



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

2016 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 2016 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 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
26 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended	
		30/6/2016	30/6/2015
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>NOTES</i>	(unaudited)	(unaudited)
Revenue	3	2,422,595	2,977,524
Cost of sales		(1,939,204)	(2,418,258)
		<hr/>	<hr/>
Gross profit		483,391	559,266
Other income		73,436	75,185
Other gains and losses, net		2,204	(3,089)
Distribution and selling expenses		(116,593)	(210,702)
Administrative expenses		(127,237)	(114,241)
Share of profit of an associate		145	117
Share of results of joint ventures		6,581	6,704
		<hr/>	<hr/>
Profit before tax	4	321,927	313,240
Income tax expense	5	(47,515)	(46,003)
		<hr/>	<hr/>
Profit and total comprehensive income for the period		<u>274,412</u>	<u>267,237</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		274,216	265,638
Non-controlling interests		196	1,599
		<hr/>	<hr/>
		<u>274,412</u>	<u>267,237</u>
Earnings per share			
Basic	7	<u>RMB0.11</u>	<u>RMB0.11</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		30/6/2016	31/12/2015
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>NOTES</i>	(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	8	723,259	749,086
Prepaid lease payments		39,967	40,795
Investment properties		34,103	34,917
Intangible assets		254,979	137,030
Interest in an associate		6,989	6,844
Interests in joint ventures		466,939	470,860
Bank deposits with original maturity more than three months	11	382,306	376,308
Deferred tax assets		13,744	13,744
		<u>1,922,286</u>	<u>1,829,584</u>
Current assets			
Inventories		741,266	766,102
Trade and other receivables and prepayments	9	941,379	872,992
Bills receivable	10	1,602,901	2,060,348
Prepaid lease payments		1,387	1,413
Bank deposits with original maturity more than three months	11	3,363,420	2,416,985
Restricted bank balances	12	79,999	79,999
Bank deposits, bank balances and cash	12	1,486,952	2,182,750
		<u>8,217,304</u>	<u>8,380,589</u>
Current liabilities			
Trade, bills and other payables	13	2,372,016	2,317,771
Tax liabilities		19,324	19,614
		<u>2,391,340</u>	<u>2,337,385</u>
Net current assets		<u>5,825,964</u>	<u>6,043,204</u>
Total assets less current liabilities		<u><u>7,748,250</u></u>	<u><u>7,872,788</u></u>

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Capital and reserves		
Share capital	2,482,268	2,482,268
Share premium and reserves	4,969,201	5,092,148
	<hr/>	<hr/>
Equity attributable to owners of the Company	7,451,469	7,574,416
Non-controlling interests	296,781	298,372
	<hr/>	<hr/>
Total equity	<u><u>7,748,250</u></u>	<u><u>7,872,788</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the six months ended 30 June 2016 (unaudited)									
At 1 January 2016 (audited)	2,482,268	1,764,905	572,239	1,001,084	2,347	1,751,573	7,574,416	298,372	7,872,788
Profit and total comprehensive income for the period	—	—	—	—	—	274,216	274,216	196	274,412
2015 final dividend declared (Note 6)	—	—	—	—	—	(397,163)	(397,163)	—	(397,163)
Dividend declared by a subsidiary to a non-controlling shareholder	—	—	—	—	—	—	—	(1,787)	(1,787)
At 30 June 2016	<u>2,482,268</u>	<u>1,764,905</u>	<u>572,239</u>	<u>1,001,084</u>	<u>2,347</u>	<u>1,628,626</u>	<u>7,451,469</u>	<u>296,781</u>	<u>7,748,250</u>
For the six months ended 30 June 2015 (unaudited)									
At 1 January 2015 (audited)	2,482,268	1,764,905	572,239	953,501	2,347	1,716,432	7,491,692	296,380	7,788,072
Profit and total comprehensive income for the period	—	—	—	—	—	265,638	265,638	1,599	267,237
2014 final dividend declared (Note 6)	—	—	—	—	—	(397,163)	(397,163)	—	(397,163)
Dividend declared by a subsidiary to a non-controlling shareholder	—	—	—	—	—	—	—	(3,259)	(3,259)
At 30 June 2015	<u>2,482,268</u>	<u>1,764,905</u>	<u>572,239</u>	<u>953,501</u>	<u>2,347</u>	<u>1,584,907</u>	<u>7,360,167</u>	<u>294,720</u>	<u>7,654,887</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended	
	30/6/2016	30/6/2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	339,634	335,527
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7,490)	(13,675)
Acquisition of intangible assets	(130,010)	—
Withdrawal of bank deposits with original maturity more than three months	1,543,500	1,530,800
Placement of bank deposits with original maturity more than three months	(2,508,500)	(1,528,500)
Interest received	63,443	56,889
Proceeds from disposal of property, plant and equipment	447	45
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,038,610)	45,559
CASH USED IN FINANCING ACTIVITY		
Dividends paid	—	(397,163)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(698,976)	(16,077)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,182,750	1,133,712
Effect of exchange rate changes on the balance of cash held in foreign currencies	3,178	(886)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank deposits, bank balances and cash	1,486,952	1,116,749

