



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

2014 Interim Report



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 established 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 24, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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
21 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	<i>NOTES</i>	Six months ended	
		30/6/2014	30/6/2013
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	3	3,033,348	2,699,842
Cost of sales		(2,558,154)	(2,276,050)
		<hr/>	<hr/>
Gross profit		475,194	423,792
Other income		62,471	60,758
Other gains and losses		99	3,243
Distribution and selling expenses		(168,039)	(185,038)
Administrative expenses		(94,079)	(85,852)
Share of profit of an associate		165	35
Share of profit of joint ventures		6,279	535
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Profit before tax	4	282,090	217,473
Income tax expense	5	(41,394)	(32,628)
		<hr/>	<hr/>
Profit and total comprehensive income for the period		<u>240,696</u>	<u>184,845</u>
Profit for the period and total comprehensive income for the period attributable to:			
Owners of the Company		239,972	183,489
Non-controlling interests		724	1,356
		<hr/>	<hr/>
		<u>240,696</u>	<u>184,845</u>
Earnings per share			
Basic	7	<u>RMB0.0967</u>	<u>RMB0.0739</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		30/6/2014 <i>RMB'000</i> (unaudited)	31/12/2013 <i>RMB'000</i> (audited)
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	8	1,016,005	1,144,232
Prepaid lease payments		42,736	43,426
Investment properties		38,020	39,022
Intangible assets		37,881	43,641
Interest in an associate		6,462	6,297
Interests in joint ventures		405,613	399,334
Deferred tax assets		2,299	2,299
Prepayments for acquisition of non-current assets	9	50,681	50,681
		<hr/>	<hr/>
		1,599,697	1,728,932
		<hr/>	<hr/>
Current assets			
Inventories		1,137,957	795,068
Trade and other receivables	10	945,506	824,276
Bills receivables	11	2,879,874	2,648,726
Prepaid lease payments		1,383	1,383
Bank deposits with original maturity more than three months	12	2,617,170	2,625,304
Bank balances and cash		1,274,128	1,206,765
		<hr/>	<hr/>
		8,856,018	8,101,522
		<hr/>	<hr/>
Current liabilities			
Trade, bills and other payables	13	2,525,690	2,136,133
Dividend payable		322,695	—
Tax liabilities		27,261	27,446
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		2,875,646	2,163,579
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Net current assets		5,980,372	5,937,943
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Total assets less current liabilities		7,580,069	7,666,875
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	30/6/2014 <i>RMB'000</i>	31/12/2013 <i>RMB'000</i>
<i>NOTES</i>	(unaudited)	(audited)
Capital and reserves		
Share capital	2,482,268	2,482,268
Share premium and reserves	4,804,846	4,887,569
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Equity attributable to owners of the Company	7,287,114	7,369,837
Non-controlling interests	292,955	297,038
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Total equity	<u><u>7,580,069</u></u>	<u><u>7,666,875</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company							Non- controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
For the six months ended 30 June 2014 (unaudited)									
At 1 January 2014 (audited)	2,482,268	1,764,905	572,239	908,905	2,347	1,639,173	7,369,837	297,038	7,666,875
Profit and total comprehensive income for the period	—	—	—	—	—	239,972	239,972	724	240,696
2013 final dividend declared (Note 6)	—	—	—	—	—	(322,695)	(322,695)	—	(322,695)
Dividend declared by a subsidiary to non-controlling interests	—	—	—	—	—	—	—	(4,807)	(4,807)
At 30 June 2014	<u>2,482,268</u>	<u>1,764,905</u>	<u>572,239</u>	<u>908,905</u>	<u>2,347</u>	<u>1,556,450</u>	<u>7,287,114</u>	<u>292,955</u>	<u>7,580,069</u>
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	<u>2,482,268</u>	<u>1,764,905</u>	<u>572,239</u>	<u>872,748</u>	<u>2,347</u>	<u>1,487,138</u>	<u>7,181,645</u>	<u>292,450</u>	<u>7,474,095</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended	
	30/6/2014	30/6/2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	31,288	349,625
NET CASH FROM (USED IN)		
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(20,443)	(33,915)
Prepayments for acquisition of non-current assets	—	(50,741)
Withdrawal of bank deposits with original maturity more than three months	1,550,663	1,485,800
Placement of bank deposits with original maturity more than three months	(1,551,033)	(1,545,798)
Interest received	56,470	61,970
Proceeds from disposal of property, plant and equipment	32	7
	<u>35,689</u>	<u>(82,677)</u>
CASH USED IN FINANCING ACTIVITIES:		
Dividends paid	—	(248,227)
	<u>—</u>	<u>(248,227)</u>
Net increase in cash and cash equivalents	66,977	18,721
Cash and cash equivalents at 1 January	1,206,765	1,040,498
Effect of exchange rate changes on the balance of cash held in foreign currencies	386	(4,168)
	<u>386</u>	<u>(4,168)</u>
Cash and cash equivalents at 30 June, represented by Bank balances and cash	<u>1,274,128</u>	<u>1,055,051</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 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 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities</i>
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting; and</i>
HK (IFRIC)-Int 21	<i>Levies</i>

