

China Zenix Auto Announces Fourth Quarter and 2013 Financial Results

Apr 17, 2014

ZHANGZHOU, China, April 17, 2014 /PRNewswire/ -- **China Zenix Auto International Limited** (NYSE: ZX) ("Zenix Auto" or "the Company"), the largest commercial vehicle wheel manufacturer in China in both the aftermarket and OEM market by sales volume, today announced its unaudited financial results for the fourth quarter and year ended December 31, 2013.

Financial Highlights

Fourth Quarter 2013:

- Revenue was RMB982.7 million (US\$162.3 million) compared with RMB800.1 million;
- Gross margin of 20.1%;
- Profit and total comprehensive income for the period rose 15.7% to RMB54.4 million (US\$9.0 million) with earnings per American Depositary Share ("ADS") of RMB1.05 (US\$0.17).

Year 2013:

- Revenue was RMB3,802.3 million (US\$628.1 million) compared with RMB3,738.0 million;
- Gross margin of 20.8%;
- Profit and total comprehensive income declined to RMB232.7 million (US\$38.4 million) with earnings per American Depositary Share ("ADS") of RMB4.51 (US\$0.74);
- Net cash from operating activities was RMB282.4 million (US\$46.6 million).

Mr. Junqiu Gao, deputy chief executive officer and chief sales and marketing officer, commented, "We concluded the 2013 year with strong sales due to our product adjustments in the fourth quarter of 2013. Tubeless unit volume grew by 31.8% in the fourth quarter, and our OEM unit volume increased by 36.3% with higher demand for heavy-duty trucks in the fourth quarter."

"We have maintained our strong financial condition with RMB908.7 million (US\$150.1 million) in bank balances and cash and fixed bank deposits with maturity period over three months, generated RMB282.4 million (US\$46.6 million) in cash flow from operations and reduced our outstanding bank loans by approximately 20% at December 31, 2013," Mr. Gao concluded.

2013 Fourth Quarter Results

Revenue for the fourth quarter ended December 31, 2013, was RMB982.7 million (US\$162.3 million) from RMB800.1 million for the fourth quarter of 2012.

Aftermarket sales in China increased by 22.2% year-over-year to RMB502.5 million (US\$83.0 million) in the fourth quarter of 2013 from RMB411.1 million in the fourth quarter of 2012. Total unit sales in the aftermarket increased by 24.3% year-over-year as a result of the demand for heavy-duty trucks from the building and construction industry, and proactive product adjustments. The Company continued to increase its market share in the aftermarket during the fourth quarter of 2013.

Sales to the Chinese OEM market increased by 31.2% year-over-year to RMB345.9 million (US\$57.1 million) in the fourth quarter of 2013 compared with RMB263.7 million in the same quarter of 2012. Total OEM unit

sales in the fourth quarter of 2013 increased by 36.3% year-over-year as a result of stronger truck sales, especially heavy-duty trucks.

International sales increased by 7.2% year-over-year to RMB134.3 million (US\$22.2 million) in the fourth quarter of 2013 compared with sales of RMB125.3 million in the fourth quarter of 2012. The export sales increase in the fourth quarter of 2013 resulted mainly from higher sales to Southeastern Asian countries, which have been rapidly growing to represent a larger proportion of our international sales. Furthermore, the international sales of tubeless products increased during the fourth quarter of 2013.

In the fourth quarter of 2013, domestic aftermarket sales, domestic OEM sales and international sales contributed 51.1%, 35.2% and 13.7% of revenue, respectively.

Sales of tubed steel wheels comprised 59.1% of 2013 fourth quarter revenue compared with 58.5% in the same quarter in 2012. Tubeless steel wheel sales represented 37.2% of fourth quarter revenue compared with 37.0% in the fourth quarter of 2012. The Company's product mix continued to shift to increase market penetration.

Fourth quarter gross profit increased by 7.0% to RMB197.7 million (US\$32.7 million), compared with RMB184.7 million in the same quarter in 2012. Gross profit margin was 20.1%, compared with 23.1% in the fourth quarter of 2012, and compared with 21.2% in the third quarter of 2013, respectively. The decline in gross profit margin on a year-over-year basis was mainly due to the change in product mix and pricing strategy.

Selling and distribution expenses increased by 25.5% to RMB72.1 million (US\$11.9 million) from RMB57.4 million in the fourth quarter of 2012. The increase in selling and distribution costs was primarily due to a 26.0% higher number of units shipped in the fourth quarter of 2013 compared with the same quarter last year. As a percentage of revenue, selling and distribution costs were 7.3% in the fourth quarter of 2013, compared with 7.2% in the fourth quarter last year.