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on 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 2016 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 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10 and HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvement to HKFRSs 2012–2014 Cycle

The application of the above 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 resources 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

3. SEGMENT INFORMATION (Cont'd)

(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 2016 and 2015:

Six months ended 30 June 2016

	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
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue	1,166,569	2,624	687,019	491,459	74,924	2,422,595
Result						
Segment profit	133,994	122	82,473	34,805	4,748	256,142
Central administration costs						(16,581)
Interest income						50,876
Other income						22,560
Other gains and losses, net						2,204
Share of profit of an associate						145
Share of results of joint ventures						6,581
Group's profit before tax						321,927

3. SEGMENT INFORMATION (Cont'd)

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

Six months ended 30 June 2015

	Light-duty trucks <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Segment revenue	1,552,176	25,579	815,562	480,229	103,978	2,977,524
Result						
Segment profit	147,540	991	70,739	31,194	9,248	259,712
Central administration costs						(25,389)
Interest income						49,250
Other income						25,935
Other gains and losses, net						(3,089)
Share of profit of an associate						117
Share of results of joint ventures						6,704
Group's profit before tax						313,240

Segment profit represents the profit earned by each segment without allocation of central administration costs, interest income, other income, other gains and losses (net), share of profit of an associate and share of results of joint ventures. 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 segment as at 30 June 2016 and 31 December 2015:

As at 30 June 2016

	Light-duty trucks <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Assets						
Segment assets	1,445,385	7,531	822,527	1,150,353	130,250	3,556,046
Interchangeably used assets between segments						
— property, plant and equipment						188,100
— prepaid lease payments						41,354
— inventories						261,036
Investment properties						34,103
Interest in an associate						6,989
Interests in joint ventures						466,939
Restricted bank balances, bank deposits and bank balances						5,312,677
Other unallocated assets						272,346
Consolidated total assets						10,139,590
Liabilities						
Segment liabilities	247,320	386	148,709	67,285	—	463,700
Unallocated trade, bills and other payables						
Other unallocated liabilities						1,908,316
						19,324
Consolidated total liabilities						2,391,340

3. SEGMENT INFORMATION (Cont'd)

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

As at 31 December 2015

	Light-duty trucks RMB'000 (unaudited)	Multi- purposes vehicles RMB'000 (unaudited)	Pick-up trucks RMB'000 (unaudited)	Medium and heavy-duty trucks RMB'000 (unaudited)	Automobile parts and accessories RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Assets						
Segment assets	1,844,338	435,330	324,924	911,923	553,980	4,070,495
Interchangeably used assets between segments						
— property, plant and equipment						190,865
— prepaid lease payments						42,208
— inventories						157,382
Investment properties						34,917
Interest in an associate						6,844
Interests in joint ventures						470,860
Restricted bank balances, bank deposits and bank balances						5,056,042
Other unallocated assets						180,560
Consolidated total assets						10,210,173
Liabilities						
Segment liabilities	305,768	3,291	148,651	81,390	—	539,100
Unallocated trade, bills and other payables						1,778,671
Other unallocated liabilities						19,614
Consolidated total liabilities						2,337,385

