QINGLING MOTORS CO. LTD

(A Sino-foreign joint venture joint stock limited company
incorporated in the People's Republic of China ("PRC") with limited liability)

Stock Code: 1122

2013 Interim Report

Deloitte.
德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF QINGLING MOTORS CO., LTD.

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Qingling Motors Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 August 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

		Six months ended	
		30/6/2013	**30/6/2012**
		RMB'000	*RMB'000*
	NOTES	**(unaudited)**	**(unaudited)**
			(restated)
Revenue	3	2,699,842	3,158,475
Cost of sales		(2,276,050)	(2,766,927)
Gross profit		423,792	391,548
Other income		60,758	67,262
Other gains and losses		3,243	5,575
Distribution and selling expenses		(185,038)	(200,943)
Administrative expenses		(85,852)	(82,278)
Share of profit of an associate		35	—
Share of profit of joint ventures		535	3,497
Profit before tax	4	217,473	184,661
Income tax expense	5	(32,628)	(26,613)
Profit and total comprehensive income for the period		184,845	158,048
Profit for the period and total comprehensive income for the period attributable to:			
Owners of the Company		183,489	156,576
Non-controlling interests		1,356	1,472
		184,845	158,048
Earnings per share			
Basic	7	RMB0.0739	RMB0.0631

Condensed Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	30/6/2013 *RMB'000* (unaudited)	31/12/2012 *RMB'000* (audited) (restated)
Non-current assets			
Property, plant and equipment	8	1,277,177	1,354,388
Prepaid lease payments		44,167	44,809
Investment properties		46,502	49,967
Intangible assets		16,756	20,961
Interest in an associate		6,019	5,984
Interests in joint ventures		392,620	392,085
Deferred tax assets		2,330	2,330
Prepayments for acquisition of non-current assets	9	71,035	20,294
		1,856,606	1,890,818
Current assets			
Inventories		821,529	696,594
Trade and other receivables	10	963,953	868,273
Bills receivables	11	2,060,600	2,564,434
Prepaid lease payments		1,383	1,383
Bank deposits with original maturity more than three months	12	2,604,724	2,562,656
Bank balances and cash		1,055,051	1,040,498
		7,507,240	7,733,838
Current liabilities			
Trade, bills and other payables	13	1,868,120	2,063,261
Tax liabilities		21,631	20,018
		1,889,751	2,083,279
Net current assets		5,617,489	5,650,559
Total assets less current liabilities		7,474,095	7,541,377

	NOTES	30/6/2013	31/12/2012
		RMB'000	*RMB'000*
		(unaudited)	**(audited)**
			(restated)
Capital and reserves			
Share capital		2,482,268	2,482,268
Share premium and reserves		4,699,377	4,764,115
Equity attributable to owners of the Company		7,181,645	7,246,383
Non-controlling interests		292,450	294,994
Total equity		7,474,095	7,541,377

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2013 (unaudited)									
At 1 January 2013 (audited)	2,482,268	1,764,905	572,239	872,748	2,347	1,551,876	7,246,383	294,994	7,541,377
Profit and total comprehensive income for the period	—	—	—	—	—	183,489	183,489	1,356	184,845
2012 final dividend paid (Note 6)	—	—	—	—	—	(248,227)	(248,227)	—	(248,227)
Dividend declared by a subsidiary to non-controlling interests	—	—	—	—	—	—	—	(3,900)	(3,900)
At 30 June 2013	2,482,268	1,764,905	572,239	872,748	2,347	1,487,138	7,181,645	292,450	7,474,095
For the six months ended 30 June 2012 (unaudited)									
At 1 January 2012 (audited)	2,482,268	1,764,905	572,239	843,914	2,347	1,587,880	7,253,553	291,942	7,545,495
Profit and total comprehensive income for the period	—	—	—	—	—	156,576	156,576	1,472	158,048
Unclaimed H shares dividend of prior year	—	—	—	—	—	1	1	—	1
2011 final dividend paid (Note 6)	—	—	—	—	—	(297,872)	(297,872)	—	(297,872)
At 30 June 2012	2,482,268	1,764,905	572,239	843,914	2,347	1,446,585	7,112,258	293,414	7,405,672

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30/6/2013 *RMB'000* (unaudited)	Six months ended 30/6/2012 *RMB'000* (unaudited) (restated)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	349,625	(286,631)
NET CASH FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(33,915)	(75,608)
Prepayments for acquisition of non-current assets	(50,741)	—
Withdrawal of bank deposits with original maturity more than three months	1,485,800	2,275,273
Placement of bank deposits with original maturity more than three months	(1,545,798)	(1,639,621)
Interest received	61,970	71,114
Proceeds from disposal of property, plant and equipment	7	—
	(82,677)	631,158
NET CASH FROM (USED IN) FINANCING ACTIVITIES:		
Dividends paid	(248,227)	(297,872)
Unclaimed H shares dividend of prior year	—	1
	(248,227)	(297,871)
Net increase in cash and cash equivalents	18,721	46,656
Cash and cash equivalents at 1 January	1,040,498	800,810
Effect of exchange rate changes on the balance of cash held in foreign currencies	(4,168)	—
Cash and cash equivalents at 30 June, represented by Bank balances and cash	1,055,051	847,466

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the annual financial statements of Qingling Motors Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
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 HKFRS 7	*Disclosures — Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009-2011 Cycle; and*
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company assessed its involvement with its investees and concluded that the application of HKFRS 10 has had no material impact on these condensed consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

Impact of the application of HKFRS 11 (Cont'd)

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the Group's investments in 慶鈴五十鈴(重慶)發動機有限公司 ("Qingling Isuzu Engine") and 慶鈴五十鈴(重慶)汽車銷售服務有限公司 ("Qingling Isuzu Sales") which were classified as jointly controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method. The change in accounting of the Group's investment in Qingling Isuzu Engine and Qingling Isuzu Sales has been applied in accordance with the relevant transitional provisions set out in HKFRS 11. The initial investments as at 1 January 2012 for the purposes of applying the equity method are measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see the tables below for details), which is regarded as its deemed cost at initial recognition. Also, the directors of the Company performed an impairment assessment on the initial investments as at 1 January 2012 and concluded that no impairment loss is required. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investments in Qingling Isuzu Engine and Qingling Isuzu Sales.

