RMB3.1 million in 2014, the decrease was mainly attributable to a loss on disposal of property, plant and equipment during the year.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased from approximately RMB25.7 million in 2013 to approximately RMB20.5 million in 2014. The decrease was mainly due to the decrease in the delivery cost for the axle business.

Research and development expenditure

Research and development expenditure of the Group decreased from approximately RMB24.0 million in 2013 to approximately RMB17.7 million in 2014. The decrease was mainly due to the decrease in research and development in the Group's train and railway business compared to the same period in 2013.

Administrative expenses

The Group's administrative expenses decreased from approximately RMB68.2 million in 2013 to approximately RMB62.8 million in 2014. The decrease in administrative expenses was mainly due to the efficient cost control policy implemented by the Group.

Finance costs

The Group incurred finance costs of approximately RMB29.3 million in 2014, which represented approximately 8.7% (2013: approximately 7.6%) of its revenue and an decrease of approximately 9.9% from RMB32.6 million in 2013. The decrease was mainly due to the decrease in average bank borrowing throughout year 2014.

Taxation

Tax charge decreased from RMB0.6 million in 2013 to a tax credit of RMB0.3 million in 2014 due to the substantial loss during the year 2013.

LIQUIDITY AND FINANCIAL RESOURCES

Summary of consolidated cash flow statement

	2014	2013
	RMB'000	*RMB'000*
Cash and cash equivalent at 1 January	**57,902**	61,872
Net cash from operating activities	**38,376**	62,916
Net cash from investing activities	**67,204**	59
Net cash used in financing activities	**(156,624)**	(66,945)
Cash and cash equivalent at 31 December	**6,858**	57,902

Cash and cash equivalent of the Group were mainly generated from the cash flow deriving from investing activities and financing activities.

As at 31 December 2014, cash and cash equivalent of the Group was approximately RMB6.9 million (2013: approximately RMB57.9 million).

As compared with the year of 2013, cash and cash equivalent decreased by approximately RMB51.0 million, which was mainly resulted from the net cash used in financing activities of approximately RMB156.6 million (2013: approximately RMB66.9 million).

As at 31 December 2014, net current assets of the Group was approximately RMB186.2 million (2013: approximately RMB83.3 million). As at 31 December 2014, the current ratio (i.e. total current assets/ total current liabilities) of the Group was approximately 131.8% (2013: approximately 111.7%).

As at 31 December 2014, total assets of the Group were approximately RMB1,277.1 million (2013: approximately RMB1,581.6 million) and total liabilities were approximately RMB584.7 million (2013: approximately RMB709.4 million). As at 31 December 2014, the debt ratio (i.e. total liabilities/total assets) was 45.8% (2013: 44.9%).

As at 31 December 2014, the Group had total borrowings of approximately RMB336.9 million (2013: approximately RMB464.2 million) and the gearing ratio (i.e. total borrowing/total capital and reserve) was approximately 48.7% (2013: approximately 53.2%).

The Group will continue to strengthen its liquidity and financial resources through the improvement of the working capital, especially timely collection of trade receivables.

Trade and bills receivable

Trade and bills receivables of the Group in 2014 were approximately RMB213.5 million (2013: RMB264.5 million). The decrease in balance was due to the decrease in revenue, strengthen of the collection process through closely monitor of those debtors and impairment loss on trade receivables.

Inventory

The inventory balance of the Group for the year ended 31 December 2014 amounted to approximately RMB220.9 million (2013: approximately RMB240.3 million) which mainly reflected the decrease in raw materials and finished goods required for the decrease in market demand.

Trade and bills payable

Trade and bills payables of the Group in 2014 were approximately RMB87.9 million (2013: approximately RMB124.0 million). Again, the decrease in balance reflected the decrease in raw materials required for the decrease in market demand.

Pledged assets

As at 31 December 2014, the Group has pledged assets of approximately RMB356.4 million (2013: approximately RMB210.6 million) to secure the grant of banking facilities. As at 31 December 2014, the Group did not pledge the equity shares of any of its PRC subsidiaries as collateral to secure bank borrowings (2013: Nil).

Contingent Liabilities

As at 31 December 2014, the Group had no significant contingent liabilities (2013: Nil).

