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 2010

- Turnover increased by approximately 64.6% to approximately RMB1,318.7 million
- Net profit attributable to shareholders increased by approximately 75.5% to approximately RMB285.7 million
- Basic earnings per share increased by approximately 63.0% to RMB0.44 per share
- The Board does not recommend payment of any final dividend

The board of directors (the "**Board**") of Changfeng Axle (China) Company Limited (the "**Company**") is pleased to announce its first annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2010 upon its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 September 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	**2010**	2009
		RMB'000	*RMB'000*
Revenue	*4*	**1,318,709**	801,151
Cost of sales		**(879,379)**	(549,373)
Gross profit		**439,330**	251,778
Other income and other gains and losses	*5*	**2,532**	5,078
Selling and distribution expenses		**(22,393)**	(17,572)
Research and development expenditure		**(12,860)**	(8,540)
Administrative expenses		**(48,510)**	(27,132)
Finance costs	*6*	**(22,534)**	(12,700)
Profit before tax	*7*	**335,565**	190,912
Taxation	*8*	**(49,890)**	(28,128)
Profit and total comprehensive income for the year, attributable to owners of the Company		**285,675**	162,784
Basic earnings per share	*9*	**0.44**	0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	2010	2009
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**396,325**	282,402
Prepayment for acquisition of machinery		**99,094**	6,120
Prepaid lease payments		**291,172**	87,281
Available-for-sale investments		**1,000**	–
		787,591	375,803
CURRENT ASSETS			
Inventories		**290,287**	194,718
Trade and other receivables	*11*	**474,922**	379,479
Prepaid lease payments		**6,005**	1,762
Amount due from a director		–	345
Pledged bank deposits		**2,177**	29,867
Bank balances and cash		**518,105**	24,448
		1,291,496	630,619
CURRENT LIABILITIES			
Trade and other payables	*12*	**257,345**	194,351
Amount due to a director		**800**	–
Borrowings-due within one year		**328,450**	245,444
Income tax payable		**28,767**	21,073
		615,362	460,868
NET CURRENT ASSETS		**676,134**	169,751
Total assets less current liabilities		**1,463,725**	545,554
Non-current liabilities			
Borrowings – due after one year		–	20,000
Deferred tax		**865**	882
		865	20,882
		1,462,860	524,672
OWNERS' EQUITY			
Share capital		**53,560**	343
Reserves		**1,409,300**	524,329
		1,462,860	524,672

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands. It's immediate and also the ultimate holding company is Changfeng Axle Holdings Ltd. (incorporated in the British Virgin Islands). The Company's shares have been 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 Unit 2613, 26/F, North Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui East, Hong Kong. On 24 March 2010, the Company changed its name from Changfeng Axle (China) Co., Ltd. to Changfeng Axle (China) Company Limited by a special resolution approved by the board of directors.

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture and sale of axle and related components in the People's Republic of China ("**PRC**").

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

The following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") have been applied by the Company:

HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The adoption of the new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 July 2011.

4 Effective for annual periods beginning on or after 1 January 2013.

5 Effective for annual periods beginning on or after 1 January 2012.

6 Effective for annual periods beginning on or after 1 January 2011.

7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Specifically, under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard will affect the classification and measurement of the Group's available for sale investments and may affect the classification and measurement of the Group's other financial assets but not on the Group's financial liabilities. The Group is in the process of determining the impact of adoption of HKFRS 9 on the Group's financial position, results of operations and cash flows.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

(a) Segment revenue and results

	Segment revenue		Segment results	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
OEM and related market	**447,232**	300,437	**118,539**	83,455
Aftermarket	**871,477**	500,714	**320,791**	168,323
External revenue/segment result	**1,318,709**	801,151	**439,330**	251,778
Other income and other gains and losses			**2,532**	5,078
Selling and distribution expenses			**(22,393)**	(17,572)
Research and development expenditure			**(12,860)**	(8,540)
Administrative expenses			**(48,510)**	(27,132)
Finance costs			**(22,534)**	(12,700)
Profit before tax			**335,565**	190,912
Taxation			**(49,890)**	(28,128)
Profit and total comprehensive income for the year			**285,675**	162,784

Revenue reported above represents revenue generated from external customers.

