
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stock broker, or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Changfeng Axle (China) Company Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**MAJOR TRANSACTION
IN RELATION TO DISPOSAL OF LAND IN JIALING**

This circular is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.changfengaxle.com.hk).

30 September 2014

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix I – Financial Information of the Group	I-1
Appendix II – Property Valuation Report	II-1
Appendix III – General Information	III-1

DEFINITIONS

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“Agreement”	an agreement dated 30 July 2014 entered into between Sichuan Changfeng and Jialing Local Government in relation to the Disposal;
“Announcement”	the announcement of the Company dated 30 July 2014 in respect of the Disposal;
“Board”	the board of Directors;
“Company”	Changfeng Axle (China) Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Compensation”	the total compensation to be paid by Jialing Local Government to Sichuan Changfeng for surrender of the Land;
“Completion”	completion of the Disposal;
“Director(s)”	the director(s) of the Company;
“Disposal”	the surrendering of the Land to Jialing Local Government by Sichuan Changfeng pursuant to the Agreement;
“Fujian Changfeng”	Fujian Changfeng Machinery Manufacturing Co., Ltd* (福建暢豐機械製造有限公司), a company established in PRC with limited liability on 8 July 2013 and a wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Jialing Local Government”	Jialing District People’s Government of Nanchong City (南充市嘉陵區人民政府), the local People’s Government for Jialing District, Nanchong City, Sichuan Province, the PRC;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Land”	two parcels of land located at Southern Side of Chun Jiang Dong Lu, Jialing District, Nanchong City, Sichuan Province, the PRC (中國南充市嘉陵區春江東路南側) with an aggregate area of approximately 213,436.95 sq. m. where Sichuan Changfeng has erected factories and other structures with an aggregate gross floor area of approximately 36,276.48 sq. m.;
“Latest Practicable Date”	25 September 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Longyan Shengfeng”	Longyan Shengfeng Machinery Manufacturing Co., Ltd.* (龍岩盛豐機械製造有限公司), a company established in PRC with limited liability on 29 March 2006 and wholly-owned by Fujian Changfeng;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the Company of US\$0.01 each;
“Shareholder(s)”	the shareholder(s) of the Company;
“Sichuan Changfeng”	Sichuan Changfeng Axle Co., Ltd.* (四川暢豐車橋有限公司), a limited liability company established in the PRC on 16 July 2009 and an indirect wholly-owned subsidiary of the Company;
“sq. m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent.

For illustration purposes, amounts in RMB in this circular have been translated into HK\$ at RMB1.00 = HK\$1.26.

** The English translation of Chinese names is included for information purpose only and should not be regarded as their official English translation.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wong Kwai Mo (*Chairman*)

Ms. Wu Ching

Mr. Lai Fengcai

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Non-executive Director:

Ms. Dong Ying, Dorothy

Independent non-executive Directors:

Mr. Zhu Weizhou

Dr. Li Xiuqing

Mr. Chong Ching Hei

Principal place of business in Hong Kong:

Room 708, 7/F

Delta House

3 On Yiu Street

Shatin

New Territories

Hong Kong

30 September 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF LAND IN JIALING

INTRODUCTION

On 30 July 2014, Sichuan Changfeng and Jialing Local Government entered into the Agreement, pursuant to which Sichuan Changfeng has agreed to surrender the Land to Jialing Local Government for a Compensation in an aggregate amount of RMB71,083,706 (equivalent to approximately HK\$89,565,470).

The Disposal constitutes a major transaction for the Company and is subject to the approval by the Shareholders.

LETTER FROM THE BOARD

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Disposal may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting in the event that a general meeting is convened for the approval of the transaction; and (b) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Disposal.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreement; (ii) a valuation report on the Land; and (iii) other information as required under the Listing Rules.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date of the Agreement

30 July 2014 (after trading hours)

Parties to the Agreement

Vendor: Sichuan Changfeng

Purchaser: Jialing Local Government

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jialing Local Government and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons (as defined in the Listing Rules). To the best of the Directors' knowledge, each of Jialing Local Government and its associates (as defined in the Listing Rules) did not hold any share of the Company as at the Latest Practicable Date.