Capital commitment

As at 31 December 2014, the contracted capital commitment of the Group which were not provided in the financial statements amounted to RMB0.1 million (2013: approximately RMB2.0 million). Such capital commitments were mainly for the capital expenditure in respect of upgrading and acquisition of certain production equipment at our production facilities.

In 2011, Changfeng Gear Manufacturing Co., Ltd ("**Changfeng Gear**") was incorporated pursuant to the cooperation agreement entered into between the Group and an independent third party on 11 November 2010, pursuant to which the Group and an independent third party, being the non-controlling shareholder of Changefeng Gear, owns as to 60% and 40% of the equity interest of Changfeng Gear, respectively. The Group made a cash contribution of RMB60,000,000 to Changfeng Gear whilst the non-controlling shareholder contributed new machineries with an aggregate value of RMB40,000,000 to Changefeng Gear. The Group and the non-controlling shareholder were committeed to inject an additional amount of RMB60,000,000 and RMB40,000,000, respectively in the year 2012. However, due to change in development plan, the Group and the non-controlling shareholder entered into supplemental agreements to amend the capital injection schedule to 31 December 2014 and amend the capital contribution method, respectively. For further details regarding the supplemental agreements, please refer to the announcements of the Company dated 31 December 2012, 27 May 2013 and 29 December 2013. As at 31 December 2014, there was no capital commitment (31 December 2013: RMB48 million) being made by the Group for such capital injection.

Employees and remuneration policy

As at 31 December 2014, the Group had 950 employees (2013: 1,271 employees). For the year ended 31 December 2014, total staff costs were approximately RMB56.9 million (2013: approximately RMB72.6 million).

During the year under review, the Group also provided internal training, external training and correspondence courses for its staff in order to promote self improvement and enhancement of skills relevant to work. The remuneration of the Directors was determined with reference to their position, responsibilities and experience and prevailing market conditions.

Foreign exchange risk

The business of the Group is mainly located in the PRC and most of the transactions are denominated in Renminbi. Most of the assets and liabilities of the Group are computed in Renminbi. As at 31 December 2014, the Group's foreign currencies amounted to approximately RMB1.6 million (2013: 2.1 million). During the year ended 31 December 2014, the Group did not utilize any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will continue to monitor the risk exposures and will consider to hedge against material currency risk if required.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2014 (2013: Nil).

PROSPECTS

Having faced with the continuous uncertainty in the global economic situation and fierce competition in the China truck market, the Company expects business to continue to be challenging in year 2015. To ensure the sustaintable success, the Group's management has formulated various strategies and measures to cope with these challenges. The strategies and measures include diversifying the range of the Group's casting and punching products in other industry, exploring the opportunities in overseas market and starting the electronic commerce business by acquiring a target group of companies.

Looking forward, in light of the Group's (i) recognition in the overseas train and railway industry; (ii) extensive sales, marketing and services network among all axle component providers in the aftermarket; (iii) diversified axle component offerings well recognized for high quality by customers; and (iv) role as an independent provider of axle products in both the aftermarket and OEM market, enhancing the cross-marketing capabilities and maximising the sales and profit, the Group strive to strengthen its position in the railway and truck industry, to further expand its product offerings in China, CIS and overseas market.

The Group will further enhance the following aspects in order to increase its competitiveness within the market in the upcoming years.

Expansion to overseas markets

In order to expand gradually into other overseas markets in anticipation of overseas demand for the Group's products (both railways and truck components), the Company will leverage its broad range of quality product offerings, product development capabilities and cost competitiveness, the Group are well positioned to expand sales of its products into other overseas markets. The Group has implemented its overseas expansion plan gradually through a variety of efforts, including:

- exploring the new markets for its train and railway products;
- diversifying and developing the new casting and punching products to satisfy the customer requirements in various industries and countries;
- modifying its existing products to satisfy the specification requirements of different types and models of vehicles used overseas; and
- increasing the sales of its customized axle assemblies in the overseas OEM market, upon identifying potential OEM customers who may have a need for customized axle assemblies.

Cost Control

The Group will make use of its production facilities located in the PRC which form a strategic production and distribution network for its products, so as to efficiently control the production cost and logistic cost. Besides, the Group will further consolidate the production lines and functional departments and dispose those unutilised facilities to lower its administrative and production cost. Furthermore, the Group will strategically cooperate with suppliers in order to lengthen the credit terms and reduce the purchase price.