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, interest in an associate, interests in joint ventures, restricted bank balances, 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	
	30/6/2016	30/6/2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	34,821	75,073
Amortisation of intangible assets (included in cost of sales)	12,061	6,613
Depreciation of investment properties	814	1,034
Release of prepaid lease payments	854	690
(Gain) loss on disposal of property, plant and equipment, net	(117)	289
Net foreign exchange (gain) loss	(2,050)	2,779

and after crediting:

Interest income from bank deposits and balances	50,876	49,250
Rental income from renting investment properties and equipment	21,855	22,401
Subsidy income	330	1,931
	<u>73,061</u>	<u>74,582</u>

5. INCOME TAX EXPENSE

	Six months ended	
	30/6/2016	30/6/2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax	47,515	42,509
Deferred tax charge	—	3,494
Total income tax expense charged for the period	<u>47,515</u>	<u>46,003</u>

According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the State Administration of Taxation No. 12 [2012]) and the Catalogue of Industries Encouraged to Develop in the Western Region (Order of the National Development and Reform Commission No. 15), companies located in the western region of The People's Republic of China (the "PRC") and engaged in the businesses encouraged by the PRC government are entitled to the preferential enterprise income tax ("EIT") rate of 15% if their revenue from encouraged businesses in a year accounts for more than 70% of total revenue. The Company and 重慶慶鈴模具有限公司, a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the revenue from these encouraged businesses is expected to account for more than 70% of its total revenue for the year ending 31 December 2016, and therefore continue to enjoy the preferential EIT rate of 15% for the period.

5. INCOME TAX EXPENSE (Cont'd)

重慶慶鈴技術中心, a subsidiary of the Group, is subject to EIT rate of 25% (six months ended 30 June 2015: (unaudited) 25%) for the six months ended 30 June 2016.

6. DIVIDEND

During the current interim period, a final dividend of RMB0.16 per share in respect of the year ended 31 December 2015 (six months ended 30 June 2015: (unaudited) RMB0.16 per share in respect of the year ended 31 December 2014) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to RMB397,163,000 (six months ended 30 June 2015: (unaudited) RMB397,163,000). The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: (unaudited) 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	
	30/6/2016	30/6/2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	274,216	265,638
	<u>274,216</u>	<u>265,638</u>
	Six months ended	
	30/6/2016	30/6/2015
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Number of shares for the purpose of basic earnings per share	2,482,268	2,482,268
	<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 RMB9,324,000 (six months ended 30 June 2015: (unaudited) RMB11,267,000).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

At the end of the reporting period, the Group's trade and other receivables and prepayments are as follows:

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Trade receivables, net of allowance for doubtful debts	750,531	821,649
Other receivables	132,264	12,096
Prepayments	48,082	39,247
Dividend receivable from a joint venture	10,502	—
	<u>941,379</u>	<u>872,992</u>

Before accepting any new external customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and assign credit limits thereto. Limits and scoring attributed to customers are reviewed twice a year.

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

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

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Within 3 months	606,720	610,156
Between 3 to 6 months	116,278	153,379
Between 7 to 12 months	14,957	5,020
Between 1 to 2 years	8,308	10,073
Over 2 years	4,268	43,021
	<u>750,531</u>	<u>821,649</u>

An accumulated allowance has been made for estimated irrecoverable amount from sales of goods amounting to RMB2,203,000 as at 30 June 2016 (31 December 2015: (audited) RMB2,203,000).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

Included in the Group's trade and other receivables and prepayments at the end of the reporting period are amounts due from related parties, which are trade in nature (except for dividend receivable from a joint venture), as follows:

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
The ultimate holding company of the Company		
— 慶鈴汽車（集團）有限公司（“Qingling Group”）	778,851	680,962
Subsidiaries of Qingling Group	38,455	80,393
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”）	13,942	2,727
— 慶鈴五十鈴（重慶）發動機有限公司 （“Qingling Isuzu Engine”）	10,502	—
Associate of the Group		
— 五十鈴慶鈴（重慶）汽車技術開發有限公司 （“Isuzu Qingling Engineering”）	191	2,072
Associate of Qingling Group		
— 五十鈴慶鈴（重慶）汽車零部件有限公司 （“Isuzu Qingling Autoparts”）	9,520	18,390
Substantial shareholder of the Company		
— 五十鈴自動車株式會社 Isuzu Motors Limited (“Isuzu”)*	14	14
	<u>851,475</u>	<u>784,558</u>

The above amounts due from related parties are unsecured and interest-free.

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

10. BILLS RECEIVABLE

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

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Within 1 month	661,388	646,923
Between 1 to 2 months	97,684	359,705
Between 2 to 3 months	483,411	275,054
Between 3 to 6 months	360,418	778,666
	<hr/>	<hr/>
	<u>1,602,901</u>	<u>2,060,348</u>

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

11. BANK DEPOSITS WITH ORIGINAL MATURITY MORE THAN THREE MONTHS

The fixed bank deposits are with a term of 6 to 24 months (31 December 2015: (audited) from 12 to 24 months) and carry interest rates ranging from 0.80% to 3.60% (31 December 2015: (audited) from 0.80% to 3.35%) per annum.

12. RESTRICTED BANK BALANCES, BANK DEPOSITS, BANK BALANCES AND CASH

Bank deposits, bank balances and cash

Bank deposits and bank balances carry interest at market rates ranging from 0.0001% to 3.30% (31 December 2015 (audited): from 0.0001% to 0.35%) per annum.

Restricted bank balances

The balances have been frozen since 16 August 2015 according to the civil ruling issued by People's Court of Futian District, Shenzhen, Guangdong Province, the PRC (the "Futian Court") in relation to a dispute in respect of a financial credit agreement entered into between the Company's customer (the "Customer", who is independent to the Company) and another bank (the "Bank").

On 29 September and 22 October 2015, the Company formally received summons sent by the Futian Court on 25 September and 19 October 2015, respectively, and pursuant to which the Bank, as the plaintiff, has initiated legal proceedings against six defendants including the Customer and the Company (the "Litigation") in the Futian Court.

12. RESTRICTED BANK BALANCES, BANK DEPOSITS, BANK BALANCES AND CASH (Cont'd)

In the Litigation, the Bank alleged that the Customer has failed to meet the margin calls according to the requirements under a credit agreement, constituting an event of default of such agreement. The Bank is also entitled to demand the Customer to prematurely repay all the amount granted under the relevant credit facilities. The Bank further alleged that the Company did not, as instructed by the Bank, deliver the vehicles that had not been picked up but paid by the Customer in full with loan to the warehouse as specified by the Bank, leading to a breach of the relevant credit agreement, and should be jointly and severally liable to compensate for the losses it suffered. The Bank stated that the outstanding credit balances due from the Customer was RMB80 million in aggregate.

In March 2016, Shenzhen Intermediate People's Court (the "Shenzhen Court") made a final ruling that the Litigation is under the jurisdiction of the Shenzhen Court and the litigation has not yet been formally heard.

The Company reviewed all the relevant documents and agreements in relation to the Litigation and based on the opinion of its PRC legal adviser, the directors of the Company are of the view that the alleged liability in the litigation document is lack of factual and legal evidence and therefore the Company shall not be liable. Accordingly, no provision for these bank balances has been made in these condensed consolidated financial statements.