Summary of the effect of the above changes in accounting policy

The effect of the changes in the Group's accounting policy described above on the results for the current and prior interim periods by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income is as follows:

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

Summary of the effect of the above changes in accounting policy (Cont'd)

Impact on profit or loss for the interim period

	Six months ended	
	30/6/2013	**30/6/2012**
	RMB'000	*RMB'000*
Decrease in revenue	(10,481)	(15,308)
Decrease in cost of sales	5,151	7,100
Decrease in other income	(2,782)	(2,604)
Increase in other gains and losses	464	294
Decrease in distribution and selling expenses	331	390
Decrease in administrative expenses	6,456	5,978
Decrease in income tax expense	326	653
Increase in share of profit of joint ventures	535	3,497
Net change in profit for the period	—	—

There is no impact on basic earnings per share and diluted earnings per share.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

Summary of the effect of the above changes in accounting policy (Cont'd)

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2012 and 1 January 2012, is as follows:

	As at 31/12/2012 *RMB'000* **(originally stated)**	**Adjustments** *RMB'000*	**As at 31/12/2012** *RMB'000* **(restated)**
Property, plant and equipment	1,455,686	(101,298)	1,354,388
Prepaid lease payments (non-current)	44,809	—	44,809
Investment properties	49,967	—	49,967
Intangible assets	25,570	(4,609)	20,961
Interests in an associate	5,984	—	5,984
Interests in joint ventures	—	392,085	392,085
Deferred tax assets	2,330	—	2,330
Prepayments for acquisition of non-current assets	20,294	—	20,294
Inventories	827,546	(130,952)	696,594
Trade and other receivables	813,207	55,066	868,273
Bills receivables	2,565,038	(604)	2,564,434
Prepaid lease payments (current)	1,383	—	1,383
Bank deposits with original maturity more than three months	2,749,331	(186,675)	2,562,656
Bank balances and cash	1,097,921	(57,423)	1,040,498
Trade, bills and other payables	(2,096,599)	33,338	(2,063,261)
Tax liabilities	(21,090)	1,072	(20,018)
Total effects on net assets	7,541,377	—	7,541,377
Equity attributable to owners of the Company	7,246,383	—	7,246,383
Non-controlling interests	294,994	—	294,994
Total effects on equity	7,541,377	—	7,541,377

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (Cont'd)

Summary of the effect of the above changes in accounting policy (Cont'd)

	As at 1/1/2012 *RMB'000* (originally stated)	Adjustments *RMB'000*	As at 1/1/2012 *RMB'000* (restated)
Property, plant and equipment	1,607,576	(121,277)	1,486,299
Prepaid lease payments (non-current)	46,192	—	46,192
Investment properties	40,654	—	40,654
Intangible assets	34,675	(5,304)	29,371
Interests in joint ventures	—	384,015	384,015
Deferred tax assets	2,330	—	2,330
Inventories	904,881	(21,458)	883,423
Trade and other receivables	910,332	(7,196)	903,136
Bills receivables	2,415,438	—	2,415,438
Prepaid lease payments (current)	1,383	—	1,383
Bank deposits with original maturity more than three months	3,326,687	(176,032)	3,150,655
Bank balances and cash	848,928	(48,118)	800,810
Trade, bills and other payables	(2,559,957)	(6,694)	(2,566,651)
Tax liabilities	(33,624)	2,064	(31,560)
Total effects on net assets	7,545,495	—	7,545,495
Equity attributable to owners of the Company	7,253,553	—	7,253,553
Non-controlling interests	291,942	—	291,942
Total effects on equity	7,545,495	—	7,545,495

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive 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 existing option to present items of other comprehensive income either before tax or net of tax.

The title of condensed consolidated statement of comprehensive income has been changed to condensed consolidated statement of profit and loss and other comprehensive income.

Other than the above, the directors of the Company anticipate that the application of other new and revised HKFRSs has had no material impact on these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the Company's executive directors) for the purposes of resource allocation and performance assessment are as follows:

Light-duty trucks	—	manufacture and sales of light-duty trucks
Multi-purposes vehicles	—	manufacture and sales of multi-purposes vehicles
Pick-up trucks	—	manufacture and sales of pick-up trucks
Medium and heavy-duty trucks	—	manufacture and sales of medium and heavy-duty trucks
Automobile parts and accessories	—	manufacture and sales of automobile parts and accessories

During the current interim period, the Group changed its accounting policies in respect of its investments in joint ventures from proportionate consolidation method to equity accounitng in accordance with the requirements of HKFRS 11 as disclosed in note 2 "summary of the effect of changes in accounting policy".

In previous periods, segment revenue included revenue generated by joint ventures accounted for under proportionate consolidation. During the current interim period, the information reported to the chief operating decision maker has been changed to align with the Group's new accounting policy in respect of its investments in joint ventures. The measurement of segment revenue has been revised to exclude revenue generated by joint ventures. Segment revenue for the six months ended 30 June 2012 has been restated under the revised measurement basis.