Marketing Network

In order to enhance its market penetration of the train and railway industry, MDT industry and HDT aftermarket, the Group will (i) expand its overseas and local market by selling components with higher margin with a view to increase subsequent demand for their corresponding products; (ii) expand its extensive sales, marketing and services network vertically and horizontally; and (iii) provide comprehensive models and products offerings, with its strong brand recognition.

Electronic Commerce Business

In view of the recent unsatisfactory financial results, the Group is of the view that it is appropriate to seek other suitable business opportunities and income streams to diversify the existing business of the Group to strive for growth potential and maximize the returns to the Shareholders. The acquisition of Century Network Holding Limited and its subsidiaries ("Century East Group") in year 2015 represented a valuable opportunity for the Group to bring in solid strategic corporate investors which have extensive experience, strong expertise and a wide business network in the telecommunication, information technology and e-commerce industry and to develop the online peer-to-peer business in the PRC.

Century East Group started its electronic commerce business in May 2013 through the establishment of a cross-border business-to-business electronic distribution platform, CCIGMALL.com., where Century East Group sources, imports and channels authentic goods from suppliers abroad, and then distributes and resells such goods to domestic retailers in the PRC. Since May 2013, Century East Group has conducted thorough market operation researches, liaised with overseas suppliers, secured co-operation and distribution channels, and developed the platform for the operation of CCIGMALL.com. The business model is to set up a direct path between pre-identified overseas suppliers, distributors and domestic retailers in the PRC. The CCIGMALL.com platform adopts the order driven model in that retailers place their orders at designated terminals through the CCIGMALL.com platform and the orders will then be pulled together by Century East Group and sent to distributors and suppliers online directly. The distributors, upon accepting the orders and completing customs clearance, will then deliver the goods to the retailers in the PRC. The key value and competitive strength of such business model is that it incurs less intermediaries cost, unlike the traditional trading business model. Besides, CCIGMALL.com platform targets to maintain a vast database and analysing system, which could collect and analyse data of users' consumption behaviour and generate data of stock and supplies of distributors to continually guide and optimize suppliers' product procurement and downstream retailers' network expansion. The platform would also provide data support for the pricing of wholesaling and retailing products.

Century East Group is managed by a team with extensive experience in telecommunications, information technology and e-commerce industry, including but not limited to, the areas of software and website development and engineering, sales and marketing, brand and operation management gathered through their previous positions at various prestigious corporations.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders.

During the year ended 31 December 2014, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviation as set forth below:

Code Provision A.6.7

Code Provision A.6.7 of the CG Code provides that independent non-executive directors and non-executive directors should attend general meetings of the Company. Due to prior business engagements external to the Company and personal commitments, the non-executive Director, Ms. Dong Ying, Dorothy and the independent non-executive Director, Dr. Li Xiuqing were not able to attend the annual general meeting of the Company held on 23 May 2014.

Compliance

The Company has appointed a compliance adviser on an ongoing basis for a two year period as per the direction of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out in the announcement of the Stock Exchange dated 9 July 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 21 May 2015. A notice convening the annual general meeting will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 May 2015 to Thursday, 21 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 21 May 2015, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 15 May 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the year ended 31 December 2014. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the year ended 31 December 2014.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed and declared that, during the year ended 31 December 2014, they were in compliance with all the required provisions set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2014, including the accounting principles, practices and treatments adopted by the Group, selection and appointment of the external auditors of the Company.

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as its auditor for the year ended 31 December 2014. The Company will submit a resolution in the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.changfengaxle.com.hk. The annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and posted on the above websites in due course.

By the order of the Board of Directors
Changfeng Axle (China) Company Limited
Wong Kwai Mo
Chairman

Hong Kong, 24 March 2015

As at the date of this announcement, the executive Directors are Mr. Wong Kwai Mo, Ms. Wu Ching and Mr. Lai Fengcai; the non-executive Director is Ms. Dong Ying, Dorothy; and the independent non-executive Directors are Mr. Zhu Weizhou, Dr. Li Xiuqing and Mr. Chong Ching Hei.