13. TRADE, BILLS AND OTHER PAYABLES

At the end of reporting period, the Group's trade, bills and other payables are as follows:

	30/6/2016	31/12/2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade and bills payables	1,406,469	1,670,646
Advance from customers	142,223	289,519
Selling expenses payables	216,113	242,977
Other payables	202,027	90,047
Value added tax payables	6,234	24,582
Dividend payable	397,163	—
Dividend payable to a non-controlling shareholder of a subsidiary	1,787	—
	<hr/>	<hr/>
	2,372,016	2,317,771
	<hr/> <hr/>	<hr/> <hr/>

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

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

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Within 3 months	1,337,589	1,501,369
Between 3 to 6 months	59,705	155,571
Between 7 to 12 months	3,327	7,496
Over 1 year	5,848	6,210
	<u>1,406,469</u>	<u>1,670,646</u>

Included in the balance of trade, bills and other payables at the end of the reporting period are amounts due to related parties as follows:

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Substantial shareholder of the Company		
— Isuzu	117,248	37,144
Subsidiaries of Qingling Group	36,449	12,952
Joint ventures of the Group		
— Qingling Isuzu Engine	94,173	139,510
— Qingling Isuzu Sales	12	—
Associate of Qingling Group		
— Isuzu Qingling Autoparts	—	1,594
The ultimate holding company of the Company		
— Qingling Group	12,553	1,520
	<u>260,435</u>	<u>192,720</u>

The amounts due to Isuzu, Qingling Group, subsidiaries of Qingling Group, joint ventures of the Group and an associate of Qingling Group, which are trade in nature, are unsecured, interest-free and under credit period granted on purchases of materials from 3 to 6 months.

14. RELATED PARTY TRANSACTIONS AND BALANCES

Apart from the amounts due from and to related companies as disclosed in notes 9 and 13, during the current interim period, the Group entered into the following transactions with related parties that are conducted in accordance with the terms of the relevant agreements:

(1) Transactions with Qingling Group and its subsidiaries

Type of transactions	Six months ended	
	30/6/2016 RMB'000 (unaudited)	30/6/2015 RMB'000 (unaudited)
Sales of chassis to Qingling Group	621,303	761,510
Sales of automobile parts and others to:		
— 重慶慶鈴汽車機加部品製造有限公司 ("Qingling Jijia")	555	589
— 重慶慶鈴專用汽車有限公司 ("Qingling Zhuanyong")	4,816	4,378
— 重慶慶鈴汽車底盤部品有限公司 ("Qingling Chassis")	2,098	1,518
— Qingling Group	1	14
— 重慶慶鈴鑄造有限公司 ("Qingling Casting")	23,017	8,257
— 重慶慶鈴鍛造有限公司 ("Qingling Forging")	4,217	2,138
— 重慶慶鈴車橋有限公司 ("Qingling Axle")	8,879	1,454
— 重慶慶鈴日發座椅有限公司 ("Qingling Chair")	5,476	4,671
— 重慶慶鈴塑料有限公司 ("Qingling Plastics")	512	609
— 重慶慶鈴鑄鋁有限公司 ("Qingling Cast Aluminium")	593	631
Purchases of automobile parts from:		
— Qingling Group	—	3
— Qingling Jijia	3,097	34,982
— Qingling Zhuanyong	2,028	2,845
— Qingling Chassis	1,680	48,462
— Qingling Casting	9,619	14,130
— Qingling Forging	15,368	20,503
— Qingling Axle	179,929	21,725
— Qingling Chair	24,619	29,727
— Qingling Plastics	28,665	32,223
— Qingling Cast Aluminium	4,174	5,366

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

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

Type of transactions	Six months ended	
	30/6/2016 RMB'000 (unaudited)	30/6/2015 RMB'000 (unaudited)
Rental expenses for renting warehouse to Qingling Group	2,957	3,020
Rental expenses for renting leasehold land to Qingling Group	235	2,477
Rental expenses for renting equipment to Qingling Forging	9,987	9,987
	<u> </u>	<u> </u>