Assets to be disposed

Pursuant to the Agreement, Sichuan Changfeng will surrender the Land to Jialing Local Government to facilitate the urban development of Jialing District, Nanchong City, Sichuan Province, the PRC. The Land comprises two parcels of land located at Southern Side of Chun Jiang Dong Lu, Jialing District, Nanchong City, Sichuan Province, the PRC (中國南充市嘉陵區春江東路南側) with an aggregate area of approximately 213,436.95 sq. m. where Sichuan Changfeng has erected factories and other structures with an aggregate gross floor area of approximately 36,276.48 sq. m., which used to be built for the manufacturing and production of axle.

LETTER FROM THE BOARD

The factories on the Land has not been in production since the last quarter in 2013 and for the year ended 31 December 2013, the factories on the Land remained at idle capacity. The manufacturing and production that were used to be undergoing in the factories on the Land have moved to the other land owned by the Group located in Fujian province and Henan province since the last quarter in 2013. Accordingly, the Directors, including the independent non-executive Directors, do not expect that the Disposal will have a material adverse effect on the operation and financial results of the Group.

Pursuant to a mortgage agreement dated 24 October 2013, three buildings with a total gross floor area 36,276.48 sq.m. on the Land were charged in favour of Longyan Branch – Bank of China Limited* (中國銀行股份有限公司龍岩分行), as security for the due performance of the principal obligations of Longyan Shengfeng under various contracts in respect of loan, trade finance, capital finance and other credit for a maximum amount of RMB135,652,700 with the security term from 14 September 2014 to 13 September 2016.

The charge as aforesaid will be settled and discharged in September 2014 and, in any event, before the Completion by way of the repayment of the outstanding loan amount of RMB29,000,000 as at the Latest Practicable Date.

Compensation

In consideration of Sichuan Changfeng surrendering the Land, Jialing Local Government will pay a Compensation in an aggregate amount of RMB71,083,706 (equivalent to approximately HK\$89,565,470), which comprises (i) a fixed amount of approximately RMB68,989,206 (equivalent to approximately HK\$86,926,399) as compensation for Sichuan Changfeng surrendering the Land and (ii) an additional incentive fee determined by Jialing Local Government to be up to approximately RMB2,094,500 (equivalent to approximately HK\$2,639,070) with reference to an amount of RMB10,000 for each acre of the portion of the Land with respect to which the relevant legal documents have been obtained i.e. 139,700.27 sq.m. The Compensation will be payable in cash by the Jialing Local Government to Sichuan Changfeng in the following manner:

- (1) RMB36,000,000 (equivalent to approximately HK\$45,360,000) is payable to Sichuan Changfeng within 30 days upon signing of the Agreement; and
- (2) the remaining balance of the Compensation is payable to Sichuan Changfeng within 90 days upon signing of the Agreement.

The Compensation was arrived at after arm's length negotiations between Sichuan Changfeng and Jialing Local Government with reference to a preliminary indicative valuation of the Land assessed by Sichuan Yizheng Real Estate Valuation and Consultancy Co., Ltd. (四川義正房地產評估諮詢有限公司), a professional valuer independent of the Group and its connected person (as defined in the Listing Rules). The Directors consider the terms of the Agreement (including the Compensation) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Condition precedent

The Disposal is subject to the Company having obtained the Shareholders' approval for the transaction as contemplated under the Agreement in accordance with the Listing Rules and the release of the said charge in favour of Bank of China Limited.

As disclosed above, written shareholders approval for the Disposal had been obtained from Changfeng Axle Holdings Limited, our controlling shareholder which is beneficially interested in 406,128,560 Shares representing approximately 50.80% of the issued share capital of the Company as at the Latest Practicable Date, in lieu of holding a general meeting .

Delivery of the Land

Subject to the fulfillment of the condition precedent, Sichuan Changfeng will:

- (1) complete the removal of the factory building and deliver original copies of the land use right certificates and other related title certificates of the Land to Jialing Local Government within 40 days upon signing of the Agreement; and
- (2) complete the transfer of title of the Land to the designated entity under the Jialing Local Government within 30 days upon completion of (1) above.