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

(i) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the six months ended 30 June 2014 and 2013:

Six months ended 30 June 2014

	Light-duty trucks RMB'000	Multi-purposes vehicles RMB'000	Pick-up trucks RMB'000	Medium and heavy-duty trucks RMB'000	Automobile parts and accessories RMB'000	Consolidated RMB'000
Segment revenue	<u>1,385,563</u>	<u>12,074</u>	<u>711,404</u>	<u>764,771</u>	<u>159,536</u>	<u>3,033,348</u>
Result						
Segment profit	<u>94,374</u>	<u>896</u>	<u>73,901</u>	<u>60,056</u>	<u>1,003</u>	230,230
Central administration costs						(17,154)
Interest income						47,966
Other income						14,505
Other gains and losses						99
Share of profit of an associate						165
Share of profit of joint ventures						6,279
Group's profit before tax						<u>282,090</u>

3. SEGMENT INFORMATION (Cont'd)

(i) Segment revenue and results (Cont'd)

Six months ended 30 June 2013

	Light-duty trucks <i>RMB'000</i>	Multi- purposes vehicles <i>RMB'000</i>	Pick-up trucks <i>RMB'000</i>	Medium and heavy-duty trucks <i>RMB'000</i>	Automobile parts and accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
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

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.

3. SEGMENT INFORMATION (Cont'd)

(ii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments as at 30 June 2014 and 31 December 2013:

As at 30 June 2014

	Light-duty trucks <i>RMB'000</i>	Multi- purposes vehicles <i>RMB'000</i>	Pick-up trucks <i>RMB'000</i>	Medium and heavy-duty trucks <i>RMB'000</i>	Automobile parts and accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Assets						
Segment assets	2,504,691	16,591	894,932	1,458,005	191,051	5,065,270
Interchangeably used assets between segments						
— property, plant and equipment						541,683
— prepaid lease payments						44,119
— inventories						222,761
Investment properties						38,020
Prepayments for acquisition of non-current assets						50,681
Interest in an associate						6,462
Interests in joint ventures						405,613
Bank deposits and bank balances						3,891,298
Other unallocated assets						189,808
Consolidated total assets						10,455,715
Liabilities						
Segment liabilities	228,968	2,443	92,734	71,381	20,837	416,363
Unallocated trade, bills and other payables						2,109,327
Other unallocated liabilities						349,956
Consolidated total liabilities						2,875,646

3. SEGMENT INFORMATION (Cont'd)

(ii) Segment assets and liabilities (Cont'd)

As at 31 December 2013

	Light-duty trucks <i>RMB'000</i>	Multi- purposes vehicles <i>RMB'000</i>	Pick-up trucks <i>RMB'000</i>	Medium and heavy-duty trucks <i>RMB'000</i>	Automobile parts and accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Assets						
Segment assets	<u>2,188,835</u>	<u>14,203</u>	<u>979,601</u>	<u>1,274,282</u>	<u>155,541</u>	4,612,462
Interchangeably used assets between segments						
— property, plant and equipment						592,534
— prepaid lease payments						44,809
— inventories						164,669
Investment properties						39,022
Prepayments for acquisition of non-current assets						50,681
Interest in an associate						6,297
Interests in joint ventures						399,334
Bank deposits and bank balances						3,832,069
Other unallocated assets						<u>88,577</u>
Consolidated total assets						<u>9,830,454</u>
Liabilities						
Segment liabilities	<u>227,386</u>	<u>1,493</u>	<u>119,789</u>	<u>61,222</u>	<u>19,320</u>	429,210
Unallocated trade, bills and other payables						1,706,923
Other unallocated liabilities						<u>27,446</u>
Consolidated total liabilities						<u>2,163,579</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than interchangeably used assets between segments, investment properties, prepayments for acquisition of non-current assets, interest in an associate, interests in joint ventures, bank deposits and bank balances and other unallocated assets held by the head office; and
- All liabilities are allocated to operating segments other than unallocated trade, bills and other payables and other unallocated liabilities of the head office.