(b) Segment assets

	Assets	
	2010	2009
	RMB'000	*RMB'000*
OEM and related market	**74,241**	50,749
Aftermarket	**316,225**	266,203
Total of all segments	**390,466**	316,952
Unallocated	**1,688,621**	689,470
Consolidated assets	**2,079,087**	1,006,422

Segment assets represent trade receivables.

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

(c) Geographical information

The Group principally operates in the PRC (country of domicile of the operating subsidiaries). No non-current assets of the Group are located outside the PRC.

All of the Group's revenue from external customers is attributed to the group entities' countries of domicile (i.e. the PRC).

(d) Information about major customers

None of individual customer of the Group contributed over 10% or more of the Group's revenue during each of the years ended 31 December 2010 and 2009.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	2010	2009
	RMB'000	*RMB'000*
Bank interest income	**1,674**	615
Government grant *(note)*	**1,381**	804
Net foreign exchange loss	**(4,922)**	(66)
Income from suppliers on defects claim	**4,596**	3,712
Donation	**(137)**	(17)
Others	**(60)**	30
	2,532	5,078

Note: The amounts primarily represented incentives granted by local authorities to the group entities located in the PRC for the eminent contribution of tax payment, encouragement of its business development and refund of various taxes paid. 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

	2010	2009
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**21,439**	10,900
Other borrowings wholly repayable within five years	**1,095**	1,800
	22,534	12,700

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2010 *RMB'000*	2009 *RMB'000*
Employee benefits expenses (including directors):		
– salaries and other benefits	**66,902**	46,725
– retirement benefit scheme contributions	**6,572**	1,856
Total staff costs	**73,474**	48,581
Depreciation of property, plant and equipment	**23,476**	16,784
Release of prepaid lease payments	**1,957**	652
Auditors' remuneration	**1,800**	991
Listing expenses (included in administrative expenses)	**15,125**	4,500
Cost of inventories recognised as expenses (included in cost of sales and research and development expenditure)	**885,109**	556,600

8. TAXATION

	2010 *RMB'000*	2009 *RMB'000*
Tax expense comprises:		
Current tax expense	**49,115**	27,840
Underprovision in prior year	**792**	311
Deferred tax expense	**(17)**	(23)
	49,890	28,128

The income tax expense of 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 2009 and 2010.

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

Chang Feng Holding (Hong Kong) Limited ("Changfeng HK"), a wholly owned subsidiary of the Company, was incorporated in Hong Kong and has had no assessable profit subject to Hong Kong Profits Tax since its incorporation.

Fujian Changfeng Axle Manufacturing Co., Ltd. ("Fujian Changfeng"), a wholly owned subsidiary of the Company, was established in the PRC. In accordance with Foreign Enterprise Income Tax ("FEIT") Laws in PRC, Fujian Changfeng was approved to be exempted from FEIT for two years starting from its first profit making year since its establishment and followed by a 50% tax relief for the next three years. Fujian Changfeng was subject to 12.5% tax rate for the years ended 31 December 2009 and 2010, the first and second year entitled for 50% tax relief.

9. EARNINGS PER SHARE

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

	2010	2009
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the year attributable to owners of the Company)	**285,675**	162,784

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**654,246,575**	600,000,000

For the year ended 31 December 2010, the weighted average number of ordinary shares has been adjusted for 595,000,000 shares upon capitalisation issue retrospectively and 200,000,000 shares issued in global offering.

For the year ended 31 December 2009, the weighted average number of ordinary shares of 600,000,000 comprising 5,000,000 shares in issue and 595,000,000 shares upon capitalisation issue.

No diluted earnings 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 2010 and 2009.