3. SEGMENT INFORMATION (Cont'd)

There is no material change in measurement of segment profit since most expense items relating to joint ventures were not included in measurement of segment results in previous periods.

The following is an analysis of the Group's revenue and results by operating segments for the six months ended 30 June 2013 and 2012 (restated):

Six months ended 30 June 2013

	Light-duty trucks	Multi-purposes vehicles	Pick-up trucks	Medium and heavy-duty trucks	Automobile parts and accessories	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,188,660	10,486	886,794	402,580	211,322	2,699,842
Result						
Segment profit	64,082	574	77,753	26,334	827	169,570
Central administration costs						(16,668)
Interest income						44,040
Other income						16,718
Other gains and losses						3,243
Share of profit of an associate						35
Share of profit of joint ventures						535
Group's profit before tax						217,473

Six months ended 30 June 2012 (restated)

	Light-duty trucks	Multi-purposes vehicles	Pick-up trucks	Medium and heavy-duty trucks	Automobile parts and accessories	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,335,413	29,066	1,012,912	494,198	286,886	3,158,475
Result						
Segment profit	9,670	621	92,090	15,728	2,856	120,965
Central administration costs						(12,638)
Interest income						48,960
Other income						18,302
Other gains and losses						5,575
Share of profit of joint ventures						3,497
Group's profit before tax						184,661

3. SEGMENT INFORMATION (Cont'd)

Segment result represents the profit earned by each segment without allocation of central administration costs, interest income, other income, other gains and losses, share of profit of joint ventures and share of profit of an associate. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

4. PROFIT BEFORE TAX

	Six months ended	
	30/6/2013	**30/6/2012**
	RMB'000	*RMB'000*
		(restated)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	109,899	131,541
Amortisation of intangible assets (included in cost of sales)	4,205	4,205
Depreciation of investment properties	3,465	3,718
Release of prepaid lease payments	643	691
Loss on disposal of property, plant and equipment	70	—
and after crediting:		
Interest income from bank deposits and balances	44,040	48,960
Rental income from renting investment properties and equipment	16,695	14,759
Net foreign exchange gain	3,313	5,575

5. INCOME TAX EXPENSE

	Six months ended	
	30/6/2013	**30/6/2012**
	RMB'000	*RMB'000*
		(restated)
Current tax	32,628	26,613
Deferred tax charge	—	—
	32,628	26,613

5. INCOME TAX EXPENSE (Cont'd)

According to the notice of Certain Tax Policies for Implementation of Exploration and Development of Western Region (Cai Shui [2011] No. 58), a company located in the western region of the PRC and engaged in the business encouraged by the PRC government is entitled to a preferential Enterprise Income Tax ("EIT") rate of 15%. According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Guo Shui [2012] No. 12), a company located in the western region of the PRC is entitled to apply to the tax authority for the preferential EIT rate of 15% if certain conditions set out in the notice are satisfied. The Company and 重慶慶鈴模具有限公司 ("Qingling Moulds"), a subsidiary of the Group, have applied and obtained the approval of relevant authority in respect of the application of the preferential EIT rate for the six months ended 30 June 2012 and 2013. Although the Encouraged Industries Catalogue in the Western Region has not yet been issued by the government authorities as of the date of issuance of these condensed consolidated financial statements, in the opinion of the directors, the Company and Qingling Moulds are able to satisfy the conditions set out in the relevant notices and the requirement of the Encouraged Industries Catalogue and therefore continue to apply the preferential EIT rate of 15% in the current interim period.

重慶慶鈴技術中心 ("Qingling Technical Center"), a subsidiary of the Group, is subject to 25% (for the six months ended 30 June 2012: 25%) EIT rate for the six months ended 30 June 2013.

6. DIVIDEND

During the current interim period, a final dividend of RMB0.10 per share in respect of the year ended 31 December 2012 (six months ended 30 June 2012: RMB0.12 per share in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB248,227,000 (six months ended 30 June 2012: RMB297,872,000). The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

7. EARNINGS PER SHARE

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

	Six months ended	
	30/6/2013	**30/6/2012**
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	183,489	156,576

7. EARNINGS PER SHARE (Cont'd)

	Six months ended	
	30/6/2013	**30/6/2012**
	'000	*'000*
Number of shares		
Number of shares for the purpose of basic earnings per share	2,482,268	2,482,268

There are no potential dilutive ordinary shares outstanding in both periods presented.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB32,765,000 (six months ended 30 June 2012: RMB57,939,000), which is for new manufacturing lines and renovation projects.

9. PREPAYMENTS FOR ACQUISITION OF NON-CURRENT ASSETS

As at 30 June 2013, the balance represented prepayments for software of production management system and initial fees of new heavy-truck technology licences with amounts of RMB20,354,000 and RMB50,681,000 respectively.

10. TRADE AND OTHER RECEIVABLES

At the end of the reporting period, the balance of trade and other receivables includes amounts due from 慶鈴汽車(集團)有限公司 ("Qingling Group" — ultimate holding company of the Group), subsidiaries of Qingling Group, Qingling Isuzu Engine, Qingling Isuzu Sales, 五十鈴慶鈴(重慶)汽車技術開發有限公司("Isuzu Qingling Engineering" — associate of the Group), and 五十鈴慶鈴(重慶)汽車零部件有限公司("Isuzu Qingling Autoparts" — associate of Qingling Group) Co., Ltd as follows:

	30/6/2013	**31/12/2012**
	RMB'000	*RMB'000*
		(restated)
Qingling Group	786,580	529,718
Subsidiaries of Qingling Group	79,927	100,337
Qingling Isuzu Engine	—	116,875
Qingling Isuzu Sales	1,996	1,082
Isuzu Qingling Engineering	241	2,504
Isuzu Qingling Autoparts	201	—
	868,945	750,516

10. TRADE AND OTHER RECEIVABLES (Cont'd)

All receivables from Qingling Group are trade in nature and aged within 6 months.