4. PROFIT BEFORE TAX

	Six months ended	
	30/6/2014	30/6/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	147,236	109,899
Amortisation of intangible assets (included in cost of sales)	5,760	4,205
Depreciation of investment properties	1,002	3,465
Release of prepaid lease payments	690	643
Loss on disposal of property, plant and equipment	365	70
Net foreign exchange loss	1,159	—
and after crediting:		
Interest income from bank deposits and balances	47,966	44,040
Rental income from renting investment properties and equipment	12,624	16,695
Reversal of allowance for doubtful debts	1,623	—
Net foreign exchange gain	—	3,313
	<u> </u>	<u> </u>

5. INCOME TAX EXPENSE

	Six months ended	
	30/6/2014	30/6/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	41,394	32,628
	<u> </u>	<u> </u>

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 year 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 2013: 25%) EIT rate for the six months ended 30 June 2014.

6. DIVIDEND

During the current interim period, a final dividend of RMB0.13 per share in respect of the year ended 31 December 2013 (six months ended 30 June 2013: RMB0.10 per share in respect of the year ended 31 December 2012) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to RMB322,695,000 (six months ended 30 June 2013: RMB248,227,000). The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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	
	30/6/2014	30/6/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>239,972</u>	<u>183,489</u>

	Six months ended	
	30/6/2014	30/6/2013
	<i>'000</i>	<i>'000</i>
Number of shares		
Number of shares for the purpose of basic earnings per share	<u>2,482,268</u>	<u>2,482,268</u>

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 RMB19,654,000 (six months ended 30 June 2013: RMB32,765,000), which is for new production lines and renovation projects.

9. PREPAYMENTS FOR ACQUISITION OF NON-CURRENT ASSETS

As at 30 June 2014, the balance represented prepayments for initial fees of new heavy-truck technology licences with amounts of RMB50,681,000.

10. TRADE AND OTHER RECEIVABLES

At the end of the reporting period, the balance of trade and other receivables included 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, 慶鈴五十鈴(重慶)發動機有限公司 (“Qingling Isuzu Engine” — joint venture of the Group), 慶鈴五十鈴(重慶)汽車銷售服務有限公司 (“Qingling Isuzu Sales” — joint venture of the Group), 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) as follows:

	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Qingling Group	705,475	633,368
Subsidiaries of Qingling Group	106,652	87,458
Qingling Isuzu Engine	—	5,543
Qingling Isuzu Sales	3,782	—
Isuzu Qingling Engineering	648	272
Isuzu Qingling Autoparts	1,754	471
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	818,311	727,112
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Receivables from Qingling Group are trade in nature and aged within 6 months.

Receivables from subsidiaries of Qingling Group are in trade nature, of which RMB52,310,000 are aged within 6 months (31 December 2013: RMB47,041,000), RMB16,925,000 (31 December 2013: RMB5,209,000) are aged over 6 months but within 1 year and RMB37,417,000 (31 December 2013: RMB35,208,000) are aged over 1 year.

Receivables from Qingling Isuzu Sales are in trade nature, aged within 6 months.

Receivables from Isuzu Qingling Engineering are receivables for rental income and service provided, aged within 6 months.

Receivables from Isuzu Qingling Autoparts are in trade nature, aged within 6 months.

10. TRADE AND OTHER RECEIVABLES (Cont'd)

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:

	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	688,385	459,059
Between 3 to 6 months	88,264	261,816
Between 7 to 12 months	27,761	5,209
Between 1 to 2 years	46,350	35,517
Over 2 years	2,220	11,552
	<hr/>	<hr/>
Trade receivables less allowance for doubtful debts	852,980	773,153
Other receivables	13,695	6,819
Prepaid value added tax	1,099	—
Prepayments	77,732	44,304
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	945,506	824,276
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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 RMB2,972,000 as at 30 June 2014 (31 December 2013: RMB4,595,000).