REASONS FOR THE DISPOSAL

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 provider for China's MDT and HDT original equipment manufacturers market. The Group is principally engaged in the manufacture and sales of axle assemblies and axle components in the PRC. Besides, the Group has commenced the delivery of the train bolster and train side frame to the Commonwealth of Independent States.

The Jialing Local Government has recently implemented an urban redevelopment plan. Under this redevelopment plan, the Jialing Local Government will acquire certain land within a designated areas in Jialing, the PRC from the relevant land owners. As the Land is located in the redevelopment zone, Sichuan Changfeng has been offered to surrender the Land to Jialing Local Government.

Since Sichuan Changfeng is entitled to the Compensation and the Company can reallocate the resources currently occupied by Sichuan Changfeng to other uses, the Company considers that the Disposal is a good opportunity for the Group to reduce costs and thus improve the Group's operation efficiency and the cash flow position and financial strength.

The Directors thus consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL

The Land and the factory building erected on the Land are owned by Sichuan Changfeng.

The net book value of the Land and the factory building erected on the Land as shown in the Company's latest audited accounts as at 31 December 2013 was RMB70,000,000 (which is approximately 98.48% of the Compensation), representing approximately 4.43% of the total assets of the Group as at 31 December 2013, being the Company's last audited financial year end date. The net loss attributable to the Land for the year ended 31 December 2013 was approximately RMB43,964,431, and the net loss of the Group for the year ended 31 December 2013 was approximately RMB228,055,000, comprising the net loss generating from the manufacturing facilities on the Land by Sichuan Changfeng.

The unaudited net loss (both before and after taxation) attributable to the Land for the year ended 31 December 2013 is RMB43,964,431 and the unaudited net loss (both before and after taxation) attributable to the Land for the year ended 31 December 2012 is RMB4,783,054.

The Compensation represents an excess of RMB1,892,264 over the net book value of the Land and the factory building erected on the Land as at 30 June 2014 of RMB69,191,442. It was estimated that there would be a gain in the amount of approximately RMB1,892,264 on the Disposal accrued to the consolidated accounts of the Group which is calculated by reference to the net proceeds from the Disposal less the net book value of the Land and the factory building erected on the Land as at 30 June 2014 of RMB69,191,442 and the estimated relocation costs.

Such estimated gain has not taken into account of any PRC profits tax to be or may be charged. The actual gain will depend on the net book value of the Land and the factory building erected on the Land attributable to the Group as at the date of completion of the Disposal, the actual costs and expenses to be incurred in connection with the Disposal, relocation of Sichuan Changfeng and the amortization of the Land and depreciation of the factory building erected on the Land for the period from 30 July 2014 to the date of completion of the Disposal, which are yet to be determined as at the Latest Practicable Date.

Upon the Completion, it was estimated that the non-current assets will be decreased by approximately RMB69,000,000 while the current assets will be increased by approximately RMB71,000,000 and short-term bank loan will be decreased, as part of which will be repaid.

As at 31 July 2014, the valuation of the Land as assessed by Roma Appraisals Limited was RMB70,000,000 (equivalent to approximately HK\$88,200,000) as shown in the valuation report in Appendix II to this circular.

LETTER FROM THE BOARD

USE OF PROCEEDS

The net proceeds of the Disposal is currently intended to be used by the Group for general working capital purpose and/or suitable investment opportunities as may be identified by the Company in the future. As at the Latest Practicable Date, the Company has not identified any suitable investment opportunities and is not in discussions for any investment projects. The Company will make announcement in compliance with the requirements of the Listing Rules as and when appropriate.

