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 2013

FINANCIAL HIGHLIGHT

- Revenue decreased by approximately 14.7% from approximately RMB503.8 million for the year ended 31 December 2012 to approximately RMB429.8 million for the year ended 31 December 2013.

- The Group recorded a loss of RMB228.1 million for the year ended 31 December 2013 (31 December 2012: a loss of RMB460.7 million).

- Net cash from operating activities amount to RMB62.9 million for the year ended 31 December 2013 (31 December 2012: RMB56.6 million).

- The Board does not recommend the payment of any final dividend from the year ended 31 December 2013.

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 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013**	2012
		RMB'000	*RMB'000*
Revenue	*4*	**429,795**	503,841
Cost of sales		**(356,915)**	(415,512)
Gross profit		**72,880**	88,329
Other income (expense) and other gains and losses	*5*	**2,573**	(54,391)
Selling and distribution expenses		**(25,656)**	(28,194)
Research and development expenditure	*6*	**(23,988)**	(70,236)
Administrative expenses		**(68,204)**	(64,872)
Impairment loss on trade receivables		**(89,600)**	(154,892)
Impairment loss recognised in respect of property, plant and equipment		**(52,133)**	(136,000)
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		**19,602**	–
Finance costs	*7*	**(32,552)**	(39,379)
Loss before tax	*8*	**(227,410)**	(459,635)
Income tax expense	*9*	**(645)**	(1,103)
Loss and total comprehensive expense for the year		**(228,055)**	(460,738)
Loss and total comprehensive expense attributable to:			
Owners of the Company		**(208,245)**	(459,351)
Non-controlling interests		**(19,810)**	(1,387)
		(228,055)	(460,738)
		RMB	*RMB*
Basic loss per share	*10*	**(0.26)**	(0.57)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2013

	NOTES	**2013**	2012
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**524,037**	578,176
Prepaid lease payments		**262,391**	297,730
Prepayment for acquisition of machinery		**2,602**	18,899
Deferred tax assets		**–**	37
		789,030	894,842
CURRENT ASSETS			
Inventories	*12*	**240,344**	278,733
Trade receivables	*13*	**177,077**	255,397
Bills receivables	*13*	**87,449**	108,818
Other receivables	*13*	**140,508**	136,534
Prepaid lease payments		**6,241**	6,236
Tax recoverable		**2,439**	2,439
Held for trading investments		**–**	20,000
Bank balances and cash		**57,902**	61,872
		711,960	870,029
Assets classified as held for sale		**80,591**	–
		792,551	870,029
CURRENT LIABILITIES			
Trade and bills payables	*14*	**123,995**	100,193
Other payables	*14*	**119,721**	65,372
Borrowings-due within one year		**464,167**	498,560
Tax liabilities		**1,343**	531
		709,226	664,656
NET CURRENT ASSETS		**83,325**	205,373
TOTAL ASSETS LESS CURRENT LIABILITIES		**872,355**	1,100,215
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**195**	–
		872,160	1,100,215

	2013	2012
	RMB'000	*RMB'000*
CAPITAL AND RESERVE		
Share capital	**53,560**	53,560
Reserves	**799,844**	1,008,089
Equity attributable to owners of the Company	**853,404**	1,061,649
Non-controlling interests	**18,756**	38,566
	872,160	1,100,215