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**390,466**	316,952
Less: allowance for doubtful debts	**–**	–
	390,466	316,952
Bills receivable	**70**	36,192
Other receivables	**5,855**	9,127
Advances to suppliers	**70,222**	15,893
Prepaid expenses	**684**	1,315
VAT-in recoverable	**7,625**	–
	474,922	379,479

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

The aging of trade receivables is as follows:

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**331,885**	237,594
91 to 120 days	**52,245**	49,097
121 to 180 days	**6,336**	30,261
	390,466	316,952

The aging of bills receivable is as follows:

	2010	2009
	RMB'000	*RMB'000*
0 to 90 days	**70**	30,237
91 to 120 days	**–**	–
121 to 180 days	**–**	5,955
	70	36,192

12. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**182,337**	119,920
Bills payable	**7,140**	25,385
	189,477	145,305
Advances from customers	**8,897**	3,702
Payables for land use rights	**20,710**	–
Payables and accruals for property, plant and equipments	**10,214**	28,511
Payroll and welfare payables	**4,820**	4,987
Warranty accrual	**1,039**	869
Other accruals	**4,429**	4,279
Other tax payable	**15,637**	3,559
Other payables	**2,122**	3,139
	257,345	194,351

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

	2010	2009
	RMB'000	*RMB'000*
Within 30 days	**79,321**	71,770
31 to 60 days	**28,660**	22,730
61 to 90 days	**18,736**	14,530
91 to 180 days	**28,275**	10,731
181 to 365 days	**27,345**	159
	182,337	119,920

The following is an aging analysis of bills payable, presented based on issuance date, at the end of each reporting period:

	2010	2009
	RMB'000	*RMB'000*
31 to 60 days	**7,140**	–
61 to 90 days	**–**	2,130
91 to 180 days	**–**	23,255
	7,140	25,385

Trade payables and bills payable principally comprise amounts outstanding for purchase of goods. The credit period for purchase of goods is between 30 to 90 days.

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 comprehensive income and the related notes thereto for the year ended 31 December 2010 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Founded in 2001, the Group is a leading independent axle component provider for China's medium duty truck ("MDT") and heavy duty truck ("HDT") aftermarket, and also one of the largest 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 diversified axle component product offerings include seven major categories of axle components with over 680 models. The 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 over 400 models. The Group adopts vertically integrated production process, with comprehensive axle component production capabilities and research and development abilities enabling the Group to swiftly respond to changes in market trends and meet customer demands. Proprietary processing techniques are used in production process to manufacture quality products which are characterized by their strong durability and competitive prices.

On 11 November 2010, a wholly-owned subsidiary of the Company entered into a cooperation agreement with Lonking (Jiangxi) Gear Co., Ltd. (龍江(江西)齒輪有限公司) to jointly establish an equity joint venture enterprise in the PRC to engage in the manufacture and sales of high quality gears for automobile and construction machinery in the PRC. Such cooperation has strengthened the Group's axle components and related businesses and provided the Group with a suitable platform to further develop the Group's business of producing gears in the PRC.

The Group has four production facilities in the PRC, one of which is located in Kaifeng city, Henan province, two of which are located in Longyan city, Fujian province and one of which is located in Nanchong city, Sichuan province. Those production facilities are strategically located in proximity to primary suppliers and OEM 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. On 29 November 2010, the Group has successfully tendered for assets which comprise the production and ancillary facilities for the production of automobile parts, the land use right of the factory land, the land use right of the railway land, the production facilities and the construction in progress and the machinery and equipment, which are located in Kaifeng city, Henan province, the PRC so as to increase the Group's production capacity.

MDT and HDT Aftermarket

The Group is the leading independent axle component provider for China's MDT and HDT aftermarket with the most diversified product offerings among independent axle component providers in China. During the year ended 31 December 2010, the axle components were sold to customers in the aftermarket through its extensive sales, marketing and services network across China. For the year ended 31 December 2010, revenue from the aftermarket amounted to approximately RMB871.5 million (2009: approximately RMB500.7 million) and accounted for approximately 66.1% (2009: approximately 62.5%) of the Group's total revenue, representing an increase of approximately 74.0% over the previous year.