11. BILLS RECEIVABLES

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

	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	625,161	878,650
Between 1 to 2 months	459,257	419,595
Between 2 to 3 months	446,679	214,663
Between 4 to 6 months	1,348,777	1,135,818
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	2,879,874	2,648,726
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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 2013: from 6 to 12 months) and their interest rates are ranging from 3.00% to 3.30% (31 December 2013: from 3.00% to 3.30%) 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, Qingling Isuzu Sales and Qingling Isuzu Engine as follows:

	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Isuzu	61,377	69,612
Subsidiaries of Qingling Group	829	7,723
Qingling Isuzu Sales	—	129
Qingling Isuzu Engine	133,005	—
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	195,211	77,464
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These amounts are in trade nature, unsecured, interest free and the credit period granted on purchases of materials is 3 to 6 months.

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

	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	1,899,665	1,446,427
Between 3 to 6 months	108,285	131,591
Between 7 to 12 months	44,356	26,909
Over 1 year	19,105	17,439
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Trade and bills payables	2,071,411	1,622,366
Advance from customers	85,103	116,973
Selling expenses payables	298,561	264,780
Other payables	56,752	55,482
Value added tax payables	9,056	76,532
Dividend payable to non-controlling interests	4,807	—
	<hr/>	<hr/>
	2,525,690	2,136,133
	<hr/> <hr/>	<hr/> <hr/>

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)*

Type of transactions	Six months ended	
	30/6/2014 RMB'000	30/6/2013 RMB'000
Sales of chassis	925,309	692,420
Purchases of automobile parts (Note 1)	80,745	59,878
Sales of parts and raw materials for the manufacture of automobile parts (Note 2)	50,157	29,719
Expenses for renting warehouse	3,020	3,018
Expenses for renting equipment	575	690
	<u> </u>	<u> </u>

Note 1: Included in the amount set out above are RMB27,735,000 (six months ended 30 June 2013: RMB19,296,000), RMB1,582,000 (six months ended 30 June 2013: RMB4,449,000), RMB51,428,000 (six months ended 30 June 2013: RMB35,818,000) and nil (six months ended 30 June 2013: RMB315,000) 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 RMB3,100,000 (six months ended 30 June 2013: RMB2,652,000), RMB41,978,000 (six months ended 30 June 2013: RMB22,753,000), RMB5,074,000 (six months ended 30 June 2013: RMB4,311,000) and RMB5,000 (six months ended 30 June 2013: RMB3,000) representing the sales of parts and raw materials to Qingling Jijia, Qingling Shangzhuang, Qingling Chassis and Qingling Group respectively during the current period.

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

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

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

Type of transactions	Six months ended	
	30/6/2014	30/6/2013
	RMB'000	RMB'000
Sales of parts and raw materials for the manufacture of automobile parts	19,739	13,808
Purchases of automobile parts	12,688	8,692

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

Type of transactions	Six months ended	
	30/6/2014	30/6/2013
	RMB'000	RMB'000
Purchases of automobile parts	23,785	18,990
Sales of parts and raw materials for the manufacture of automobile parts	1,701	5,047
Expenses for renting equipment	9,987	12,449

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

Type of transactions	Six months ended	
	30/6/2014	30/6/2013
	RMB'000	RMB'000
Purchases of automobile parts	25,335	18,804
Sales of parts and raw materials for the manufacture of automobile parts	1,696	1,308

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

Type of transactions	Six months ended	
	30/6/2014	30/6/2013
	RMB'000	RMB'000
Purchases of automobile parts	32,004	26,541
Sales of parts and raw materials for the manufacture of automobile parts	6,323	5,355

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

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

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

Type of transactions	Six months ended	
	30/6/2014 RMB'000	30/6/2013 RMB'000
Purchases of automobile parts	36,745	31,517
Sales of parts and raw materials for the manufacture of automobile parts	1,533	979
	<u>38,278</u>	<u>32,496</u>

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

Type of transactions	Six months ended	
	30/6/2014 RMB'000	30/6/2013 RMB'000
Purchases of automobile parts	6,605	4,639
Sales of parts and raw materials for the manufacture of automobile parts	1,087	528
	<u>7,692</u>	<u>5,167</u>