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Loss before tax	**(227,410)**	(459,635)
Adjustments for:		
Impairment loss on trade receivables	**89,600**	154,892
Depreciation of property, plant and equipment	**38,214**	36,604
Finance costs	**32,552**	39,379
Release of prepaid lease payments	**6,436**	6,236
Impairment loss recognised in respect of property, plant and equipment	**52,133**	136,000
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	**(19,602)**	–
(Gain) loss from disposal of property, plant and equipment	**(580)**	12,794
Interest income	**(216)**	(749)
Operating cash flows before movements in working capital	**1,459**	(74,479)
Decrease in inventories	**38,389**	45,009
(Increase) decrease in trade receivables	**(11,280)**	73,123
Decrease in bills receivables	**21,369**	63,191
Increase in other receivables	**(3,974)**	(813)
Increase (decrease) in trade and bill payables	**23,802**	(41,434)
Decrease in other payables	**(7,248)**	(548)
Purchase of shares for purpose of awarded shares compensation scheme	–	(1,627)
Cash generated from operations	**62,517**	62,422
Income tax refund	**644**	–
Income tax paid	**(245)**	(5,786)
NET CASH FROM OPERATING ACTIVITIES	**62,916**	56,636
INVESTING ACTIVITIES		
Prepayment for acquisition of machinery	**(40,083)**	(52,191)
Purchases of property, plant and equipment	**(10,582)**	(63,219)
Payment of prepaid lease payments	**(7,217)**	(9,263)
Placement of pledged bank deposits	–	(2,517)
Release of pledged bank deposits	–	4,617
Disposal of available-for-sale investment	–	1,000
Refund of deposit for acquisition of land use right and buildings	–	49,750
Interest received	**216**	749
Proceeds on disposal of property, plant and equipment	**9,725**	107
Proceeds from disposal of (purchases of) held for trading investments	**20,000**	(20,000)
Deposit receipt from disposal of a subsidiary	**28,000**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**59**	(90,967)

	2013	2012
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Repayments of borrowings	**(553,470)**	(523,920)
Interest paid	**(32,552)**	(39,379)
Repayment to a director	**–**	(1,500)
New borrowings raised	**519,077**	526,552
NET CASH USED IN FINANCING ACTIVITIES	**(66,945)**	(38,247)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,970)**	(72,578)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**61,872**	134,450
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash	**57,902**	61,872

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 50.6% 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 People's Republic of China ("PRC").

The consolidated financial statements are presented in Renminbi ("RMB"), which is also 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 recognise that although the Group had a net current asset position of RMB83,325,000 as at 31 December 2013 and recorded a net loss of RMB228,055,000 for the year then ended. In addition, the Group had bank borrowings due within one year of approximately RMB464,167,000 as at 31 December 2013. Subsequent to the end of the reporting period, the Group had renewed facilities on their expiry to the extent of approximately RMB224,000,000 in full. The directors are of the opinion that the remaining existing banking facilities will be able to be successfully renewed upon maturity based on the past history and good relationships of the Group with the banks.

The directors have been implementing the following operating and financing measures to improve and strengthen the liquidity of the Company:

a) Apply more stringent selection criteria to select new customers for new sales orders with better margin and repayment terms from customers.

b) Apply cost control measures to reduce unnecessary expenditure.

c) Actively pursuing buyers for realising the value of the Group's non core assets.

On this basis, the directors are of the opinion that, the Group will have sufficient working capital to ·meet its financial obligations as they fall due in the next twelve months from the date of this report. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

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 HKFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures-Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis-the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The application of the other amendments to 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.

New and revised HKFRS issued 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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, with early application is permitted.

[3] Available for application-the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

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

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 regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors anticipate that 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	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
OEM and related market	**172,769**	264,493	**29,726**	45,134
Aftermarket	**222,864**	239,348	**34,035**	43,195
Train and railway business	**34,162**	–	**9,119**	–
External revenue/segment result	**429,795**	503,841	**72,880**	88,329
Other income (expense) and other gains and losses			**2,573**	(54,391)
Selling and distribution expenses			**(25,656)**	(28,194)
Research and development expenditure			**(23,988)**	(70,236)
Administrative expenses			**(68,204)**	(64,872)
Impairment loss on trade receivables *(note)*			**(89,600)**	(154,892)
Impairment loss recognised in respect of property, plant and equipment			**(52,133)**	(136,000)
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			**19,602**	–
Finance costs			**(32,552)**	(39,379)
Loss before tax			**(227,410)**	(459,635)
Taxation			**(645)**	(1,103)
Loss and total comprehensive expense for the year			**(228,055)**	(460,738)

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 RMB31,112,000 (2012: RMB34,820,000) and trade receivables for aftermarket of RMB58,488,000 (2012: RMB120,072,000).