Research and development ("R&D") expenses increased by 19.5% to RMB24.8 million (US\$4.1 million), compared with RMB20.8 million in the fourth quarter of 2012. R&D as a percentage of revenue was 2.5% in the fourth quarter of 2013, compared with 2.6% in last year's fourth quarter.

Administrative expenses decreased by 7.2% to RMB36.4 million (US\$6.0 million) from RMB39.2 million in the fourth quarter of 2012, mainly due to lower consulting fees. As a percentage of revenue, administrative expenses were 3.7%, compared with 4.9% of revenue in the fourth quarter of 2012.

Profit and total comprehensive income for the fourth quarter of 2013 increased by 15.7% to RMB54.4 million (US\$9.0 million), compared with RMB47.0 million in the same quarter of 2012.

Earnings per ordinary share and earnings per ADS in the fourth quarter of 2013 were RMB0.26 (US\$0.04) and RMB1.05 (US\$0.17), respectively.

During the fourth quarter of 2013, the weighted average number of ordinary shares for the purpose of basic earnings per share and for the purpose of diluted earnings per share was 206.5 million and 206.5 million, respectively. The weighted average number of ADSs for the purpose of basic earnings per share and for the purpose of diluted earnings per share was 51.6 million and 51.6 million, respectively.

2013 Full Year Results

Revenue for the year ended December 31, 2013, was RMB3,802.3 million (US\$628.1 million) compared with RMB3,738.0 million in 2012.

Aftermarket sales increased by 5.4% to RMB1,928.2 million (US\$318.5 million) and represented 50.7% of 2013 revenue. Sales to the Chinese OEM market increased by 1.0% to RMB1,316.8 million (US\$217.5 million) and represented 34.6% of revenue. International sales decreased by 7.8% to RMB557.3 million (US\$92.1 million) compared with the same period last year, and represented 14.7% of revenue.

Tubed steel wheel sales increased by 5.6% in 2013, compared with 2012 and comprised 59.2% of revenue. Tubeless steel wheel sales declined by 3.2% from 2012 and were 36.9% of the revenue, compared with 38.8% in 2012.

Gross profit for the year ended December 31, 2013, was RMB790.7 million (US\$130.6 million), compared with RMB942.4 million in 2012. Gross margin decreased to 20.8% compared from 25.2% last year. Profit before taxation was RMB275.6 million (US\$45.5 million), compared with RMB428.5 million in 2012.

Profit and total comprehensive income for the year ended December 31, 2013, was RMB232.7 million (US\$38.4 million), compared with RMB361.6 million in 2012. Earnings per ordinary share and earnings per ADS were RMB1.13 (US\$0.19) and RMB4.51 (US\$0.74), respectively.

As of December 31, 2013, Zenix Auto had bank balances and cash of RMB748.7 million (US\$123.7 million) and fixed bank deposits with a maturity period over three months of RMB160.0 million (US\$26.4 million). Total equity attributable to owners of the Company was RMB2,512.8 million (US\$415.1 million).

For the year ended December 31, 2013, net cash from operating activities was RMB282.4 million (US\$46.6 million) and capital expenditures for the purchase of property, plant and equipment were RMB175.4 million (US\$29.0 million).

Conference Call Information

The Company will host a conference call, to be simultaneously webcast, on Thursday, April 17, 2014 at 8:00 a.m. EDT/ 8:00 p.m. Beijing Time. Interested parties may participate in the conference call by dialing +1-877-407-0782 (U.S. Toll Free) or +1-201-689-8567 (International). Please dial in five minutes before the call start time and ask to be connected to the "China Zenix Auto" conference call.

In addition, the conference call will be broadcast live over the Internet at: <http://www.investorcalendar.com/IC/CEPage.asp?ID=172574>

Please go to the web site at least 15 minutes early to register, download and install any necessary software. A telephone replay of the call will be available after the conclusion of the conference call through 11:59 p.m. EDT on May 17, 2014. The dial-in details for the replay are: U.S. Toll Free Number +1-877-660-6853, International dial-in number +1-201-612-7415 using Conference ID "13579755" to access the replay.

Exchange Rate Information

The United States dollar (US\$) amounts disclosed in this press release are presented solely for the convenience of the reader. All translations from RMB to U.S. dollars are made at a rate of RMB 6.0537 to

US\$1.00, the effective noon buying rate as of December 31, 2013 in The City of New York, for cable transfers of RMB as set forth in the H.10 weekly statistical release of the Federal Reserve Board. The percentages stated are calculated based on RMB amounts.