Receivables from subsidiaries of Qingling Group were in trade nature, of which RMB33,278,000 are aged within 6 months (31 December 2012: RMB78,218,000), RMB25,951,000 (31 December 2012: RMB1,406,000) are aged over 6 months but within 1 year and RMB20,698,000 (31 December 2012: RMB20,713,000) are aged over 1 year.

All receivables from Qingling Isuzu Engine, Qingling Isuzu Sales, Isuzu Qingling Engineering and Isuzu Qingling Autoparts are trade in nature and aged within 6 months.

At the end of the reporting period, the aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date of the Group at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	30/6/2013	**31/12/2012**
	RMB'000	*RMB'000*
		(restated)
Within 3 months	480,935	749,949
Between 3 to 6 months	370,349	29,410
Between 7 to 12 months	36,951	1,427
Between 1 to 2 years	23,669	27,620
Over 2 years	—	1,400
Trade receivables less allowance for doubtful debts	911,904	809,806
Other receivables	7,454	6,431
Prepaid value added tax	460	—
Prepayments	44,135	52,036
	963,953	868,273

The average credit period granted on sales of goods is 3 to 6 months.

An accumulated allowance has been made for estimated irrecoverable amount from sales of goods amounting to RMB4,595,000 as at 30 June 2013 and 31 December 2012.

11. BILLS RECEIVABLES

At the end of the reporting period, the aged analysis of bills receivables of the Group is as follows:

	30/6/2013	31/12/2012
	RMB'000	*RMB'000*
		(restated)
Within 1 month	445,317	887,709
Between 1 to 2 months	394,778	450,380
Between 2 to 3 months	384,184	370,191
Between 4 to 6 months	836,321	856,154
	2,060,600	2,564,434

All the above bills receivables are guaranteed by banks and their maturity dates are within 6 months.

12. BANK DEPOSITS WITH ORIGINAL MATURITY MORE THAN THREE MONTHS

The fixed deposits with banks are with a term of 6 to 12 months (31 December 2012: from 6 to 12 months) and their interest rates are ranging from 3.0% to 5.2% (31 December 2012: from 2.75% to 3.575%) per annum. The principal and interest will be paid at date of maturity.

13. TRADE, BILLS AND OTHER PAYABLES

(a) At the end of the reporting period, the balance of trade and other payables included the amounts due to Isuzu Motors Limited ("Isuzu" — the substantial shareholder of the Company), subsidiaries of Qingling Group and Qingling Isuzu Engine as follows:

	30/6/2013	31/12/2012
	RMB'000	*RMB'000*
		(restated)
Isuzu	62,623	93,653
Subsidiaries of Qingling Group	16,266	17,681
Qingling Isuzu Engine	74,492	—
	153,381	111,334

These amounts are in trade nature, unsecured, interest free and the credit period granted on purchases of materials is 3 to 6 months.

13. TRADE, BILLS AND OTHER PAYABLES (Cont'd)

(b) At the end of the reporting period, the aged analysis of trade and bills payables of the Group is as follows:

	30/6/2013	31/12/2012
	RMB'000	*RMB'000*
		(restated)
Within 3 months	1,360,731	1,095,178
Between 3 to 6 months	53,439	362,658
Between 7 to 12 months	14,628	38,755
Over 1 year	5,476	31,501
Trade and bills payables	1,434,274	1,528,092
Advance from customers	116,366	167,957
Accrued selling expenses	245,677	233,307
Other payables	45,586	57,634
Value added tax payables	22,317	76,271
Dividend payable to non-controlling interests	3,900	—
	1,868,120	2,063,261

14. RELATED PARTY TRANSACTIONS AND BALANCES

Apart from the amounts due from and to related companies as disclosed in notes 10 and 13, during the current interim period, the Group entered into the following transactions with related parties:

(1) Transactions with Qingling Group and its subsidiaries

(a) Qingling Group and certain subsidiaries of Qingling Group (exclude the following subsidiaries set out at in (b), (c), (d), (e), (f) and (g) below)

	Six months ended	
Type of transactions	**30/6/2013**	**30/6/2012**
	RMB'000	*RMB'000*
Sales of chassis	692,420	776,273
Purchases of automobile parts *(Note 1)*	59,878	80,226
Sales of parts and raw materials for the manufacture of automobile parts *(Note 2)*	29,719	39,317
Expenses for renting warehouse	3,018	3,018
Expenses for renting equipment	690	690

14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(1) Transactions with Qingling Group and its subsidiaries (Cont'd)

(a) Qingling Group and certain subsidiaries of Qingling Group (exclude the following subsidiaries set out at in (b), (c), (d), (e), (f) and (g) below) (Cont'd)

Note 1: Included in the amount set out above are RMB19,296,000 (six months ended 30 June 2012: RMB23,131,000), RMB4,449,000 (six months ended 30 June 2012: RMB7,462,000), RMB35,818,000 (six months ended 30 June 2012: RMB44,724,000) and RMB315,000 (six months ended 30 June 2012: RMB4,909,000) representing the purchases of automobile parts from 重慶慶鈴汽車機加部品製造有限公司 ("Qingling Jijia"), 重慶慶鈴汽車上裝製造有限公司 ("Qingling Shangzhuang"), 重慶慶鈴汽車底盤部品有限公司 ("Qingling Chassis") and Qingling Group respectively during the current period. Qingling Jijia, Qingling Shangzhuang and Qingling Chassis are all wholly-owned subsidiaries of Qingling Group.