LISTING RULES IMPLICATION

As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 25% but do not exceed 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Disposal may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting in the event that a general meeting is convened for the approval of the transaction; and (b) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Disposal.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, Jialing Local Government and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons and no Shareholder has a material interest in the Disposal. As such, no Shareholder is required to abstain from voting for the resolution to approve the Disposal should the Disposal be put forward to the Shareholders for approval at a general meeting. Accordingly, by virtue of Rule 14.44 of the Listing Rules, Changfeng Axle Holdings Limited (which is owned as to 50% by each of Ms. Wu Ching and Mr. Wong Kwai Mo), which is beneficially interested in 406,128,560 Shares, representing approximately 50.80% of the issued share capital of the Company as at the Latest Practicable Date, had approved by way of written approval the Disposal in lieu of holding a general meeting and no general meeting of the Company for the approval of the Disposal will be held.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Changfeng Axle (China) Limited
Mr. Wong Kwai Mo
Chairman

1. THREE YEAR FINANCIAL INFORMATION

Financial information of the Group for the year ended 31 December 2011, the year ended 31 December 2012 and the year ended 31 December 2013 are disclosed in the annual results announcement of the Company ended with the same periods respectively, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (<http://www.changfengaxle.com.hk>).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 July 2014, being the latest practicable date for the purpose of the statement of indebtedness, the Group had outstanding bank and other borrowings of approximately RMB389 million (of which RMB153.2 million was unsecured, RMB235.8 million was secured by the Group's assets, including buildings with carrying value of RMB60.0 million, land use rights with carrying value of RMB234.6 million and trade receivables with carrying amount of RMB69.8 million.).

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 July 2014, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group including the available credit facilities where such facilities could be successfully renewed upon maturity, the internally generated funds, and proceeds on disposal of two subsidiaries and the land held by Sichuan Changfeng, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular. The Directors are of the opinion that such facilities could be successfully renewed based on the past history and good relationship of the Group with the banks.

4. FINANCIAL AND TRADE 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 the current year. To ensure sustainable 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 strives to strengthen its position in the railway and truck industry, and to further expand its product offerings in China, CIS and overseas market.

The Group will further enhance cost control, product development, marketing network, expansion to overseas markets in order to increase its competitiveness within the market in the current year.

The Directors consider that upon completion of the Disposal, the Group's financial and cash positions will be further strengthened, and the Group will be able to make investment promptly when opportunities arise.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date and save as disclosed in the interim results announcement of the Company dated 28 August 2014, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

As disclosed therein, the Group recorded a loss for the six months ending 30 June 2014 in light of, among others, (i) continued weakness in demand for the products in the medium and heavy duty truck market; (ii) decrease in revenue derived from train and railway products, and having faced with the continuing uncertainty in the global economic situation and fierce competition in the China truck market, the Company expected business to continue to be challenging in the second half of year 2014, particularly in relation to its traditional medium duty truck and heavy duty truck OEM market.

The following is the text of a valuation report prepared for inclusion in this circular and received from Roma Appraisal Limited, an independent property valuer, in connection with the property valuation as at 31 July 2014 of the Land.



Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

30 September 2014

Changfeng Axle (China) Company Limited

Longyan Economic Zone of Fujian Province

Longyan City

Fujian Province

The People's Republic of China

Dear Sir/Madam,

**Re: An Industrial Complex situated in No.51 Tang Dian Yan Road, Jialing District,
Nanchong City, Sichuan Province, the People's Republic of China**

In accordance with your instruction for us to value the property held by Changfeng Axle (China) Company Limited (the "Company") and / or its subsidiaries (together with the Company referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 July 2014 (the "Date of Valuation") for the purpose of incorporation in the circular of the Company dated 30 September 2014.

1. BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

Due to the specific purpose for which the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“DRC”) is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized property, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

3. TITLE INVESTIGATION

For the property in the PRC, We have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group’s PRC legal advisor, Jianda Law Firm (景達律師事務所) regarding the title to the property in the PRC. All documents have been used for reference only.

In valuing the property, we have relied on the advice given by the Group and its PRC legal advisor that the Group has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent / land use fees and all requisite land premium / purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sell the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site / floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site / floor areas of the property under consideration but we have assumed that the site / floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation are prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi (“RMB”).

Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of

Roma Appraisals Limited

Dr. Alan W K Lee

BCom (Property) MFin PhD(BA)

MHKIS RPS(GP) AAPI CPV CPV (Business)

Associate Director

Frank F Wong

BA (Business Admin) MSc (Real Estate)

MRICS Registered Valuer

Associate Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 10 years’ valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Note: Mr. Frank F Wong is a Chartered Surveyor and Registered Valuer who has 15 years’ valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 7 years’ experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

VALUATION CERTIFICATE

Property held by the Group for owner-occupation purpose in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 July 2014
An industrial complex situated in No.51 Tang Dian Yan Road, Jialing District, Nanchong City, Sichuan Province, The PRC 中國四川省 南充市嘉陵區 塘殿堰路51號之 一個工業區	The property comprises a parcel of land with a site area of approximately 139,700.27 sq.m. which various buildings, completed in about 2011, were erected thereon. The property also comprises a parcel of land with a site area of about 73,736.68 without relevant title document. The total gross floor area of the property with 3 buildings is approximately 36,276.48 sq.m. with relevant building certificate. The staff quarters building has gross floor area of approximately 6,750 sq.m. without relevant building certificate. The land use rights of the property have been granted for a term expiring on 25 January 2050 for industrial use.	The property is vacant.	RMB70,000,000.

Notes:

- As advised by the Group, Sichuan Changfeng Axle Co., Ltd. (四川暢豐車橋有限公司) ("Sichuan Changfeng") is an indirect wholly-owned subsidiary of the Company.
- Pursuant to a State-owned Construction Land Use Rights Grant Contract, 5113002010B00031, entered into between Nanchong City Land Resources Bureau (南充市國土資源局) and Sichuan Changfeng on 18 January 2010, the land use rights of the property with a site area of 139,700.27 sq.m. was agreed to be transferred to the latter. The salient development conditions of the property stated in the contract are summarized as follows:
 - Site area : 139,700.27 sq.m.
 - Consideration : RMB52,750,000
 - Plot ratio : Not less than 1
 - Green space ratio : Not lower than 20%
 - Land use terms : 50 years for industrial use

3. Pursuant to a State-owned Land Certificate, Nan Chong Guo Yong (2010) No.000308 (南充市國用(2010)第000308號) issued by Nan Chong City People's Government (南充市人民政府) in December 2010, the land use rights of the property with a site area of approximately 103,423.79 sq.m. have been granted to Sichuan Changfeng for a term expiring on 25 January 2050 for industrial use.
4. Pursuant to 3 Building Ownership Certificates, Nan Fang Quan Zheng Jia Zi Nos.00443086 to 00443088 (南房權證嘉字第00443086至00443088號) issued by Nanchong City Real Estate Management Bureau (南充市房地產管理局), various buildings of the property with a total gross floor area of approximately 36,276.48 sq.m. are legally held by Sichuan Changfeng for workshop use.
5. Our inspection was performed by Mr. Kelvin K F Lan, B.Sc. (Hons) in Surveying, in September 2014.
6. In the course of our valuation, we have attributed no commercial value to the land of approximately 73,736.68 sq.m. and staff quarters building 6,750 sq.m. which have not obtained any title certificate.
7. Pursuant to a Mortgage Contract of Maximum Amount – Nan Chong Shi Guo Yong (2010) No. 000308 (南充市國用(2010)第000308號) dated 24 October 2013, three buildings with a total gross floor area of approximately 36,276.48 sq.m. on the land are subject to a mortgage in favour of Longyan Branch – Bank of China Limited (中國銀行股份有限公司龍岩分行), as security to guarantee the principal obligation of Longyan Shengfeng Machinery Manufacturing Co., Ltd. (龍岩盛豐機械製造有限公司) under various contracts in respect of loan, trade finance, capital finance and other credit for a maximum amount of RMB135,652,700 with the security term from 14 September 2014 to 13 September 2016.
8. The status of the title and grant of major approvals and licenses in accordance with the information provided to us are as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
9. Nanchong City is a prefecture-level city in the northeast of Sichuan province, the PRC, with an area of 12,479 sq.km.. The population was 6,278,622 in 2010. It is the second most populated city of Sichuan Province, only after Chengdu City. The administrative center is Shunqing District.

As per our latest market research, the industrial land in the subject locality has a unit rate ranging from RMB120 per sq.m. to RMB144 per sq.m..
10. We have been provided with a legal opinion on the title to the property issued by the Group's legal advisers, which contains, inter alia, the following information:
 - a. Sichuan Changfeng is in possession of a proper legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - b. All land premium and other costs of ancillary utility services has been settled in full;
 - c. For the land and building without proper title certificate, there is a risk the owner will be fined, demolished or confiscated;
 - d. Except for the aforesaid mortgage, the property is not subject to mortgage or any other material encumbrances; and
 - e. The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.