(2) Transactions with Isuzu

Type of transactions	Six months ended	
	30/6/2016 RMB'000 (unaudited)	30/6/2015 RMB'000 (unaudited)
Purchase of automobile parts and components	444,532	337,278
Royalties and licence fee paid on sales of trucks and other vehicles	9,738	8,168
Sales of accessory sets and other automobile parts and components	1,062	10,316
	<u> </u>	<u> </u>

(3) Transactions with Qingling Isuzu Engine

Type of transactions	Six months ended	
	30/6/2016 RMB'000 (unaudited)	30/6/2015 RMB'000 (unaudited)
Purchases of automobile parts and raw materials	514,631	605,002
Sales of automobile parts and raw materials	336,340	436,565
Rental income from leasing equipment	20,637	21,450
Miscellaneous service income	829	2,603
	<u> </u>	<u> </u>

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

(4) Transactions with Qingling Isuzu Sales

Type of transactions	Six months ended	
	30/6/2016	30/6/2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of trucks and automobile parts	7,040	921
Rental income for investment properties	777	501
Miscellaneous service income	246	250
	<u> </u>	<u> </u>

(5) Transactions with Isuzu Qingling Engineering

Type of transactions	Six months ended	
	30/6/2016	30/6/2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Rental income for investment properties	441	450
Miscellaneous service income	—	308
	<u> </u>	<u> </u>

(6) Transactions with Isuzu Qingling Autoparts

Type of transactions	Six months ended	
	30/6/2016	30/6/2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of automobile parts and raw materials	26,659	22,760
Miscellaneous service income	1,846	33
	<u> </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	
	30/6/2016	30/6/2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Trade sales	256,549	325,602
Trade purchases	134,956	130,660
	30/6/2016	31/12/2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade and other balances due to other government-related entities	187,097	93,908
Trade and other balances due from other government-related entities	166,574	245,440

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.

(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 2016 amounted to approximately RMB1,873,000 (six months ended 30 June 2015: (unaudited) RMB1,590,000).

15. COMMITMENTS

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

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of		
— acquisition of property, plant and equipment	3,667	2,144
— acquisition of intangible assets	—	113,137
	<u> </u>	<u> </u>

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:

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Within one year	21,947	39,282
In the second to fifth year, inclusive	1,192	4,198
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	23,139	43,480
	<u> </u>	<u> </u>

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 contract with tenants for the following future minimum lease payments:

	30/6/2016 <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Within one year	25,278	50,189
	<u> </u>	<u> </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.

2016 FIRST HALF-YEARLY RESULTS

As at 30 June 2016, the Group sold 25,420 vehicles, representing a decrease of 21.74% over the corresponding period of the previous year. Sales revenue amounted to RMB2.42 billion, representing a decrease of 18.64% over the corresponding period of the previous year. Profit after tax was RMB274 million, representing a year-on-year increase of 2.62%.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

During the first half of the year, the economy faced a relatively great downward adjustments pressure. From the international perspective, the world economy did not recover as well as expected, international trade remained weak and there was an increase of uncertainties in the economy. From the domestic perspective, the China economy was at the critical stage of structural adjustment, transformation and upgrading. The labour pains of adjustment persisted and the economic entity operated rather difficultly. According to data published by the China Association of Automobile Manufacturers, the domestic sales turnover of commodity trucks for the first half of the year amounted to 1.534 million units, representing an increase of 4.0% over the corresponding period; the total national sales turnover of light-duty trucks for the first half of the year amounted to 778 thousand units, representing a decrease of 4.7% over the corresponding period. Early this year, based on a thorough analysis of internal and external environment of the enterprise, the company established the operating philosophy of “Casting a classic, Leading the value”; with the market as its focus, enhanced the overall corporate competitiveness through strengthening its execution ability, continuously consolidating the four major systems, implementing enhanced, strengthened and consolidated marketing and development strategies, and engaging in concise, precise and optimized production and logistics.