Note 2: Included in the amount set out above are RMB2,652,000 (six months ended 30 June 2012: RMB2,738,000), RMB22,753,000 (six months ended 30 June 2012: RMB30,845,000), RMB4,311,000 (six months ended 30 June 2012: RMB5,724,000) and RMB3,000 (six months ended 30 June 2012: RMB10,000) representing the sales of parts and raw materials to Qingling Jijia, Qingling Shangzhuang, Qingling Chassis and Qingling Group respectively during the current period.

(b) 重慶慶鈴鑄造有限公司, a subsidiary of Qingling Group

	Six months ended	
Type of transactions	**30/6/2013**	**30/6/2012**
	RMB'000	*RMB'000*
Sales of parts and raw materials for the manufacture of automobile parts	13,808	14,420
Purchases of automobile parts	8,692	10,282
Expenses for renting equipment	—	2,220

(c) 重慶慶鈴鍛造有限公司, a subsidiary of Qingling Group

	Six months ended	
Type of transactions	**30/6/2013**	**30/6/2012**
	RMB'000	*RMB'000*
Purchases of automobile parts	18,990	24,358
Sales of parts and raw materials for the manufacture of automobile parts	5,047	20,089
Expenses for renting equipment	12,449	11,651

14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(1) Transactions with Qingling Group and its subsidiaries (Cont'd)

(d) 重慶慶鈴車橋有限公司, a subsidiary of Qingling Group

Type of transactions	Six months ended 30/6/2013 *RMB'000*	Six months ended 30/6/2012 *RMB'000*
Purchases of automobile parts	18,804	28,517
Sales of parts and raw materials for the manufacture of automobile parts	1,308	1,675

(e) 重慶慶鈴日發座椅有限公司, a subsidiary of Qingling Group

Type of transactions	Six months ended 30/6/2013 *RMB'000*	Six months ended 30/6/2012 *RMB'000*
Purchases of automobile parts	26,541	31,653
Sales of parts and raw materials for the manufacture of automobile parts	5,355	6,509

(f) 重慶慶鈴塑料有限公司, a subsidiary of Qingling Group

Type of transactions	Six months ended 30/6/2013 *RMB'000*	Six months ended 30/6/2012 *RMB'000*
Purchases of automobile parts	31,517	38,700
Sales of parts and raw materials for the manufacture of automobile parts	979	1,361

(g) 重慶慶鈴鑄鋁有限公司, a subsidiary of Qingling Group

Type of transactions	Six months ended 30/6/2013 *RMB'000*	Six months ended 30/6/2012 *RMB'000*
Purchases of automobile parts	4,639	8,580
Sales of parts and raw materials for the manufacture of automobile parts	528	790

14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(2) Transactions with Isuzu

Isuzu owns 496,453,654 H shares representing 20% of the entire issued share capital of the Company and Isuzu has significant influence over the Company.

Type of transactions	Six months ended 30/6/2013	Six months ended 30/6/2012
	RMB'000	*RMB'000*
Purchase of parts and components	523,084	727,653
Royalties on sale of trucks and other vehicles	26,628	34,490
Sales of accessory sets and other automobile parts and components	12,580	19,712
Prepayments for acquisition of an intangible asset	50,681	—

(3) Transactions with Qingling Isuzu Engine, a joint venture of the Group

Type of transactions	Six months ended 30/6/2013	Six months ended 30/6/2012
	RMB'000	*RMB'000*
Purchases of automobile parts	582,929	706,300
Sales of accessory sets and raw materials	223,050	422,170
Income for renting properties and equipment	31,284	33,504
Consolidated services income	1,498	2,566

(4) Transactions with Qingling Isuzu Sales, a joint venture of the Group

Type of transactions	Six months ended 30/6/2013	Six months ended 30/6/2012
	RMB'000	*RMB'000*
Sales of trucks	3,087	1,316
Sales of raw materials and automobile parts	490	34
Rental income	733	733
Consolidated services income	250	250

14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(5) Transactions with Isuzu Qingling Engineering, an associate of the Group

Type of transactions	Six months ended 30/6/2013	30/6/2012
	RMB'000	*RMB'000*
Rental income	105	—
Consolidated services income	136	—

(6) Transactions/balances with other government-related entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Qingling Group which is controlled by the PRC government. Apart from the transactions with Qingling Group and its subsidiaries disclosed in section (1) above, the Group also conducts businesses with other government-related entities. The directors of the Company consider those government related entities are independent third parties so far as the Group's business transactions with them are concerned.

Material transactions/balances with other government-related entities are as follows:

	Six months ended 30/6/2013	30/6/2012
	RMB'000	*RMB'000*
		(restated)
Trade sales	416,603	651,834
Trade purchases	158,389	204,709
Purchase of property, plant and equipment	8,687	10,432

	30/6/2013	31/12/2012
	RMB'000	*RMB'000*
		(restated)
Trade and other balances due to other government-related entities	136,187	161,083
Trade and other balances due from other government-related entities	288,841	403,739

14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(6) Transactions/balances with other government-related entities in the PRC (Cont'd)

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits and borrowings and other general banking facilities with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of these banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors of the Company are of the opinion that transactions with government-related entities are not significant to the Group's operations.

(7) Compensation of directors and key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management personnel during the six months ended 30 June 2013 amounted to approximately RMB1,703,000 (six months ended 30 June 2012: RMB1,464,000).

15. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	30/6/2013 *RMB'000*	**31/12/2012** *RMB'000* **(restated)**
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	120,645	117,100
Approved by the directors but not contracted for in respect of acquisition of property, plant and equipment	31,457	122,129

16. OPERATING LEASE

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30/6/2013	**31/12/2012**
	RMB'000	*RMB'000*
Within one year	22,796	31,323
In the second to fifth year inclusive	724	4,054
	23,520	35,377

Operating lease payments represent rentals payable by the Group for certain of its warehouses and production facilities. Leases are negotiated for an average term of one to three years.

The Group as lessor

At the end of the reporting period, the Group had entered into lease agreement with tenants and the related future minimum lease payments are as belows:

	30/6/2013	**31/12/2012**
	RMB'000	*RMB'000*
Within one year	3,983	59,953
In the second to fifth year inclusive	25,836	9,464
	29,819	69,417

The amount represents rentals receivable from Qingling Isuzu Engine, Qingling Isuzu Sales, Isuzu Qingling Engineering and Isuzu Qingling Autoparts for the Group's investment properties. During the current interim period, certain leases have been re-negotiated for an average term of three to four years.

2013 Half-Yearly Results

As at 30 June 2013, the Company sold 27,132 vehicles, representing a decrease of 13.4% over the corresponding period of the previous year. Sales revenue realized amounted to RMB2.70 billion, representing a decrease of 14.5% over the corresponding period of the previous year. Profit after taxation was RMB185 million, representing a year-on-year increase of 17.0%.

Management Discussion and Analysis

REVIEW OF OPERATION

During the first half of the year, Chinese economy faces increasing pressure resulted from downward adjustments. The growth of the "three driving engines", namely, investment, export and consumption also slows down. The market of commercial vehicle continues to perform similarly to the previous year; despite a slight increase in sales turnover, the operation quality and efficiency decline. In view of the severe adverse environment, the Company, on the one hand, places strong emphasis on the strengthening and enhancement of areas such as market sales and operation, fundamental management, and technology improvement; on the other hand, the Company also focuses on nurturing the increase in production volume for heavy duty vehicles and engines for heavy duty vehicles. Production operation managed to overcome the adversity while quality of operation and efficiency are further enhanced; there is an upward trend in all operating areas.

1. Rigid control on the implementation of sales operation targets; expands existing markets in counties and towns. Explores and nurtures first-tier distributors in counties and towns, the sales of distributors in counties and towns achieved an increase of 80% over the corresponding period of last year which represents a 5% increase in total sales turnover compared to the corresponding period of the previous year. Encourages existing distributors to open up new branches and to provide training to enhance the technical assurance ability of the existing branches. Branches realize a 8% increase in sales over the corresponding period of the previous year. This illustrates the advantage of the model of "1 (parent shop) + X (branches)".

2. Continues to focus on fundamental administration and consolidate the software foundation for the development of the enterprise. 1). Amends the economic responsibility of the quality and delivery requirement of products for internal use so that it changes from flexible to become rigid; in order to re-establish the fundamentals of enterprise management. 2). While amending the economic responsibility of the quality and delivery requirement of products for internal use and consolidating the foundation of quality and production management; to continue to focus on the professional management in various areas such as equipment, 5S, molds and fixtures etc.

3. Continues to enhance technology development. 1). To speed up the development and put into production the models with totally new outlook such as National IV 100P, National IV 600P, 700P pneumatic vehicle and National IV F. To develop and put into production various models of modified vehicles such as, fire service command vehicle and vehicle for selling vegetables in order to enhance sales turnover; 2). To mobilize the entire team of technical staff, section and team heads and basic workers to work proactively with self-initiative in areas such as know-how, molds, equipment and fixture resulting in 100 progresses in practical technologies which provide important hardware assurance for efficiency enhancement, quality assurance and cost reduction.

4. Places great emphasis on the team building of cadres and workers in order to nurture the soft power essential for the development of the enterprise. Such as the fostering of the ideological quality of the cadres, focusing on the building of management style, and enhancing the management abilities; improves the practical experience of technical staff in actual working environment and provides in-depth training in professional knowledge; provides substantial support to take up training and examinations in advance technical skills. Continues to provide training to all levels of own staff in order to enhance their quality so that they become the most important resource for the sustainable development of the Company.

5. To push ahead the development of heavy-duty vehicles and engines with substantial achievements. 1). the completion of the development of the first heavy-duty vehicle with 360 horsepower. Demo vehicle was launched and well received in the Chongqing International Car Show in June 2013; 2). To produce domestically externally purchased spare parts, production of which progresses in full swing and to produce domestically engines and other self-manufactured spare parts, production of which also progresses smoothly; 3). To set up a dedicated sales team for the sales operation of heavy-duty vehicles,

Sino-Japanese co-operation runs smoothly in areas such as "establishing sales operation network, pre-sales training and recommendation and fundamentals for sales operation".

OUTLOOK

Over the years, the Company adheres to the concept of sustainable development to form our operation philosophy and strategy while continues to refine the fundamentals of the Company internally in order to build a solid base for the Company. Regardless of the severe environment in the first-half of the year, the Company consolidated a foothold in an adverse operation environment and has achieved substantial development in boosting our output quantity and developing new products. This has re-affirmed our confidence for development.

1. Determined to implement 3 key sales strategies to develop new distributors in counties and towns, rejuvenate existing distributors and develop new distributors for vehicles that related to "food and the livelihood" of our citizens.

2. To set up rigidly the economic responsibility system for quality and delivery; to promote market development and to implement various management fundamentals.

3. Strives to explore new markets through technology advancement. We continue to develop and introduce finished vehicles and modified vehicles with different specifications according to market for demands and our established schedule.