About China Zenix Auto International Limited

China Zenix Auto International Limited is the largest commercial vehicle wheel manufacturer in China in both the aftermarket and OEM market by sales volume. With a large intellectual property portfolio, the Company offers more than 430 series of tubed steel wheels, tubeless steel wheels, and off-road steel wheels in both the aftermarket and OEM market in China and internationally. Zenix Auto's customers include group members of a number of large PRC commercial vehicle manufacturers, and it also exports products to over 80 distributors in more than 30 countries worldwide. With five large, strategically located manufacturing facilities in multiple regions across China, the Company has an aggregate annual production capacity of approximately 15.0 million units of steel wheels as of December 31, 2013. For more information, please visit: <http://www.zenixauto.com/en>.

Safe Harbor

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "confident" and similar statements. Among other things, the revenue guidance and quotations from management in this announcement, as well as Zenix Auto's strategic and operational plans, contain forward-looking statements. Zenix Auto may also make written or oral forward-looking statements in its periodic reports to the SEC, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees. Statements that are not historical facts, including statements about Zenix Auto's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: our growth strategies; our future business development, including our ability to successfully develop new tubeless steel wheel products and the planned introduction of aluminum wheels; our ability to expand our distribution network; overall growth in the aftermarket and OEM market in China and elsewhere, which depends on a number of factors beyond our control including economic growth rates and vehicle sales; and changes in our revenues and certain cost or expense items as a percentage of our revenues. Further information regarding these and other risks is included in our filings with the SEC. Zenix Auto does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this press release and in the attachments is as of the date of the press release, and Zenix Auto undertakes no duty to update such information, except as required under applicable law. For more information, please contact

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- tables follow –

China Zenix Auto International Limited

Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the three months ended December 31, 2013 and 2012

(RMB and US\$ amounts expressed in thousands, except per share data)

Three Months Ended December 31,

	2012	2013	2013
	RMB' 000	RMB' 000	US\$' 000
Revenue	800,069	982,686	162,328
Cost of sales	<u>(615,406)</u>	<u>(785,020)</u>	<u>(129,676)</u>
Gross profit	184,663	197,666	32,652
Other operating income	4,179	9,162	1,513
Net exchange loss	(2,104)	(1,737)	(287)
Selling and distribution costs	(57,442)	(72,074)	(11,906)
Research and development expenses	(20,760)	(24,799)	(4,097)
Administrative expenses	(39,193)	(36,390)	(6,011)
Finance costs	<u>(11,904)</u>	<u>(6,464)</u>	<u>(1,068)</u>
Profit before taxation	57,439	65,364	10,796
Income tax expense	<u>(10,418)</u>	<u>(10,944)</u>	<u>(1,808)</u>
Profit and total comprehensive income for the period	<u><u>47,021</u></u>	<u><u>54,420</u></u>	<u><u>8,988</u></u>
Earnings per share			
Basic	0.23	0.26	0.04
Diluted	<u>0.23</u>	<u>0.26</u>	<u>0.04</u>
Earnings per ADS			
Basic	0.91	1.05	0.17
Diluted	<u>0.91</u>	<u>1.05</u>	<u>0.17</u>
Shares- Basic	<u>206,440,000</u>	<u>206,486,356</u>	<u>206,486,356</u>
Shares - Diluted	206,485,410	206,500,000	206,500,000
ADSs	51,610,000	51,625,000	51,625,000

China Zenix Auto International Limited

**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2013 and 2012**

(RMB and US\$ amounts expressed in thousands, except per share data)

	Year ended December 31,		
	2012	2013	2013
	RMB' 000	RMB' 000	US\$' 000
Revenue	3,737,965	3,802,308	628,097
Cost of sales	(2,795,548)	(3,011,615)	(497,483)
Gross profit	942,417	790,693	130,614
Other operating income	17,066	27,300	4,510
Net exchange gain (loss)	922	(7,438)	(1,229)
Selling and distribution costs	(252,109)	(274,825)	(45,398)
Research and development expenses	(90,823)	(91,632)	(15,137)
Administrative expenses	(138,040)	(142,495)	(23,539)
Finance costs	(50,916)	(26,003)	(4,295)
Profit before taxation	428,517	275,600	45,526
Income tax expense	(66,885)	(42,947)	(7,094)
Profit and total comprehensive income for the year	361,632	232,653	38,432
Earnings per share			
Basic	1.75	1.13	0.19
Diluted	1.75	1.13	0.19
Earnings per ADS			
Basic	7.01	4.51	0.74
Diluted	7.01	4.51	0.74
Shares - Basic	206,440,000	206,486,356	206,486,356
Shares - Diluted	206,440,000	206,500,000	206,500,000
ADSs	51,610,000	51,625,000	51,625,000