1. Responsibility statement

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in the Company:

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of shareholding
Wu Ching (<i>Note</i>)	Interest of a controlled corporation	406,128,560	50.80%
Wong Kwai Mo (<i>Note</i>)	Interest of a controlled corporation	406,128,560	50.80%

Note: Each of Wu Ching and Wong Kwai Mo holds 50% of the issued share capital of Changfeng Axle Holdings Ltd. ("Changfeng BVI").

(ii) Interest in associated corporation

Name of Director	Nature of associated corporation	Number of shares held	Percentage of shareholding
Wu Ching (<i>Note</i>)	Changfeng BVI	25,000	50%
Wong Kwai Mo (<i>Note</i>)	Changfeng BVI	25,000	50%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. Interests and short positions of substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no other person or companies (other than the Directors or the chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares

Name of substantial Shareholders	Nature of interest	Interest in Shares	Approximate percentage of shareholding	Notes
Changfeng BVI	Beneficial owner	406,128,560	50.80%	1
Wu Ching	Interest of a controlled corporation	406,128,560	50.80%	1
Wong Kwai Mo	Interest of a controlled corporation	406,128,560	50.80%	1
Starr International Foundation	Interest of a controlled corporation	114,801,600	14.35%	2
Starr International AG	Interest of a controlled corporation	114,801,600	14.35%	2
Starr International Company Inc. (“ Starr International ”)	Interest of a controlled corporation	114,801,600	14.35%	2
Starr International Investments Ltd	Interest of a controlled corporation	114,801,600	14.35%	2
Starr Insurance and Reinsurance Ltd	Interest of a controlled corporation	114,801,600	14.35%	2

Name of substantial Shareholders	Nature of interest	Interest in Shares	Approximate percentage of shareholding	Notes
Sarr International Cayman, Inc.	Interest of a controlled corporation	114,801,600	14.35%	2
Sarr Investments Cayman II, Inc. ("Sarr Investments")	Beneficial owner	114,801,600	14.35%	2

Notes:

1. Changfeng BVI is owned as to 50% by Wu Ching and as to 50% by Wong Kwai Mo. Both Wu Ching and Wong Kwai Mo are deemed to be interested in the Shares held by Changfeng BVI for the purpose of the SFO.
2. Sarr Investments is wholly-owned by Sarr International Cayman, Inc., which is in turn wholly-owned by Sarr Insurance and Reinsurance Ltd.. Sarr Insurance and Reinsurance Ltd. is a wholly-owned subsidiary of Sarr International Investments Ltd., which is in turn wholly-owned by Sarr International. Sarr International is wholly-owned by Sarr International AG, which is wholly-owned by Sarr International Foundation, a charitable foundation established in Switzerland. Each of Sarr International Foundation, Sarr International AG, Sarr International, Sarr International Investments Ltd., Sarr Insurance and Reinsurance Ltd. and Sarr International Cayman, Inc. is deemed to be interested in the Shares held by Sarr Investments for the purpose of the SFO.
3. Save as Wu Ching and Wong Kwai Mo being the directors of the Changfeng BVI and Dong Ying Dorothy being the director of Sarr Investments Cayman II, Inc., none of the Directors is a director or employee of the companies or trust foundation disclosed in this paragraph.

4. Directors' interests in contracts and assets

As at the Latest Practicable Date, save for the Renewed Purchase Agreement (as defined below) and the Renewed Supply Agreement (as defined below) as disclosed below, there is no contract or arrangement subsisting in which a Director is materially interested and significant in relation to the business of the Group.