4. Continues to work seriously on team building for cadres and workers. While continue to focus on the training of senior management and technicians, we also put extra efforts in providing professional qualification training to staff and setting examination and promotion evaluation for our staff so as to cultivate skillful staff with high professional qualification.

5. Speeds up and steadily boosts the progress of the projects for heavy-duty vehicles and engines for heavy-duty vehicles. We will follow the established schedule in three major aspects of work, including product development, domestic production of spare part and setting up sales network. The objective of which is to prepare ourselves for launching heavy-duty vehicles next year.

Notwithstanding the overall challenging and severe macro-economic environment, the Company strongly believes that, through our determination and dedication, we will be able to overcome all difficulties and challenges, and by securing a steady development for the Company, we are committed to bring returns to our investors.

Financial Review

COMPREHENSIVE INCOME

For the six months ended 30 June 2013, the turnover of the Group was RMB2,699,842,000, representing a decrease of 14.5% as compared to the same period last year, and it was affected by sluggish market caused by the unfavorable business environment and the slowdown of Chinese economic growth.

The gross profit during the period was RMB423,792,000, representing an increase of 8.2% as the decrease in income was more than offset by the decrease in cost given that the unfavorable impact attributable to the decrease in the sales of the Group's products during the period was mitigated by the decrease of the price of major raw materials and the depreciation of Japanese Yen. During the period, the gross profit margin of the Group improved to 15.7% as compared to 12.4% of the same period last year. The net profit of the Group was RMB184,845,000, representing an increase of 17.0% as compared to the same period last year.

For the six months ended 30 June 2013, other income included bank interest income and rental service income, totaling RMB60,758,000, representing a decrease of 9.7% as compared to the same period last year, and this was due to the decrease of bank interest income during the period.

For the six months ended 30 June 2013, the total distribution cost of the Group, including transportation costs, maintenance fees and other market promotion expenses, was RMB185,038,000, representing a decline of 7.9% as compared to the same period last year and in line with the decrease of revenue during the period.

For the six months ended 30 June 2013, the total general and administrative expenses of the Group, including staff's salaries and allowance, insurance premium, development and research expenses, maintenance fees and other administrative expenses, was RMB85,852,000, representing an increase of 4.3% as compared to the same period last year, this was mainly due to the increase of development and research expenses during the period.

For the six months ended 30 June 2013, the profit of joint venture attributable to the Group was RMB535,000, representing a decrease of 84.7% as compared to the same period last year, and this was mainly caused by the fall of profit of joint ventures during the period.

For the six months ended 30 June 2013, basic earnings per share and fully diluted earnings per share was RMB0.0739, representing an increase of 17.1% as compared to the same period last year. The Company did not issue any new shares during the period and the increase of earnings per share was resulted from the increase of net profit.

FINANCIAL POSITION

As at 30 June 2013, the total assets and total liabilities of the Group were RMB9,363,846,000 and RMB1,889,751,000 respectively. The non-current assets were RMB1,856,606,000, mainly including property, plant and equipment, interests in joint ventures, prepaid lease payments, prepayment for acquisition of non-current assets.

The total current assets were RMB7,507,240,000, mainly including RMB821,529,000 of inventories, RMB963,953,000 of trade and other receivables, RMB2,060,600,000 of bills receivables, RMB2,604,724,000 of fixed deposits with maturity over 3 months and RMB1,055,051,000 of cash and cash equivalents. Trade and other receivables included RMB868,945,000 and RMB95,008,000 due from related parties and non-related parties respectively.

The total current liabilities were RMB1,889,751,000, mainly including RMB1,868,120,000 of the total trade, bills payables and other payables and RMB21,631,000 of tax payable.

The net current assets decreased from RMB5,650,559,000 as at 31 December 2012 to RMB5,617,489,000 as at 30 June 2013 with no significant change recorded.

LIQUIDITY AND CAPITAL STRUCTURE

For the six months ended 30 June 2013, the Group operated under net cash inflow position and the net cash from operating activities of the Group was RMB349,625,000. As at 30 June 2013, the cash and cash equivalents retained by the Group were RMB1,055,051,000, representing an increase of RMB14,553,000 as compared to the balances reported on 31 December 2012.

The Group's working capital requirement was financed by its own cash flow.

Gearing ratio represented the percentage of total liabilities over total equity as per condensed consolidated statement of financial position. The gearing ratio of the Group as at 30 June 2013 was 25.3% (as at 30 June 2012: 31.9%).

Issued share capital as at 30 June 2013 maintained at the level of RMB2,482,268,000, and no share was issued during the six months.

For the six months ended 30 June 2013, there was no material change in the financing strategies of the Group and the Group did not incur any bank borrowings nor any non-current liabilities. The Group would closely monitor the financial and liquidity position of the Group and financial market from time to time in order to formulate financing strategies appropriate to the Group.

The total equity attributable to owners of equity interests as at 30 June 2013 was RMB7,181,645,000. The net asset per share as at 30 June 2013 was RMB2.9.

SIGNIFICANT INVESTMENT

As at 30 June 2013, the Group's investment in joint ventures was RMB392,620,000 and investment in associates was RMB6,019,000, which mainly included the investment in 慶鈴五十鈴（重慶）發動機有限公司, a joint venture, of RMB377,864,000. For the six months ended 30 June 2013, the joint ventures and associates of the Group were under normal operation, and the decrease of the income from operation of 慶鈴五十鈴（重慶）發動機有限公司 was mainly attributable to the slowdown of domestic macro-economy and the decline in market demand.

During the period ended 30 June 2013, there were no significant acquisition and disposal of the Group.