(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	
	30/6/2014 RMB'000	30/6/2013 RMB'000
Purchases of parts and components	533,613	523,084
Royalties on sale of trucks and other vehicles	13,149	26,628
Sales of accessory sets and other automobile parts and components	10,216	12,580
Prepayments for acquisition of intangible assets	—	50,681
	<u>556,978</u>	<u>612,973</u>

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

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

Type of transactions	Six months ended	
	30/6/2014	30/6/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Purchases of automobile parts	707,092	582,929
Sales of accessory sets and raw materials	340,933	223,050
Income for renting properties and equipment	22,005	31,284
Miscellaneous service income	1,403	1,498
	<u>1,403</u>	<u>1,498</u>

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

Type of transactions	Six months ended	
	30/6/2014	30/6/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of trucks	4,094	3,087
Sales of raw materials and automobile parts	236	490
Rental income	780	733
Miscellaneous service income	250	250
	<u>250</u>	<u>250</u>

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

Type of transactions	Six months ended	
	30/6/2014	30/6/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	443	105
Miscellaneous service income	425	136
	<u>425</u>	<u>136</u>

(6) Transactions with Isuzu Qingling Autoparts, an associate of the Qingling Group

Type of transactions	Six months ended	
	30/6/2014	30/6/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of raw materials and automobile parts	3,218	—
Miscellaneous service income	935	—
	<u>935</u>	<u>—</u>

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

(7) 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	
	30/6/2014	30/6/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade sales	429,986	416,603
Trade purchases	178,483	158,389
Purchase of property, plant and equipment	582	8,687
	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other balances due to other government-related entities	104,932	91,669
Trade and other balances due from other government-related entities	495,406	947,867

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits 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.

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

(8) 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 2014 amounted to approximately RMB1,685,000 (six months ended 30 June 2013: RMB1,703,000).

15. COMMITMENTS

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

	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment, and intangible assets	83,282	95,636
Approved by the directors but not contracted for in respect of acquisition of property, plant and equipment	14,829	17,583

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:

	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	33,769	35,493
In the second to fifth year inclusive	44,218	59,234
	77,987	94,727

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

As at 30 June 2014, included above is operating lease commitment to Qingling Group, Qingling Forging amounted to RMB74,215,000 (31 December 2013: RMB89,610,000) in aggregate.

16. OPERATING LEASE (Cont'd)

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 follows:

	30/6/2014	31/12/2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	51,989	51,893
In the second to fifth year inclusive	74,623	99,058
	<u>126,612</u>	<u>150,951</u>

The amount represents rentals receivable from Qingling Isuzu Engine, Qingling Isuzu Sales and Isuzu Qingling Engineering for certain of its land and buildings and production facilities. During the current interim period, certain leases have been re-negotiated for an average term of three years.

2014 HALF-YEARLY RESULTS

As at 30 June 2014, the Group sold 28,848 vehicles, representing an increase of 6.3% over the corresponding period of the previous year. Sales revenue realized amounted to RMB3.03 billion, representing an increase of 12.4% over the corresponding period of the previous year. Profit after taxation was RMB240 million, representing a year-on-year increase of 30.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

During the first half of the year, the macroeconomic economy faced increasing pressure resulted from downward adjustments. With the continuous fall in Producer's Price Index for Manufactured Products, the movement of Purchasing Managers Index has been lingered around the boom-bust line. Commodity truck industry still faced unfavorable economic situation, resulting in a decline in sales turnover and efficiency. In accordance with the data published by China Association of Automobile Manufacturers, the total national sales turnover of commodity trucks for the first half of the year amounted to 1.771 million, representing a decrease of 4.3% over the corresponding period. Facing severe economic situation, the Company is determined in conducting proactive approach in exploring market with the collective stupendous effort by implementing the various initiatives as constructed in the beginning of the year through utilizing all constructive ways on one hand, while the Company, on the other hand, attained advancement in technology, and the quality of basic management and the management teams by exploring markets, and as a result, achieve satisfactory growth amid unfavorable economic environment and significant improvement in both quality and efficiency.