The Group continues to expand its sales, marketing and service network, including the exclusive distributors. The exclusive distributors were required to sell only Changfeng-branded products and renovate their stores according to Changfeng-branded design and layout requirements. This uniform branding and marketing strategy, which the Group pioneered in the axle aftermarket in the PRC, helps to promote the Group's brand awareness and strengthen customer confidence in the Group's products, thereby increasing the Group's overall sales. The Group is in the process of converting existing non-exclusive first-tier distributors into exclusive first-tier distributors because of the increase in production capacity and product supply.

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 2010, revenue from the OEM market amounted to approximately RMB447.2 million (2009: approximately RMB300.4 million) and accounted for 33.9% (2009: 37.5%) of the Group's total revenue, representing an increase of 48.9% over the previous year. The rapid growth of the Group in the OEM market was mainly attributable to its rapid product development and customization capabilities, the high quality products offered at competitive prices, excellent after-sales services, and good relationships with OEM customers. As OEM customers tend to engage independent axle assembly providers who have rapid product development and customization capabilities and offer high quality products at competitive prices to supply their axle assemblies, the Group will continue to grow in the OEM market.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2010, the Group recorded a consolidated revenue of approximately RMB1,318.7 million (2009: approximately RMB801.1 million), representing an increase of 64.6% as compared with the same period in 2009.

Revenue from our aftermarket segment increased by approximately 74.0% from RMB500.7 million in 2009 to RMB871.4 million in 2010. The increase in revenue was mainly due to (i) the expansion of the Group's production capacity via its four production facilities; (ii) its extensive sales, marketing and services network, which the Group has consistently expanded; (iii) the improvement in the Group's product development capabilities, which in turn, has enabled it to offer a diverse range of product offerings and has improved its responsiveness to market demands; and (iv) quality of the Group's products and the Group's price advantage over its competitiors.

Revenue from the Group's OEM and related market segment increased by approximately 48.9% from RMB300.4 million in 2009 to RMB447.2 million in 2010. The increase in revenue was mainly due to (i) the Group's rapid product development and customization capabilities, largely resulting from its research and development abilities and production technologies and processes, enabling it to provide fast turn-around times; (ii) the high quality of the Group's products offered at competitive prices; and (iii) the Group's after-sales services and good relationship with its customers.

Gross profit and gross profit margin

For the year ended 31 December 2010, gross profit increased by 74.5% from approximately RMB251.8 million in 2009 to approximately RMB439.3 million. Gross profit margin increased from approximately 31.4% in 2009 to approximately 33.3% in 2010 mainly due to the launch of new makes and models of the Group's axle component products, including brake drums, axle differentials and reductors and steering knuckles, and the Group's strong pricing power over its aftermarket customers.

Other income

Other income of the Group decreased from approximately RMB5.1 million in 2009 to approximately RMB2.5 million in the 2010 as a result of the exchange loss of approximately RMB4.9 million in 2010. Such decrease was due to the increase of the exchange loss for transferring the proceeds of initial public offering from HKD to RMB.

Selling and distribution expenses

Selling and distribution expenses of the Group increased from approximately RMB17.6 million in 2009 to approximately RMB22.4 million in 2010. The increase was mainly due to the increase in transportation cost to cope with the increase in revenue.

Administrative expenses

The Group's administrative expenses increased from approximately RMB27.1 million in 2009 to approximately RMB48.5 million in 2010. The increase in administrative expenses was due to the incurrence of the listing expenses of approximately RMB15.1 million for the initial public offering of the Company in 2010 (2009: approximately RMB4.5 million) and the increase in number of administration staff in supervisive the growth of the Group.

Finance costs

The Group incurred finance costs of approximately RMB22.5 million in 2010, which represented approximately 1.7% (2009: approximately 1.6%) of its revenue and an increase of approximately 77.4% from RMB12.7 million in 2009.

Taxation

Tax charge increased by approximately 77.4% from RMB28.1 million in 2009 to RMB49.9 million in 2010 due to the increased profit. The effective tax rate in 2010 was 14.9% (2009: 14.7%).

