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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

- Revenue decreased by approximately 19.3% to approximately RMB560.2 million
- Net profit attributable to shareholders decreased by approximately 21.1% to approximately RMB116.4 million
- Basic earnings per share decreased by approximately 40% to RMB0.15 per share
- The Board does not recommend payment of any interim dividend

The board of directors (the "**Board**") of Changfeng Axle (China) Company Limited (the "**Company**") is pleased to announce its interim consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2011.

These interim financial statements have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, who conducted the review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Six months ended	
		30.6.2011	30.6.2010
	NOTES	***RMB'000***	*RMB'000*
Revenue	*4*	**560,225**	694,566
Cost of sales		**(376,003)**	(470,445)
Gross profit		**184,222**	224,121
Other income, other gains and losses	*5*	**6,312**	2,303
Selling and distribution expenses		**(13,125)**	(10,802)
Research and development expenditure		**(6,714)**	(5,858)
Administrative expenses		**(25,450)**	(26,605)
Finance costs		**(10,415)**	(10,162)
Profit before tax	*6*	**134,830**	172,997
Taxation	*7*	**(18,426)**	(25,458)
Profit and total comprehensive income for the period		**116,404**	147,539
Profit and total comprehensive income for the period, attributable to owners of the Company		**116,404**	147,539
Basic earnings per share (RMB)	*8*	**0.15**	0.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	NOTES	30.6.2011 RMB'000	31.12.2010 RMB'000
Non-current assets			
Property, plant and equipment		**443,666**	396,325
Prepayment for acquisition of machinery		**133,419**	99,094
Prepayment for acquisition of land use right		**11,492**	–
Prepaid lease payments		**292,901**	291,172
Available-for-sale investments		**1,000**	1,000
		882,478	787,591
Current assets			
Inventories		**363,782**	290,287
Trade and other receivables	*10*	**767,586**	474,922
Prepaid lease payments		**6,005**	6,005
Pledged bank deposits		**28,669**	2,177
Bank balances and cash	*11*	**119,698**	518,105
		1,285,740	1,291,496
Current liabilities			
Trade and other payables	*12*	**224,834**	257,345
Amount due to a director		**800**	800
Borrowings		**353,459**	328,450
Taxation payable		**9,004**	28,767
		588,097	615,362
NET CURRENT ASSETS		**697,643**	676,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,580,121**	1,463,725
NON-CURRENT LIABILITY			
Deferred tax		**857**	865
		1,579,264	1,462,860
OWNERS' EQUITY			
Share capital		**53,560**	53,560
Reserves		**1,525,704**	1,409,300
Equity attributable to owners of the Company		**1,579,264**	1,462,860

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(230,844)**	42,595
NET CASH USED IN INVESTING ACTIVITIES		
Interest received	**1,141**	490
Placement of pledged bank deposits	**(28,683)**	(44,561)
Proceeds from release of pledged bank deposits	**2,191**	65,763
Purchase of available-for-sale investments	–	(1,000)
Purchases of property, plant and equipment	**(36,337)**	(62,006)
Payment for acquisition of machinery	**(83,442)**	(45,612)
Payment for acquisition of land use right	**(11,492)**	–
Advance to a director	–	(4,281)
Payment for land use rights	**(25,535)**	(2,763)
	(182,157)	(93,970)
NET CASH FROM FINANCING ACTIVITIES		
Interest paid	**(10,415)**	(10,162)
Advance from a director	–	4,626
New borrowings raised	**192,039**	270,992
Repayment of borrowings	**(167,030)**	(186,057)
	14,594	79,399
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(398,407)**	28,024
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**518,105**	24,448
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**119,698**	52,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34), *Interim Financial Reporting*.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, which are measured at fair value, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

Application of new or revised Hong Kong Financial Reporting Standards ("HKFRS")

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

- *Improvements to HKFRSs* issued in 2010
- HKAS 24 (as revised in 2009) *Related Party Disclosures*
- Amendments to HKAS 32 *Classification of Rights Issues*
- Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
- HK(IFRIC)-Int 19 *Extinguishing Financial Liabilities with Equity Instruments*

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

HKFRSs issued but not yet effective

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective.

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosures of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (Revised 2011)	Employee Benefits[1]

HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013

[2] Effective for annual periods beginning on or after 1 July 2012

These five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that certain of these new or revised standards will be applied in the Group's consolidated financial statements for year ending 31 December 2013 and the potential input is described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

The directors of the Company anticipate that the application of these five new or revised standards will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the condensed 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) Products within each operating segment

The Group has two reportable and 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.