- 1. Seize the opportunity brought by National IV and attain a surge in sales turnover of commodity cars.** 1) Place great emphasis in building and nurturing distributors and branches in counties and towns with an aim to optimize both quality and quantity. 2) Put consistent in-depth effort in marketing and promotion with the assistance of over one hundred distributors in 13 regions by securing the precious timing for promoting National IV. 3) Take initiative in lowering the prices for the whole series of Light-trucks 100P and optimize performance-to-price ratio for the second time in order to secure customers wishing to meet environmental requirements among competitors. 4) Secure new demand from big clients and tuning factories arising from the upgrade, transformation and

recovery of the business. During the first half of the year, the sales turnover of commodity trucks produced by the Company enjoyed an increase of 23.8% over the corresponding period.

- 2. Speed up the development of products which meet market needs to support market exploration.** 1) Enhance the performance and broaden specifications of our existing products. The Company developed vehicles with broadened specification including 700P trucks of short wheelbase, 600P trucks with enlarged body, and 600P and 700P large-tonnage trucks equipped with disc brakes so as to satisfy the market demand and the requirement of rules and regulation. 2) Provide tailor-made products for customers by developing various kinds of modified vehicles, such as stake trucks and vehicles with wingspan; satisfy the market needs by developing chassis for modified vehicles with tailor-made specifications including fire engines, wreckers and coal mining trucks.
- 3. Continue to focus on basic management and further enhance the competitiveness of QCD to support market exploration.** 1) Continue to focus on the quality of manufacturing procedures and management on factors that affected the operation by conducting effective quality management activities including consistently pre-adjusting and modifying the quality standard in respect of suppliers, monitoring construction, implementing PPR and holding QC activities. 2) Construct and optimize integrated operation mechanism in respect of sale, production, development, quality control and procurement so that problems relating to technology transfer, production and dispatch of products, and logistics can be detected and resolved immediately. 3) Continue to advance the standardization of equipment management, strengthening of management on equipment failure, implementation of management for monitoring the operation of equipment and enhancement in the management on equipment spare parts with an aim to enhance the efficiency of the supply of spare parts.
- 4. Maintain a human-oriented approach and place on-going emphasis on the team building of cadres and workers in order to nurture the soft power essential for the development of the enterprise.** For the top cadres, who played an important role in critical work such as market exploration, heavy-duty truck projects, advancement of technology and basic management, the Company provided practical training, skills and management ability upgrade in order to enhance their ability to discharge their job duties. For technical staff, the Company integrated their job requirements with special emphasis on crucial issues of production and operation, and continued to conduct special training courses on specific topics in order to enhance their abilities in resolving practical

problems. As for operational staff, the Company continued to provide training and examinations as well as promotion opportunities to senior technical staff. A team of new technical and skillful staff who are well-versed in theoretical and practical work are emerging; playing an active role in the production front lines as well as performing back up technical services for the enterprise.

- 5. Overcome difficulties and challenges, and achieve significant stage success in projects of heavy-duty trucks and engines of heavy-duty trucks.** With the collaboration from both Qingling and Isuzu, the projects progressed in tremendous speed in three aspects such as development, domestication and marketing. Subsequently, the first model of VC46 heavy-duty truck equipped with 6U engine has been completed. The first 6U engine rolled off the production line on 20 March 2014 while the first VC46 heavy-duty truck rolled off the production line on 15 April 2014. The first dispatch of trucks for trial sale were handed over to customers on 30 May 2014 while the production for the second batch of trucks for trial sale were completed in late June and reactions from customers were positive. This provided a sound foundation for the launching of small-batch sale in the second half of the year.

OUTLOOK

It is more imminent that the economy of the PRC is expected to become steady and will rebound. Thanks to stronger enforcement of the National Standard IV by the Central and local authorities, our Company has been offered valuable opportunities for development. For the second half of the year, the Company will continue to focus on the following five aspects:

1. Endeavor to explore the finished vehicle market and more determined to nurture networks in counties and towns to expand the room for growth of Qingling's products there. In order to ensure the stable growth of sales turnover for our commodity vehicles that have a relative advantage, e.g. in trades and areas where our vehicles dominated traditionally; the Company took the following actions: segmenting the market as well as the clients and products, providing systematic, tailor-made and continuous promotional activities in order to secure customers who wished to meet environment requirements among competitors.
2. Solidly promote the projects of heavy-duty trucks and engines for heavy-duty trucks in order to ensure that the small batch market launch in the second half of the year will be successful. The focus of this project is to realize the transformation from "project based" to "small batch production or mass

production”. While after the small batch market launch, the Company will follow up on important issues such as the development of individual market, adjustment and enhancement of quality, marketing and after sales services, etc.