(c) Segment assets

	Assets	
	2013	2012
	RMB'000	*RMB'000*
OEM and related market	**83,643**	71,992
Aftermarket	**93,434**	183,405
Train and railway business	**–**	–
Total of all segments	**177,077**	255,397
Unallocated	**1,404,504**	1,509,474
Consolidated assets	**1,581,581**	1,764,871

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 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 RMB395,633,000 and Russia of RMB34,162,000.

(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:

	2013	2012
	RMB'000	*RMB'000*
Customer A[1]	51,617	N/A[2]
Customer B[1]	47,460	N/A[2]

[1] Revenue from OEM and related market.

[2] The corresponding revenue did not contribute over 10% of the total sales of the Group.

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

	2013	2012
	RMB'000	***RMB'000***
Government grant *(note)*	**6,255**	6,176
Income from suppliers on defects claim	**3,869**	1,590
Bank interest income	**216**	749
Gain (loss) from disposal of property, plant and equipment	**580**	(12,794)
Net foreign exchange loss	**(522)**	(51)
Sale of scrap materials	**(7,176)**	(55,167)
Others	**(649)**	5,106
	2,573	(54,391)

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. RESEARCH AND DEVELOPMENT EXPENDITURE

For the year ended 31 December 2012, the balance includes an amount of approximately RMB60,000,000 in relation to the trial production and quality test on the production of train bolster, train side frame and related train components for Russia railway project. Sales to the Russia railway project commenced in 2013.

7. FINANCE COSTS

	2013	2012
	RMB'000	***RMB'000***
Interest on:		
Bank borrowings wholly repayable within five years	**31,675**	38,365
Other borrowings wholly repayable within five years	**877**	1,014
	32,552	39,379

8. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2013	2012
	RMB'000	***RMB'000***
Employee benefits expenses (including directors):		
– salaries and other benefits	**64,332**	62,599
– retirement benefit scheme contributions	**8,238**	7,478
Total staff costs (included RMB43,712,000 (2012: RMB41,962,000) in cost of sales, RMB2,904,000 (2012: RMB3,906,000) in selling and distribution expenses, RMB2,498,000 (2012: RMB1,140,000) in research and development expenditure, and RMB23,456,000 (2012: RMB23,069,000) in administrative expenses)	**72,570**	70,077
Depreciation of property, plant and equipment	**38,214**	36,604
Release of prepaid lease payments	**6,436**	6,236
Auditors' remuneration	**1,562**	1,582
Cost of inventories recognised as expenses		
– included in cost of sales	**353,904**	413,128
– included in research and development expenditure	**15,217**	68,761

9. INCOME TAX EXPENSE

	2013	2012
	RMB'000	***RMB'000***
Tax expense comprises:		
Current tax expense	**1,862**	137
Overprovision in prior year	**(1,449)**	–
Deferred taxation	**232**	966
	645	1,103

The income tax 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 2013 and 2012.

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

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 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 2010 to 2012 according to the PRC Tax Law.

During the year, the application for renewed has been granted on 26 June 2013 and 5 September 2013, for Kaifeng Changfeng and Longyan Shengfeng, respectively, for the period from 2013 to 2015.

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

	2013	2012
	RMB'000	*RMB'000*
Loss before tax	**(227,410)**	(459,635)
Tax at the domestic income tax rate of 25%	**(56,853)**	(114,909)
Tax effect of expenses not deductible for tax purpose	**20,950**	36,838
Tax effect of deductible temporary difference not recognised	**22,393**	38,723
Tax effect of tax losses not recognised	**21,294**	40,451
Tax effect of preferential tax rate	**(5,690)**	–
Overprovision in prior year	**(1,449)**	–
	645	1,103

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 RMB197,917,000 and RMB300,414,000 for the year ended at 31 December 2013 and 2012 respectively, as the Company is able to control the timing of the reversal of temporary differences and it is probable the temporary differences will not reverse in the foreseeable future.