- (a) On 29 May 2010, the Company entered into a sale and purchase agreement (the "**Purchase Agreement**") with Yongding Changfeng Machinery Manufacturing Factory ("**Yongding Changfeng**"), pursuant to which the Company agreed to purchase or procure its subsidiaries to purchase roughcast axle housing from Yongding Changfeng for the production of the products for a term of three years commencing from 1 January 2010 to 31 December 2012. Subsequently on 24 December 2012, the parties entered into a renewal agreement to renew the terms of the Purchase Agreement for a fixed term of another three years expiring on 31 December 2015 ("**Renewed Purchase Agreement**"). For the year ended 31 December 2013, the actual aggregate amount of transactions under the Purchase Agreement was approximately RMB14,700,000 and the annual cap amount granted by the Stock Exchange was RMB20,000,000.

- (b) On 29 May 2010, the Company entered into a supply agreement (the “**Supply Agreement**”) with Yongding Changfeng, pursuant to which the Company has agreed to supply or procure members of the Group to supply scrap steel which is steel waste created during the production of steel and expected to be disposed of or not required by the Group to Yongding Changfeng for a term of three years commencing from 1 January 2010 to 31 December 2012. Subsequently on 24 December 2012, the parties entered into a renewal agreement to renew the terms of the Supply Agreement for a fixed term of another three years expiring on 31 December 2015 (the “**Renewed Supply Agreement**”). For the year ended 31 December 2013, the actual aggregate amount of transactions under the Supply Agreement was approximately RMB1,200,000 and the annual cap amount granted by the Stock Exchange was RMB20,000,000.

Mr. Lu is a cousin of Mr. Wong Kwai Mo, an executive Director and one of the Controlling Shareholders (as defined in the Listing Rules). As Yongding Changfeng may be substantially influenced or controlled by Mr. Lu, who is the legal representative and the factory manager of Yongding Changfeng, and Mr. Wong Kwai Mo, who had held a prior position and role at Yongding Changfeng, Yongding Changfeng is therefore a deemed connected person of the Company pursuant to Rule 14A.21 of the Listing Rules. As such, transactions under the Renewed Purchase Agreement and the Renewed Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

5. Competing interest

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business (apart from the Group’s business) which competes or is likely to compete, either directly or indirectly, with the Group’s businesses.

6. Litigation

As at the Latest Practicable Date, the Group was not engaged in any litigation, claim or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. Services contracts

Each of the executive Directors and the non-executive Director entered into a service agreement with the Company for a term of three years commencing from 24 September 2010, and renewed for another term of three years commencing from 24 September 2013; whereas each of the independent non-executive Directors entered into a letter of appointment with the Company and was appointed for a term of three years commencing from 24 September 2010 and renewed for another term of three years commencing from 24 September 2013.

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group which is not expiring or determinable by the Group within one year without payment of any compensation, other than statutory compensation.

8. Experts' qualifications and consents

Roma Appraisals Limited ("**Roma**") and Guangdong Jianda Law Firm ("**Jianda**") given and have not withdrawn its written consent to the issue of this circular with the inclusion of their respective letter and report dated 30 September 2014 and references to their name in the form and context in which they appear.

The following are the qualifications of the experts who have given their opinions and advice in this circular:

Name	Qualification
Roma	Property valuer
Jianda	PRC legal advisers

As at the Latest Practicable Date, Roma and Jianda did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2013, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. Material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular:

- (a) the third supplemental agreement dated 31 December 2012 entered into between Fujian Changfeng Axle Manufacturing Co., Ltd. ("**Fujian Changfeng Axle**") and Lonking (Jiangxi) Machinery Co., Ltd. ("**Lonking Machinery**") to further amend the capital contribution schedule to the Changfeng Gear Manufacturing Co., Ltd. ("**JV Company**"): (i) in the sum of RMB60,000,000 to be paid by Fujian Changfeng Axle before 31 December 2013 (previously 31 December 2012), and (ii) in the form of assets to be transferred by Lonking Machinery to the JV Company before 31 December 2013 (previously 31 December 2012);
- (b) the fourth supplemental agreement dated 27 May 2013 entered into between Fujian Changfeng Axle and Lonking Machinery to further amend the capital contribution method to the JV Company: part of the remaining payment of the capital injection to the JV Company to be made by way of assets instead of cash

injection at an equivalent amount of approximately RMB12 million and comprising certain equipments and machinery which meet the site requirements of the JV Company and to be transferred by Fujian Changfeng Axle to the JV Company before 31 December 2013;