3. To speed up the completion of development projects for vehicles with new specifications such as wide-body light-duty trucks and National IV pick-up trucks with 4K horsepower so as to ensure that they will be put into mass production in the fourth quarter. The Company will begin the development of enhancing the marketability of TF series with an anticipation that it can be put into mass production within the year. The Company, moreover, will push forward the operation management of the advanced mechanism for nominalization of technology advancement and management enhancement.
4. Continue to focus on various areas of basic management such as quality, production organization, equipment, molds and 5S and further improve the competitiveness of QCD. The Company will also push ahead in-depth enhancement of various management in a professional and systematic manner in order to support the growth of enterprise.
5. To place on-going education and training for cadres and workers. In order to promote the soft power of the enterprise, the Company will conduct specialized on-going training for top cadres, technical and operational staff in light of current business focuses of the enterprise as well as their individual experience and exposure.

The Company will persevere to maintain a fast and sound development so as to bring satisfactory rewards to the investors.

FINANCIAL REVIEW

COMPREHENSIVE INCOME

For the six months ended 30 June 2014, the revenue of the Group was RMB3,033,348,000, representing an increase of 12.4% as compared to the corresponding period last year, due to the strengthening of market promotion for the period and increase in sales of trucks of 100P/600P/700P and F series of the Group.

Gross profit for the period was RMB475,194,000, representing an increase of 12.1% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 15.67%, approximating to 15.70% for the corresponding period last year. Net profit of the Group was RMB240,696,000, representing an increase of 30.2% as compared to the corresponding period last year.

For the six months ended 30 June 2014, other income mainly included bank interest income and rental income, totaling RMB62,471,000, representing an increase of 2.8% as compared to the corresponding period last year. Bank interest income for the period increased while rental income decreased.

For the six months ended 30 June 2014, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB168,039,000, representing a decrease of 9.2% as compared to the corresponding period last year, mainly due to the decrease in advertising and business promotion expenses for the period as compared to the corresponding period last year.

For the six months ended 30 June 2014, the total administrative expenses of the Group mainly including staff's salaries and allowance, insurance premium, development and research expenses, maintenance fees and other administrative expenses, were RMB94,079,000, representing an increase of 9.6% as compared to the corresponding period last year, principally due to the increase of bonus for staff for the period as compared to the corresponding period last year.

For the six months ended 30 June 2014, the share of profit of joint ventures to the Group was RMB6,279,000, representing an increase of 10.7 times as compared to the corresponding period last year, principally due to the increase in profit of joint ventures during the period.

For the six months ended 30 June 2014, basic earnings per share was RMB0.0967, representing an increase of 30.9% as compared to the corresponding 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 in net profit.

FINANCIAL POSITION

As at 30 June 2014, the total assets and total liabilities of the Group were RMB10,455,715,000 and RMB2,875,646,000 respectively.

The non-current assets were RMB1,599,697,000, mainly including property, plant and equipment, interests in joint ventures, prepaid lease payments and prepayments for acquisition of non-current assets.

The total current assets amounted to RMB8,856,018,000, mainly including RMB1,137,957,000 of inventories, RMB945,506,000 of trade and other receivables and RMB2,879,874,000 of bills receivables, RMB2,617,170,000 of fixed deposit with maturity over 3 months and RMB1,274,128,000 of bank balances and cash. Trade and other receivables included RMB818,311,000 due from related parties.

The total current liabilities amounted to RMB2,875,646,000, mainly including RMB2,525,690,000 of total trade, bills and other payables, RMB322,695,000 of dividend payable and RMB27,261,000 of tax payable.

Net current assets increased from RMB5,937,943,000 as at 31 December 2013 to RMB5,980,372,000 as at 30 June 2014 with no significant change recorded.

LIQUIDITY AND CAPITAL STRUCTURE

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 2014 was 37.9% (as at 31 December 2013: 28.2%).

Issued share capital as at 30 June 2014 maintained at the level of RMB2,482,268,000 and no share was issued during this period of six months.