Profit attributable to equity holders of the Company

The Group achieved a profit attributable to equity holders of approximately RMB285.7 million, which represented approximately 75.5% as compared with the year of 2009. Basic earnings per share rose by RMB0.17 from RMB 0.27 per share in 2009 to RMB0.44 per share in 2010.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2010, cash and cash equivalent of the Group was approximately RMB518.1 million (2009: approximately RMB24.4 million).

As compared with the year of 2009, cash and cash equivalent increased by approximately RMB493.7 million, which was mainly generated from the net cash inflow from operating activities of approximately RMB209.2 million (2009: net cash outflow of RMB60.4 million) and net cash inflow from financing activities of approximately RMB698.9 million (2009: approximately RMB225.3 million).

As at 31 December 2010, net current assets of the Group was approximately RMB676.1 million (2009: approximately RMB169.8 million). As at 31 December 2010, the current ratio (i.e. total current assets / total current liabilities) of the Group was approximately 209.9% (2009: approximately 136.8%). This was mainly due to the raising of capital through listing which led to an increase in bank balances.

As at 31 December 2010, total assets of the Group were approximately RMB2,079.1 million (2009: approximately RMB1,006.4 million) and total liabilities were approximately RMB616.2 million (2009: approximately RMB481.8 million). As at 31 December 2010, the debt ratio (i.e. total liabilities/total assets) was 29.6% (2009: 47.9%).

As at 31 December 2010, the Group had total borrowings of approximately RMB328.4 million (2009: approximately RMB265.4 million), and the gearing ratio (i.e. total borrowing/total equity) was approximately 22.5% (2009: approximately 50.6%)

Trade and bills receivable

Trade and bills receivables of the Group in 2010 were approximately RMB390.5 million (2009: RMB353.1 million). The increase in balance was due to the increase in revenue.

The average turnover days of trade and bills receivable decreased from 106 days in 2009 to 103 days in 2010. The average turnover days of trade and bills receivable decreased as the Group strived to tighten the control on those outstanding receivables and closely monitored the repayment by its customers.

Inventory

The inventory balance of the Group in 2010 was approximately RMB290.3 million (2009: approximately RMB194.7 million) which mainly reflected the increase in raw materials and finished goods for the market demand for the Group's products.

The average turnover days in inventory decreased from 112 days in 2009 to 101 days in 2010. This was due to the Group's better inventory control of its products in terms of supply chain which provided the Group a better estimate of customer demand on its products and enhanced the inventory level control of its raw material and finished goods.

Trade and bills payable

Trade and bills payables of the Group in 2010 were approximately RMB189.5 million (2009: approximately RMB145.3 million). The increase in balance was due to the increase in procurement of raw materials for future production.

The average turnover days of trade and bills payables decreased from 84 days in 2009 to 69 days in 2010 as the Group utilized its cash from its operating activities to early settle some of its trade and bills payables so as to strengthen its relationship with the suppliers.

Pledged assets

As at 31 December 2010, the Group has pledged assets of approximately RMB257.1 million (2009: approximately 147.3 million) to secure the grant of banking facilities. As at 31 December 2010, the Group had pledged the equity shares of certain PRC subsidiaries as collateral to secure bank borrowings amounting to RMB167.1 million.

Contingent Liabilities

As at 31 December 2010, the Group had no significant contingent liabilities (2009:Nil)

Capital commitment

As at 31 December 2010, the contracted capital commitment of the Group which were not provided in the financial statements were approximately RMB54.0 million (2009: approximately RMB24.8 million). Such capital commitments were mainly for the capital expenditure in respect of acquisition of production facilities.

Employees and remuneration policy

As at 31 December 2010, the Group had 2,422 employees (2009: 1,586 employees). For the year ended 31 December 2010, total staff costs were approximately RMB73.5 million (2009: approximately RMB48.6 million).

The Group also provided internal training, external training and correspondence course for its staff in order to promote self improvement and enhancement of skills relevant to work. The remuneration of the directors of the Company 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 carried out in Renminbi. Most of the assets and liabilities of the Group are computed in Renminbi, except that the gross proceeds from the Company's initial public offering of approximately HK$800 million was denominated in foreign currency. As at 31 December 2010, the Group's foreign currencies was approximately HK$11.4 million. During the year ended 31 December 2010, the Group did not utilize any future contracts, currency borrowings and otherwise to hedge against its foreign exchange risk. However, the Group will monitor the risk exposures and will consider to hedge against material currency risk if required.