As at 31 December 2013, the Group had deductible temporary difference of RMB283,035,000 (2012: RMB197,643,000) 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.

10. LOSS PER SHARE

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

	2013	2012
	RMB'000	*RMB'000*
Loss for the purposes of basic loss per share		
Loss for the year attributable to owners of the Company	**(208,245)**	(459,351)

	2013	2012
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.

11. DIVIDENDS

No dividend was paid or declared by the Company during the years ended 31 December 2013 and 2012.

12. INVENTORIES

	2013	2012
	RMB'000	*RMB'000*
Raw materials	**109,845**	119,150
Work-in-progress	**51,677**	86,796
Finished goods	**78,822**	72,787
	240,344	278,733

13. TRADE, BILLS AND OTHER RECEIVABLES

Trade and other receivables comprise the following:

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**460,112**	453,040
Less: impairment loss on trade receivables	**(283,035)**	(197,643)
	177,077	255,397
Bills receivable	**87,449**	108,818
Other receivables	**7,580**	13,313
Advances to suppliers	**94,711**	88,783
Prepaid expenses	**1,942**	1,978
VAT-in recoverable	**36,275**	32,460
Total trade and other receivables	**405,034**	500,749

At the end of the reporting period, trade receivables with outstanding amount of RMB29,409,000 (2012: RMB58,369,000) 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 receivable with outstanding amount of RMB65,114,000 (2012: RMB55,266,000) have been endorsed to certain creditors. The Group continues to present the endorsed bills as bills receivable until maturity.

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

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**81,660**	100,367
91 to 120 days	**18,148**	11,242
121 to 180 days	**33,238**	40,937
180 to 365 days	**41,463**	72,889
Over 365 days	**2,568**	29,962
	177,077	255,397

The aging of bills receivable is as follows:

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**73,507**	91,670
91 to 120 days	**7,070**	8,698
121 to 180 days	**6,872**	8,450
	87,449	108,818

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 a trade receivable, a committee of the Group ("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 were low, and a report was prepared by the Committee suggesting a provision of RMB283,035,000 (2012: RMB197,643,000) 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 balances are debtors with aggregate carrying amount of approximately RMB95,417,000 and RMB155,030,000 at 31 December 2013 and 2012, respectively, which are past due for which the Group has not provided for impairment loss as continuous business relationship and subsequent settlement of RMB20,982,000 is noted 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:

	2013	2012
	RMB'000	*RMB'000*
91 to 120 days	**18,148**	11,242
121 to 180 days	**33,238**	40,937
181 to 365 days	**41,463**	72,889
Over 365 days	**2,568**	29,962
	95,417	155,030

Movement in the impairment loss on trade receivables

	2013	2012
	RMB'000	*RMB'000*
1 January	**197,643**	48,700
Impairment loss recognised on receivables	**89,600**	154,892
Amounts recovered during the year	**(4,208)**	(5,949)
31 December	**283,035**	197,643

14. TRADE, BILLS AND OTHER PAYABLES

Trade and other payables comprise the following:

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**58,880**	44,927
Bills payables	**65,115**	55,266
	123,995	100,193
Advances from customers	**13,772**	12,997
Payables for property, plant and equipment	**40,752**	7,155
Deposit receipt for disposal of a subsidiary	**28,000**	–
Payroll and welfare payables	**7,262**	7,761
Warranty provision *(note)*	**1,071**	1,065
Other accruals	**14,762**	20,586
Other tax payable	**5,295**	8,935
Other payables	**8,807**	6,873
	243,716	165,565

Note: Movement of warranty provision is as follows:

	Warranty provision
	RMB'000
At 1 January 2012	1,088
Additional provision in the year	8,194
Utilisation of provision	(8,217)
At 31 December 2012 and 1 January 2013	1,065
Additional provision in the year	8,931
Utilisation of provision	(8,925)
At 31 December 2013	1,071

At 31 December 2013 and 2012, 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 each reporting period:

	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**19,888**	16,790
31 to 60 days	**8,657**	3,491
61 to 90 days	**8,072**	3,057
91 to 180 days	**10,628**	11,250
181 to 365 days	**11,635**	10,339
	58,880	44,927

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 payable is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**16,204**	10,810
31 to 60 days	**13,754**	13,760
61 to 90 days	**22,555**	17,249
91 to 180 days	**12,602**	13,447
	65,115	55,266

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 2013 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

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 2013, 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.

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 2013, 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 2013, revenue generated from the aftermarket amounted to approximately RMB222.9 million (2012: approximately RMB239.3 million) and accounted for approximately 51.9% (2012: approximately 47.5%) of the Group's total revenue, representing a decrease of approximately 6.9% as compared with the corresponding period last year.

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 2013, revenue from the OEM market amounted to approximately RMB172.8 million (2012: approximately RMB264.5 million) and accounted for 40.2% (2012: 52.5%) of the Group's total revenue, representing an decrease of 34.7% as compared with the corresponding period last year.

Train and railway market

The Group has commenced the export of the train side frame and train bolster in 2013. For the year ended 31 December 2013, revenue from the train and railway market amounted to approximately RMB34.2 million (2012: Nil) and accounted for 7.9% (2012: Nil) of the Group‘s total revenue.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2013, the Group recorded a consolidated revenue of approximately RMB429.8 million (2012: approximately RMB503.8 million), representing a decrease of 14.7% as compared with the same period in 2012.

Revenue from the Group's aftermarket segment decreased by approximately 6.9% from RMB239.3 million in 2012 to RMB222.9 million in 2013. 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 decreased by approximately 34.7% from RMB264.5 million in 2012 to RMB172.8 million in 2013. This was mainly due to the decline in growth rate in the trucking industry.

Revenue from the train and railway market of RMB34.2 million was recognised after the commencement of delivery of the train and railway components in year 2013.

Gross profit and gross profit margin

For the year ended 31 December 2013, the Group's gross profit decreased by 17.4% from approximately RMB88.3 million in 2012 to approximately RMB72.9 million in 2013. Gross profit margin decreased from approximately 17.5% in 2012 to approximately 17.0% in 2013 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 income and other gains and losses

Other income of the Group increased from other losses of approximately RMB54.4 million in 2012 to other gains of approximately RMB2.6 million in 2013, the increase was mainly attributable to the decrease in loss on sale of scrap materials.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased from approximately RMB28.2 million in 2012 to approximately RMB25.7 million in 2013. 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 RMB70.2 million in 2012 to approximately RMB24.0 million in 2013. 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 2012.

Administrative expenses

The Group's administrative expenses increased from approximately RMB64.9 million in 2012 to approximately RMB68.2 million in 2013. The increase in administrative expenses was mainly due to the increase in expenses incurred for operation of the new train and railway business and the disposal of one of the subsidiaries in December 2013.

Finance costs

The Group incurred finance costs of approximately RMB32.6 million in 2013, which represented approximately 7.6% (2012: approximately 7.8%) of its revenue and an decrease of approximately 17.3% from RMB39.4 million in 2012. The decrease was mainly due to the decrease in average bank borrowing throughout year 2013.