(b) Segment revenue and results

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30.6.2011	30.6.2010	**30.6.2011**	30.6.2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
OEM and related market	**218,863**	243,999	**59,832**	64,435
Aftermarket	**341,362**	450,567	**124,390**	159,686
Total segment and consolidated	**560,225**	694,566	**184,222**	224,121
Other income, other gains and losses			**6,312**	2,303
Selling and distribution expenses			**(13,125)**	(10,802)
Research and development expenditure			**(6,714)**	(5,858)
Administrative expenses			**(25,450)**	(26,605)
Finance costs			**(10,415)**	(10,162)
Profit before tax			**134,830**	172,997
Taxation			**(18,426)**	(25,458)
Profit and total comprehensive income for the period			**116,404**	147,539

Revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 2. Segment results represent the gross profit of each reportable and operating segment. This is the measure reported to the directors of the Company, also the chief operating decision maker (the "CODM"), for the purposes of resources allocation and performance assessment.

(c) Segment assets

	Assets	
	Six months ended	
	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
OEM and related market	**135,387**	74,241
Aftermarket	**384,018**	316,225
Total of all segments	**519,405**	390,466
Unallocated	**1,648,813**	1,688,621
Consolidated assets	**2,168,218**	2,079,087

Segment assets represent trade receivables.

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

There are no changes in the basis of segmentation or in the basis of measure of segment profit or loss as compared with the financial statements for the year ended 31 December 2010.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
Bank interest income	**1,141**	490
Government grants (*note*)	**4,060**	799
Net foreign exchange loss	**(168)**	(3)
Income from suppliers on defects claim	**1,436**	1,023
Donation	**(3)**	(100)
Others	**(154)**	94
	6,312	2,303

Note: Included in the grants received during the six months ended 30 June 2011 was an amount of RMB2,800,000 as compensation for specific expenditure on development of front axle product and was recognised in profit or loss in the period as the related costs were incurred for which the grants were intended to compensate during the period under review.

Other grants primarily represented incentives received from local authorities by the group entities 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. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30.6.2011 RMB'000	30.6.2010 RMB'000
Employee benefits expenses (including directors):		
– salaries and other benefits	**32,390**	36,155
– retirement benefit scheme contributions	**2,446**	1,374
Total staff costs	**34,836**	37,529
Depreciation of property, plant and equipment	**13,921**	11,215
Release of prepaid lease payments	**3,096**	713
Auditors' remuneration	**588**	416
Listing expenses (included in administrative expenses)	**–**	10,549
Cost of inventories recognised as expenses, included in		
– cost of sales	**372,659**	470,189
– research and development expenditure	**2,925**	3,997

7. TAXATION

	Six months ended 30.6.2011 RMB'000	30.6.2010 RMB'000
Tax expense comprises:		
Current tax expense	**18,434**	25,035
Underprovision in prior year	**–**	431
Deferred tax expense	**(8)**	(8)
	18,426	25,458

The income tax expense 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 six months ended 30 June 2010 and 2011.

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

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 six months ended 30 June 2010 and 2011.

On 15 August 2010 and 29 October 2010, Kaifeng Changfeng Axle Manufacturing Co., Ltd. (“Kaifeng Changfeng”) and Longyan Shengfeng Machinery Manufacturing Co., Ltd. (“Longyan Shengfeng”), both are wholly-owned subsidiary of the Company, obtained “High and New Technology Enterprise” status for 3 years, respectively, that entitled Kaifeng Changfeng and Longyan Shengfeng a preferential tax rate of 15% for the period from 2011 to 2013 according to the PRC Tax Law.

8. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2011	30.6.2010
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the period attributable to owners of the Company)	**116,404**	147,539

	Six months ended	
	30.6.2011	30.6.2010
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**800,000,000**	600,000,000

No diluted earnings per share is presented as the Company did not have any potential ordinary shares in issue during the six months ended 30 June 2010 and 2011 or at the end of each reporting period.

9. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend.

10. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
Trade receivables	**519,405**	390,466
Less: allowance for doubtful debts	**–**	–
	519,405	390,466
Bills receivable	**49,729**	70
Other receivables*	**15,009**	5,855
Advances to suppliers	**162,806**	70,222
Prepaid expenses	**553**	684
Others	**3,729**	–
VAT-in recoverable	**16,355**	7,625
	767,586	474,922

* The amount primarily consists of employees' travel advances, deposits to local tax authority, rental and utility deposits.

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

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
0 to 90 days	**309,085**	331,885
91 to 120 days	**78,962**	52,245
121 to 180 days	**78,559**	6,336
181 to 365 days	**52,799**	–
	519,405	390,466

The following is an aging analysis of bills receivable, presented based on the issue date, at the end of the reporting period:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
0 to 90 days	**48,899**	70
91 to 120 days	**830**	–
	49,729	70

11. BANK BALANCES AND CASH

Included in the balance as at 30 June 2011 is amount of RMB 60 million which deposited with bank under name of 龍工（江西）齒輪有限公司“籌” for capital verification purpose of 龍工（江西）齒輪有限公司 which was established in July 2011 and became the subsidiary of the Company.

12. TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
Trade payables	**82,973**	182,337
Bills payable	**95,075**	7,140
	178,048	189,477
Advances from customers	**7,517**	8,897
Payables for land use rights	**–**	20,710
Payables and accruals for property, plant and equipments	**15,406**	10,214
Payroll and welfare payables	**3,759**	4,820
Warranty provision	**867**	1,039
Other accruals	**10,193**	4,429
Other tax payable	**6,416**	15,637
Other payables	**2,628**	2,122
	224,834	257,345

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

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
Within 30 days	**21,391**	79,321
31 to 60 days	**14,637**	28,660
61 to 90 days	**15,475**	18,736
91 to 180 days	**21,300**	28,275
181 to 365 days	**10,170**	27,345
	82,973	182,337

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

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
31 to 60 days	**43,352**	7,140
61 to 90 days	**–**	–
91 to 180 days	**51,723**	–
	95,075	7,140

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.

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.

MDT and HDT Aftermarket

The Group is a 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. The axle components were sold to customers in the aftermarket through its extensive sales, marketing and services network across China. For the six months ended 30 June 2011, revenue from the aftermarket business segment amounted to approximately RMB341.4 million (30 June 2010: approximately RMB450.6 million) and accounted for approximately 60.9% (30 June 2010: approximately 64.9%) of the Group's total revenue, representing a decrease of approximately 24.2% over the corresponding period in 2010.

The Group continues to strengthen its sales, marketing and service network, including the number of exclusive distributors of the Group. 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, which we believe can increase the Group's overall sales. The Group is in the process of converting existing non-exclusive first-tier distributors into exclusive first-tier distributors to further expand the Group's network and profile.

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 six months ended 30 June 2011, revenue from the OEM market amounted to approximately RMB218.9 million (30 June 2010: approximately RMB244.0 million) and accounted for 39.1% (30 June 2010: 35.1%) of the Group's total revenue, representing a decrease of 10.3% over the corresponding period in 2010.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2011, the Group recorded a consolidated revenue of approximately RMB560.2 million (30 June 2010: approximately RMB694.6 million), representing a decrease of 19.3% as compared with the same period in 2010. Such decline was primarily due to the weak market for MDT and HDT during the first half of 2011 which resulted in the decrease in sales volume of the Group's products during the first half of 2011 as compared with that of the corresponding period in 2010.

Revenue from our aftermarket segment for the six months ended 30 June 2011 decreased by approximately 24.2% to RMB341.4 million from RMB450.6 million for the corresponding period of last year. The decrease in revenue was caused by the less favorable industry environment as increasing road tolls and high fuel prices hamper the growth of the segment and demand. Besides the Group was reorganizing and optimizing the aftermarket network in order to better handle the product mix.

Revenue from the Group's OEM and related market segment for the six months ended 30 June 2011 decreased by approximately 10.3% to RMB218.9 million from RMB244.0 million for the corresponding period of last year. This was caused by the decline in growth rate in the trucking industry together with the delay in the launch of new trucks.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2011 decreased by 17.8% to approximately RMB184.2 million from RMB224.1 million for the corresponding period of last year. Gross profit margin remained stable at 32.9% (six months ended 30 June 2010: 32.3%) since the increment of cost was successfully passed through to the customers.

Other income

Other income of the Group for the six months ended 30 June 2011 increased to approximately RMB6.3 million from approximately RMB2.3 million for the corresponding period of last year mainly as a result of the receipt of the government grant as a compensation for specific expenditure on product development.

Selling and distribution expenses

Selling and distribution expenses of the Group for the six months ended 30 June 2011 increased to approximately RMB13.1 million from approximately RMB10.8 million for the corresponding period of last year. The increase was mainly due to the increase in transportation cost for high delivery expenses in China and increase in salary and welfare expenses relating to the new production factory in Sichuan and Kaifeng.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2011 decreased to approximately RMB25.4 million from approximately RMB26.6 million for the corresponding period of last year. The decrease in administrative expenses was due to the one-off occurrence of the listing expenses of approximately RMB10 million for the initial public offering of the Company in six months ended 30 June 2010. This was partially off-set by the increase in number of administrative staff due to the growth of the Group and the increase of amortisation and administrative expenses for the new production factory in Sichuan and Kaifeng.

Finance costs

The Group incurred finance costs of approximately RMB10.4 million for the six months ended 30 June 2011, which represented approximately 1.9% (six months ended 30 June 2010: approximately 1.5%) of its revenue in the corresponding period in 2010. There was no significant changes in the review period.