Use of proceeds from the Company's initial public offering

The Company was listed on the Stock Exchange on 24 September 2010 and raised proceeds of RMB652.5 million. Details of use of proceeds have been set out in the Prospectus. During the year ended 31 December 2010, an amount of approximately RMB300 million was utilized for acquisition of production facilities and approximately RMB60 million was utilized for working capital and other general corporate purposes. The balance of unutilised proceeds from the Company's initial public offering is approximately RMB292.5 million, which will mainly be used for the expansion of production facilities of the Group.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2010 (2009: Nil).

PROSPECTS

Looking forward, riding on its (i) extensive sales, marketing and services network among all axle component providers in China's MDT and HDT aftermarket; (ii) diversified axle component offerings well recognized for high quality by customers; (iii) 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 seeks to strengthen its leading position in the axle industry, to further expand its product offerings and to become a "one-stop" provider of axle components for the MDT and HDT aftermarket in China.

The Group will further develop in the following aspects in order to increase its competitiveness in the market.

Markering Network

In order to enhance its market penetration of the MDT and HDT aftermarket, the Group will (i) expand its extensive sales, marketing and services network vertically and horizontally; (ii) convert more existing non-exclusive first-tier distributors into exclusive first-tier distributors and (iii) provide comprehensive models and products offerings, with its strong brand recognition. Furthermore, the Group will expand its OEM market by selling axle assemblies with higher margin after the completion of high-quality gear factory.

Product Development

In order to increase the Group's production efficiency and improve its product development capabilities, the Group strategically cooperates with various research institutions in the PRC. Under such cooperation, new technology and raw materials will be developed for the production of axle components. Besides, the Group plans to develop new processing technologies and establish national-level testing laboratories aimed at increasing the production speed in order to further shorten the product development cycle and conduct the testing its products in-house for certification purposes within a shorter time frame than at third-party testing facilities, thereby significantly reducing its overall product development cycle.

Production capacity

In 2011, the Group will focus on completing the expansion of the production facilities in Kaifang city, Henan province and Nanchong city, Sichuan province. The Group expects these facilities will significantly increase its production capacities. Besides, the Group plans to modernize its production lines and introduce the new production lines, in order to increase its production efficiency and capacity.

Cost Control

The Group will make use of the four production facilities located in the PRC which form an even broader strategic production and distribution network for its products, so as to efficiently control the production cost and logistic cost. Besides, the Group will develop the new production technology to lower its production cost. Furthermore, the Group will source the raw materials from provinces to nationwide so as to strengthen its cost advantages. In addition, the Group will strategically cooperate with suppliers in order to lengthen the credit terms and reduce the purchase price.

The Group is well-placed to benefit from new opportunities in the enormous China market. The Group is set to welcome challenges and market opportunities ahead.

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.

Since its listing on 24 September 2010 and up to 31 December 2010, the Company has complied with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 9 May 2011. 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 Wednesday, 4 May 2011 to 6 May 2011, 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 9 May 2011, 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 Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3 May 2011.

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 2010. 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 2010.

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 that, during the period under review, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they have complied with the Model Code for the year ended 31 December 2010.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Board. The members meet regularly with the external auditors and the Company's senior management for the review, supervision and discussion of the Company's financial reporting and internal control procedures and ensure that management has discharged its duty to have an effective internal control system. The Audit Committee consists of three members, namely Mr. Chong Ching Hei, Mr. Zhu Weizhou and Dr Li Xiuqing, all of whom are independent non-executive Directors. Mr. Chong Ching Hei, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group, selection and appointment of the external auditors.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31 December 2010 containing all the information required by the Listing Rules is to be despatched to shareholders of the Company and made available on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.changfengaxle.com.hk in due course.

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

Hong Kong, 8 March 2011

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.