China Zenix Auto International Limited
Unaudited Condensed Consolidated Statements of Financial Position
(RMB and US\$ amounts are expressed in thousands)

	December 31 2012	December 31 2013	December 31 2013
	RMB'000	RMB'000	US\$' 000
ASSETS			
Current Assets			
Inventories	364,351	394,758	65,209
Trade and other receivables and prepayments	813,445	971,806	160,531
Prepaid lease payments	9,425	9,425	1,557
Pledged bank deposits	70,884	76,600	12,653
Fixed bank deposits with maturity period over three months	160,000	160,000	26,430
Bank balances and cash	827,271	748,744	123,684
Total current assets	<u>2,245,376</u>	<u>2,361,333</u>	<u>390,064</u>
Non-Current Assets			
Property, plant and equipment	1,405,544	1,494,848	246,931
Prepaid lease payments	414,149	404,724	66,856
Deposits paid for acquisition of property, plant and equipment	55,198	21,540	3,558
Deferred tax assets	4,629	4,365	721
Intangible assets	17,000	17,000	2,808
Total non-current assets	<u>1,896,520</u>	<u>1,942,477</u>	<u>320,874</u>
Total assets	<u><u>4,141,896</u></u>	<u><u>4,303,810</u></u>	<u><u>710,938</u></u>
EQUITY AND LIABILITIES			
Current Liabilities			
Trade and other payables and accruals	1,060,095	1,132,172	187,021
Taxation payable	10,594	10,977	1,813
Bank borrowings	700,000	558,000	92,175
Total current liabilities	<u>1,770,689</u>	<u>1,701,149</u>	<u>281,009</u>
Non-current liabilities			
Deferred income	11,681	10,885	1,798
Deferred tax liabilities	79,827	78,942	13,040
Total non-current liabilities	<u>91,508</u>	<u>89,827</u>	<u>14,838</u>
Total liabilities	<u>1,862,197</u>	<u>1,790,976</u>	<u>295,847</u>
EQUITY			
Share capital	136	136	22
Paid in capital	391,711	392,076	64,766
Reserves	1,887,852	2,120,622	350,303
Total equity attributable to owners of the company	<u>2,279,699</u>	<u>2,512,834</u>	<u>415,091</u>
Total equity and liabilities	<u><u>4,141,896</u></u>	<u><u>4,303,810</u></u>	<u><u>710,938</u></u>

China Zenix Auto International Limited
Unaudited Condensed Consolidated Statements of Cash Flows
For the year ended December 31, 2013
(RMB and US\$ amounts are expressed in thousands)

	Year 2013	
	RMB' 000	US\$' 000
OPERATING ACTIVITIES		
Profit before taxation	275,600	45,526
Adjustments for:		
Amortization of prepaid lease payments	9,425	1,557
Depreciation of property plant and equipment	125,972	20,809
Release of deferred income	(796)	(131)
Finance costs	26,003	4,295
Interest income	(15,115)	(2,496)
Loss on disposal of property, plant and equipment	538	89
Share-based payment expense	482	80
Operating cash flows before movements in working capital	422,109	69,729
Increase in inventories	(30,407)	(5,023)
Increase in trade and other receivables and prepayments	(160,022)	(26,434)
Increase in trade and other payables and accruals	78,400	12,951
Cash generated from operations	310,080	51,223
Interest received	15,473	2,556
PRC income tax paid	(43,185)	(7,134)
NET CASH FROM OPERATING ACTIVITIES	282,368	46,645
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(62,661)	(10,351)
Withdrawal of pledged bank deposits	5,778	954
Placement of pledged bank deposits	(11,494)	(1,899)
Proceeds on disposal of property, plant and equipment	176	29
Deposits paid for acquisition of property, plant and equipment	(112,780)	(18,630)
Placement of fixed bank deposits with maturity periods over three months	(320,000)	(52,860)
Withdrawal of fixed bank deposits with maturity periods over three months	320,000	52,860
NET CASH USED IN INVESTING ACTIVITIES	(180,981)	(29,897)
FINANCING ACTIVITIES		
New bank borrowings raised	558,000	92,175
Repayment of bank borrowings	(700,000)	(115,632)
Interest paid	(39,217)	(6,478)
NET CASH FROM FINANCING ACTIVITIES	(181,217)	(29,935)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(79,830)	(13,187)
Cash and cash equivalents at beginning of the year	827,271	136,655
Effect of foreign exchange rate changes	1,303	216
Cash and cash equivalents at end of the year	748,744	123,684

SOURCE China Zenix Auto International Limited