SEGMENT INFORMATION

The revenue contributed by light-duty trucks and pick-up trucks was RMB2,075,454,000, representing 76.9% of the total revenue; the operation income was RMB141,835,000, representing 83.6% of the operation income and they are currently the major products accounting for the highest contribution of the major products to the Company's revenue.

The revenue contributed by medium trucks and heavy-duty trucks was RMB402,580,000, representing 14.9% of the total revenue. The income from operation attributable to medium trucks and heavy-duty trucks was RMB26,334,000, accounting for 15.5% of the income from operation.

The company planned to enlarge the share of sales revenue and profit attributable to medium and heavy-duty trucks to 30% to establish a strategic layout which light-duty, medium and heavy-duty trucks are equally important.

Pledge of Assets

During the period ended 30 June 2013, no asset of the Group was pledged for financial facilities (During the period ended 30 June 2012: Nil).

Effects of Foreign Exchange Rate Changes

As at 30 June 2013, our Group had bank balances of foreign currency including HK dollars in aggregate of RMB47,620,000, and foreign currency payables and other payables in aggregate of RMB63,254,000.

The major foreign currency transactions of the Group represented purchase businesses of automobile parts denominated in Japanese Yen. During the period, the business operating cost of the Group decreased substantially as result of the depreciation of Japanese Yen. The Group did not encounter any difficulty or suffer any significant impact in its operations or liquidity as a result of the fluctuation of the exchange rate.

Commitments

As at 30 June 2013, the Group had capital commitments of approximately RMB120,645,000 that had been contracted for but not provided in the condensed consolidated financial statements and approximately RMB31,457,000 that had been approved by the Board but not contracted for, mainly including the outstanding consideration payable concerning the production execution information system and high-duty truck technology license fees. The Group expects to finance the above capital requirement by its own cash flows.

Interim Dividend

The Board did not recommend any interim dividend for the six months ended 30 June 2013 (for the period ended 30 June 2012: nil).

Purchase, Redemption and Sale of the Company's Listed Securities

There were no purchase, redemption or sales of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2013.

Employees and Remuneration Policy

As at 30 June 2013, the Group has 2,648 employees. For the six months ended 30 June 2013, labor cost was RMB60,146,000.

The Group determines the emoluments payable to its employees based on their performances, experience and prevailing industry practices while the Group's remuneration policy and packages are reviewed on a regular basis so as to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. Depending on the assessment about their work performances, employees may be granted bonuses and rewards which in turn provide the motives and incentives for better individual performance.

Sales of Staff Quarters

For the six months ended 30 June 2013, the Group did not sell any staff quarters to its employees.

Structure of Shareholding

(1) As at 30 June 2013, the entire share capital of the Company comprised 2,482,268,268 shares, including:

	Number of shares	**Percentage of total number of issued shares**
Domestic shares	1,243,616,403 shares	about 50.10%
Foreign shares (H shares)	1,238,651,865 shares	about 49.90%

(2) Substantial shareholders

As at 30 June 2013, shareholders other than a director, supervisor or chief executive of the Company having an interest and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "SFO") were as follows:

Long positions in the shares of the Company:

Name of shareholders	Class of shares	Number of shares	Capacity	Percentage of the relevant of share capital	Percentage of entire share capital
Qingling Group	Domestic shares	1,243,616,403 shares	Beneficial Owner	100.00%	50.10%
Isuzu	H shares	496,453,654 shares	Beneficial Owner	40.08%	20.00%
Allianz SE	H shares	74,746,000 shares *(Note)*	Interest of controlled corporation	6.03%	3.01%

Note:

The following is a breakdown of the interests in shares of the Company held by Allianz SE:

			Total interest in shares	
Name of controlled corporation	Name of controlling shareholder	Percentage of control	Direct interest	Indirect interest
Allianz Asset Management AG	Allianz SE	100%	—	74,746,000
Allianz Global Investors GmbH	Allianz Asset Management AG	100%	—	74,746,000
RCM Asia Pacific Ltd.	Allianz Global Investors GmbH	100%	74,746,000	—

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2013.

Directors', Supervisors' and Chief Executives' Interests in Shares

As at 30 June 2013, none of the directors, supervisors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). For the six months ended 30 June 2013, none of directors, supervisors and chief executives of the Company, their spouse or children under 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

Corporate Governance

The Company endeavours to maintain a high standard of corporate governance and to increase transparency to its shareholders. The Company has adopted sound governance and disclosure practices, and is committed to continuously improve those practices and cultivate an ethical corporate structure.

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2013.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors. Having made specific enquiry of all directors and supervisors, the Company confirmed all directors and supervisors have complied with the required standard set out in the Model Code during the six months ended 30 June 2013.

Independent Review

The interim results for the six months ended 30 June 2013 are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The interim results have also been reviewed by the Company's audit committee.

Change in Directorship

(1) Mr. LIU Guangming resigned as an executive director and the member of remuneration committee of the Company with effect from 5 June 2013.

(2) Mr. DU Weidong has been appointed as an executive director and the member of remuneration committee of the Company with effect from 5 June 2013.

Directors

As at the date of this report, the Board comprises the following directors:

Executive Directors:
Mr. WU Yun
Mr. Naotoshi TSUTSUMI
Mr. GAO Jianmin
Mr. Makoto TANAKA
Mr. Ryozo TSUKIOKA
Mr. DU Weidong
Mr. PAN Yong

Independent Non-Executive Directors:
Mr. LONG Tao
Mr. SONG Xiaojiang
Mr. XU Bingjin
Mr. LIU Tianni

By Order of the Board
Qingling Motors Co. Ltd
WU Nianqing
Company Secretary

Chongqing, the PRC, 22 August 2013