- (c) the assets acquisition agreement dated 27 December 2013 entered into between the JV Company, Shandong Haina Gear Axle Box Co., Ltd. and Shandong Fengrun Machinery Manufacturing Co., Ltd. in relation to the sale of certain tools, equipments and machinery for the production of gear at a consideration of RMB38,000,000 (equivalent to HK\$48,260,000) and that Shandong Fengrun Machinery Manufacturing Co., Ltd. has agreed to take up the payment obligation of Shandong Haina Gear Axle Box Co., Ltd.;
- (d) the equity transfer agreement dated 27 December 2013 entered into between Longyan Shengfeng Machinery Manufacturing Co., Ltd., an indirect wholly-owned subsidiary of the Company, and Lonking Machinery in relation to the acquisition of 40% interest in the JV Company at a consideration of RMB30,000,000 (equivalent to HK\$38,100,000);
- (e) the debt waiver agreement dated 27 December 2013 entered into between the JV Company, Lonking Machinery and Fujian Changfeng Machinery Manufacturing Co., Ltd. ("**Fujian Changfeng**") pursuant to which the JV Company conditionally agreed to pay to Lonking Machinery and Lonking Machinery conditionally agreed to accept a sum of RMB27,000,000 (equivalent to HK\$34,290,000) in extinguishment of the account payable in the sum of RMB33,908,400 (equivalent to HK\$43,064,000) due to Lonking Machinery in respect of certain equipments and machinery for the production of gears, which were injected into the JV Company by Lonking Machinery with an original cost of approximately RMB28,982,000 (equivalent to HK\$36,807,140), and Lonking Machinery conditionally agreed to acquire and the JV Company conditionally agreed to sell two sets of inverted vertical turning centers (Model No. VLC500) for the production of gears at a consideration of RMB12,000,000 (equivalent to HK\$15,240,000);
- (f) the fifth supplemental agreement dated 28 December 2013 entered into between Fujian Changfeng and Lonking Machinery to further amend the capital contribution method to be JV Company: the remaining payment of the capital injection (i) in the sum of RMB60,000,000 (equivalent to HK\$76,200,000) to be paid by Fujian Changfeng before 31 December 2014 (previously 31 December 2013), and (ii) in the form of assets to be transferred by Lonking Machinery to the JV Company before 31 December 2014 (previously 31 December 2013);
- (g) the equity transfer agreement dated 27 June 2014 entered into between Longyan Changfeng Special Vehicle Co., Ltd. ("**Longyan Special Vehicle**"), Fujian Changfeng and Longyan Shengfeng Machinery Manufacturing Co., Ltd. ("**Longyan Shengfeng**"), pursuant to which Longyan Special Vehicle agreed to

acquire the entire equity interest in the JV Company and Fujian Changfeng and Longyan Shengfeng agreed to sell their respective 60% and 40% equity interest in the JV Company at a total consideration of RMB35,000,000; and

- (h) the Agreement.

10. General

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Mr. Chan Yuk Man, Calvin. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and a member of the Institute of Internal Auditors. He holds a Bachelor of Arts honours degree in History from the Chinese University of Hong Kong, a Master's degree in Finance from the Chinese University of Hong Kong and a Master's degree in Corporate Governance from the Open University of Hong Kong.
- (d) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is Room 708, 7/F., Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.
- (f) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (g) The principal share registrars of the Company is Royal Bank of Canada Trust Company (Cayman) Limited.
- (h) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.

11. Documents available for inspection

Copies of the following documents are available for inspection at the principal place of business of the Company at Room 708, 7/F., Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong during normal business hours on any weekday other than public holidays, up to and including 22 October 2014:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2012 and 2013;
- (c) the written consent referred to in the paragraph headed “Expert’s qualifications and consents” to this Appendix;
- (d) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;
- (e) the property valuation report of the Land, the text of which is set out in Appendix II to this circular;
- (f) The legal opinion prepared by Jianda, the PRC legal advisers of the Company, in respect of certain aspects of the Land;
- (g) the copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since 31 December 2013; and
- (h) this circular.