For the six months ended 30 June 2014, 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 the Company as at 30 June 2014 was RMB7,287,114,000. The net asset per share as at 30 June 2014 was RMB2.9.

SIGNIFICANT INVESTMENT

As at 30 June 2014, the Group's interests in joint ventures was RMB405,613,000 and interest in an associate was RMB6,462,000 which mainly included the interest in Qingling Isuzu Engine, a joint venture, of RMB392,608,000. For the six months ended 30 June 2014, the joint ventures and associate of the Group were under normal operation, and the increase in the revenue from operation of Qingling Isuzu Engine was mainly attributable to increase in market demand.

During the period ended 30 June 2014, there were no significant acquisition and disposal of the Group.

SEGMENT INFORMATION

The revenue contributed by light-duty trucks and pick-up trucks were RMB1,385,563,000 and RMB711,404,000 respectively, representing 69.1% of the total revenue and 73.1% of the total segment profit severally. Light-duty trucks and pick-up trucks are currently the major products accounting for the highest contribution to the Group.

The revenue contributed by medium trucks and heavy-duty trucks was RMB764,771,000, representing 25.2% of the total revenue. The profit from operation attributable to them was RMB60,056,000, accounting for 26.1% of the segment profit.

The company planned to enlarge the share of sales revenue and segment profit attributable to medium and heavy-duty trucks to over 30% to establish a strategic operation layout with equal emphasis on the light-duty, medium and heavy-duty trucks.

PLEDGE OF ASSETS

During the period ended 30 June 2014, no asset of the Group was pledged for financial facilities (During the period ended 30 June 2013: Nil).

EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

As at 30 June 2014, the Group had bank balances of foreign currency including HK dollars in aggregate of RMB17,860,000 and foreign currency payables and other payables in aggregate of RMB62,204,000.

The major foreign currency transactions of the Group was the purchasing business of automobile parts denominated in 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 2014, the Group had capital commitments of RMB83,282,000 that had been contracted for but not provided in the condensed consolidated financial statements and RMB14,829,000 that had been approved by the Board but not contracted for, mainly including the outstanding consideration payable concerning heavy-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 to distribute any interim dividend for the six months ended 30 June 2014 (for the period ended 30 June 2013: nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2014, there were no purchase, redemption or sales of the Company's listed securities by the Company or any of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 2,607 employees. For the six months ended 30 June 2014, labour cost was RMB74,108,000. 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 2014, the Group has not sold any staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

- (1) As at 30 June 2014, 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 2014, shareholders other than a director, supervisor or chief executive of the Company having interests 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”) are as follows:

Long positions in the shares of the Company:

Name of shareholders	Class of shares	Number of shares held	Capacity	Percentage of share capital of relevant class	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	102,122,000 shares (Note)	Interest of controlled corporation	8.24%	4.11%

Note:

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

Name of controlled corporation	Name of controlling shareholder	Percentage of control	Total interest in shares	
			Direct interest	Indirect interest
Allianz Asset Management AG	Allianz SE	100%	—	102,122,000
Allianz Global Investors GmbH	Allianz Asset Management AG	100%	—	101,600,000
RCM Asia Pacific Ltd.	Allianz Global Investors GmbH	100%	98,240,000	—
Allianz Global Investors Taiwan Ltd.	Allianz Global Investors GmbH	100%	3,360,000	—
Allianz Asset Management of America Holdings Inc.	Allianz Asset Management AG	100%	—	522,000
Allianz Asset Management of America L.P.	Allianz Asset Management of America Holdings Inc.	100%	—	522,000
Allianz Global Investors U.S. Holdings LLC	Allianz Asset Management of America L.P.	100%	—	522,000
Allianz Global Investors Fund Management LLC	Allianz Global Investors U.S. Holdings LLC	100%	522,000	—

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 2014.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2014, none of the directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares and 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 2014, 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 2014.

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 2014.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2014 are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's the 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 Accounts. The interim results have also been reviewed by the Company's audit committee.

DIRECTORS

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

Executive Directors:

Mr. DU Weidong

Mr. Naotoshi TSUTSUMI

Mr. GAO Jianmin

Mr. Makoto TANAKA

Mr. Masashi HARADA

Mr. PAN Yong

Mr. ZENG Jianjiang

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, 21 August 2014