Taxation

Tax charge decreased by approximately 27.6% from RMB25.4 million in the six months ended 30 June 2010 to RMB18.4 million in the six months ended 30 June 2011 due to the decreased profit. The effective tax rate in 2011 was 13.7% (30 June 2010: 14.7%).

Profit attributable to owners of the Company

For the six months ended 30 June 2011, the Group achieved a profit attributable to owners of approximately RMB116.4 million, which represented approximately a drop of 21.1% as compared with the corresponding period in 2010. Basic earnings per share dropped by RMB0.10 from RMB0.25 per share in the six months ended 30 June 2010 to RMB0.15 per share in the six months ended 30 June 2011.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2011, cash and cash equivalent of the Group was approximately RMB119.7 million (as at 31 December 2010: approximately RMB518.1 million).

As compared with the year of 2010, cash and cash equivalent decreased by approximately RMB398.4 million, which was mainly resulted from the net cash outflow from operating activities of approximately RMB230.8 million (30 June 2010: net cash inflow of RMB42.6 million) and net cash outflow from investing activities of approximately RMB182.2 million (30 June 2010: RMB93.9 million).

As at 30 June 2011, net current assets of the Group was approximately RMB697.6 million (as at 31 December 2010: approximately RMB676.1 million). As at 30 June 2011, the current ratio (i.e. total current assets / total current liabilities) of the Group remained relatively stable at approximately 2.19 times as compared with 2.10 times as at 31 December 2010.

As at 30 June 2011, total assets of the Group were approximately RMB2,168.2 million (as at 31 December 2010: approximately RMB2,079.1 million) and total liabilities were approximately RMB589.0 million (as at 31 December 2010: approximately RMB616.2 million). The debt ratio as at 30 June 2011 (i.e. total liabilities/total assets) remained relatively stable at 27.2% as compared to 29.6% as at 31 December 2010.

As at 30 June 2011, the Group had total borrowings of approximately RMB353.5 million (as at 31 December 2010: approximately RMB328.5 million). The gearing ratio (i.e. total borrowing/total equity) remained relatively stable at approximately 22.4% (as at 31 December 2010: approximately 22.5%).

Trade and bills receivable

Trade and bills receivables of the Group as at 30 June 2011 were approximately RMB569.1 million (as at 31 December 2010: RMB390.5 million). The increase in balance was a result of the extension of the credit term to customers.

The average turnover days of trade and bills receivable increased from 103 days in the twelve months ended 31 December 2010 to 156 days in the six months ended 30 June 2011. The increase in average turnover days of trade and bills receivavbles was due to the increase in the percentage of customers who require longer payment terms.

Inventory

The inventory balance of the Group as at 30 June 2011 was approximately RMB363.8 million (as at 31 December 2010: approximately RMB290.3 million) which mainly reflected the increase in raw materials and finished goods for the new production site in Kaifeng and Sichuan.

The average turnover days in inventory increased from 101 days in the twelve months ended 31 December 2010 to 159 days in the six months ended 30 June 2011. This was due to the commencement of opereation in the new production facilities in Kaifeng and Sichuan in the first half of 2011, as more raw materials were purchased.

Trade and bills payable

Trade and bills payables of the Group as at 30 June 2011 were approximately RMB178.0 million (as at 31 December 2010: approximately RMB189.5 million). The decrease in balance was mainly due to the decrease in procurement of raw materials.

The average turnover days of trade and bills payables increased from 69 days in the twelve months ended 31 December 2010 to 89 days in the six months ended 30 June 2011 as the Group has negotiated a longer credit term with suppliers.

Contingent Liabilities

As at 30 June 2011, the Group had no significant contingent liabilities (as at 31 December 2010: Nil).

Capital commitment

As at 30 June 2011, the contracted capital commitment of the Group which were not provided in the financial statements were approximately RMB81.2 million (as at 31 December 2010: approximately RMB54.0 million). Such capital commitments were mainly for the capital expenditure in respect of acquisition of production facilities.

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 30 June 2011, the Group's foreign currencies was approximately HK$9.4 million. During the six months ended 30 June 2011, the Group did not utilize any future contracts, currency borrowings and other means to hedge against its foreign exchange risk. However, the Group will monitor the risk exposures and will consider hedging against material currency risk if required.

DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2011 (2010: 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.

Marketing 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 of 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 efficiency

In the second half of 2011, the Group will focus on the increase of the production efficiency of the production sites. The Group expects production efficiency of the facilities will be increased in the second half of 2011 through the upgrading existing machineries.

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 has complied with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2011. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the six months ended 30 June 2011.

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 throughout the six months ended 30 June 2011.

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 six months ended 30 June 2011.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company at www.changfengaxle.com.hk and the Stock Exchange at www.hkex.com.hk. The interim report of the Company for the six months ended 30 June 2011 containing all the information required by the Listing Rules is to be despatched to shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 29 August 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.