Taxation

Tax charge decreased by approximately 41.5% from RMB1.1 million in 2012 to RMB0.6 million in 2013 due to the decreased profit during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Summary of consolidated cash flow statement

	2013	2012
	RMB'000	*RMB'000*
Cash and cash equivalent at 1 January	**61,872**	**134,450**
Net cash from operating activities	**62,916**	**56,636**
Net cash from (used in) investing activities	**59**	**(90,967)**
Net cash used in financing activities	**(66,945)**	**(38,247)**
Cash and cash equivalent at 31 December	**57,902**	**61,872**

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

As at 31 December 2013, cash and cash equivalent of the Group was approximately RMB57.9 million (2012: approximately RMB61.9 million).

As compared with the year of 2012, cash and cash equivalent decreased by approximately RMB4.0 million, which was mainly resulted from the net cash used in financing activities of approximately RMB66.9 million (2012: approximately RMB38.2 million).

As at 31 December 2013, net current assets of the Group was approximately RMB83.3 million (2012: approximately RMB205.4 million). As at 31 December 2013, the current ratio (i.e. total current assets/ total current liabilities) of the Group was approximately 111.7% (2012: approximately 130.9%).

As at 31 December 2013, total assets of the Group were approximately RMB1,581.6 million (2012: approximately RMB1,764.9 million) and total liabilities were approximately RMB709.4 million (2012: approximately RMB664.7 million). As at 31 December 2013, the debt ratio (i.e. total liabilities/total assets) was 44.9% (2012: 37.7%).

As at 31 December 2013, the Group had total borrowings of approximately RMB464.2 million (2012: approximately RMB498.6 million) and the gearing ratio (i.e. total borrowing/total capital and reserve) was approximately 53.2% (2012: approximately 45.3%).

The Group will continue to strengthen its liquidity and financial resources through the improvement of the working capital (especially collection of trade receivables) and undrawn committed facilities to facilitate the Group's investment activities.

Trade and bills receivable

Trade and bills receivables of the Group in 2013 were approximately RMB264.5 million (2012: RMB364.2 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 2013 amounted to approximately RMB240.3 million (2012: approximately RMB278.7 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 2013 were approximately RMB124.0 million (2012: approximately RMB100.2 million). The increase in balance was due to the increase in the credit period granted by the Group's supplier.

Pledged assets

As at 31 December 2013, the Group has pledged assets of approximately RMB210.6 million (2012: approximately 284.2 million) to secure the grant of banking facilities. As at 31 December 2013, the Group did not pledge the equity shares of any of its PRC subsidiaries as collateral to secure bank borrowings (2012: Nil).

Contingent Liabilities

As at 31 December 2013, the Group had no significant contingent liabilities (2012: Nil).

Capital commitment

As at 31 December 2013, the contracted capital commitment of the Group which were not provided in the financial statements amounted to RMB2.0 million (2012: approximately RMB28.6 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 by and 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 2013, there was a capital commitment of RMB48 million (31 December 2012: RMB60 million) being made by the Group for such capital injection.

Employees and remuneration policy

As at 31 December 2013, the Group had 1,271 employees (2012: 1,837 employees). For the year ended 31 December 2013, total staff costs were approximately RMB72.6 million (2012: approximately RMB70.0 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 2013, the Group's foreign currencies amounted to approximately RMB2.1 million (2012: 1.7 million). During the year ended 31 December 2013, 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 2013 (2012: Nil).

PROSPECTS

Having faced with the increasing 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 2014. 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 improvement of the Group's product quality management program.

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 will implement 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;

- developing new product models or 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 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.

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 cooperations, new technology and raw materials will be developed for the production of railway and axle components.

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 2013, 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**").

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 23 May 2014. 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 Tuesday, 20 May 2014 to Friday, 23 May 2014, 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 Friday, 23 May 2014, 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 Monday, 19 May 2014.

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 2013. 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 2013.

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 2013, they were in compliance with all the required provisions set out in the Model Code.

AUDIT COMMITTEE

The audit committee of the Company (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 2013, including the accounting principles and practices adopted by the Group, selection and appointment of the external auditors.

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as its auditor for the year ended 31 December 2013. 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 2013 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, 28 March 2014

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.