1. Consolidating the large-scale marketing system

To consolidate the following goals, namely “all are market-oriented, all for sales, all services are for sales, all submit to sales” in order to innovate mind, method and practice and create growth. It would as well monitor closely the emerging industries and new industrial environment format, scout and satisfy demands proactively, and pay close attention to strengthen the marketing team and to improve its marketing ability so as to enhance its competitiveness.

2. Strengthening the large-scale development system

To regulate the development processes and to establish a corresponding organizational body so as to nurture a Research & Development team. Focusing on the overall enhancement of emission standard, platforms for three vehicle models were constructed to complete the current specifications of vehicles. Further promote the gathering of technological information, patent application, result filing and the building of the national grade technology center.

3. Consolidating the large-scale production system

With the intuitive goal of shortening the delivery lead times, reviewed, consolidated and reformed on the following areas of corporate management and operation, namely resources integration, production preparation efficiency, balanced production, level of automation, preventive maintenance of equipment, dynamic maintenance, energy saving and waste reduction, and consumption reduction so as to fully consolidate the “large-scale production” system and engage in concise, precise and optimized production management in order to improve the company’s overall production ability.

4. Strengthening the large-scale logistics system

To continue to enhance our management by focusing on four major aspects, namely effectiveness and efficiency, shortest work flow, quality assurance, and cost reduction. To focus on the operation of logistics information system and basically realize the standardization of logistics operation.

OUTLOOK

It is expected that the growth of the domestic macro-economy will be relatively slow in the second half of the year. The market of commodity trucks will be difficult and market funds will be tight, and there is a lack of demand for mid-end and high-end commodity trucks. In the second half of the year, the major strategies of the company are:

1. To lay emphasis on “marketing” studies; to focus on seizing “business opportunities” in order to promote rapid transactions. Continue to strengthen and to improve the construction of marketing system and to consolidate the foundation of every functional sector. Encourage active dynamic and seek for job innovations to work hard on the “marketing” while innovating marketing strategies and skills so as to enhance the marketing ability and standard.
2. To spare no effort in commencing the development of the emission enhancement of the entire series of National V vehicles. Focusing on the key task of getting 4 licenses for National V vehicles to further expand and upgrade the National V series. In the light of the problems spotted during the new product trial manufacture, prompt analysis will be carried out to identify the technical condition, consolidate the foundation and provide technical support for the sales of new products. The Company has completed the on-site assessment conducted by the Ministry of Industry and Information Technology and obtained the manufacture qualification for New Energy Vehicles.
3. To aim at shortening the delivery time and enhance the overall manufacturing capacity. To speed up the bulk production preparation and commence the bulk production of National V vehicles and other new vehicles and to uplift the initial delivery capability of new products quickly. Speed up the corresponding production organization of CKD vehicles and exporting vehicles in order to ensure the realization of the annual export targets.
4. To consolidate, maintain and optimize the operation of the logistics information system, and strive to cover all suppliers. To continue the development of National V vehicles; the reorganization of information, such as special spare parts of new vehicles, as well as the division of warehouses, warehousing and distribution.

5. To accelerate the development of VC61 heavy vehicles projects and endeavor to launch the project in the second half of 2017. The Company will spare no effort to increase the sales against adverse market trend and bring returns to the investors.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

For the six months ended 30 June 2016, the revenue of the Group was RMB2,422,595,000, representing a decrease of 18.64% as compared to the corresponding period last year due to the reduction of the scale of commodity cars businesses.

Gross profit for the period was RMB483,391,000, representing a decrease of 13.57% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 19.95%, approximating to 18.78% for the corresponding period last year. Profit of the Group for the period attributable to owners of the Company was RMB274,216,000, representing an increase of 3.23% as compared to the corresponding period last year.

For the six months ended 30 June 2016, other income mainly included bank interest income and rental income, totaling RMB73,436,000, representing a decrease of 2.33% 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 2016, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB116,593,000, representing a decrease of 44.66% as compared to the corresponding period last year, mainly due to the decrease in sales causing the decrease in business promotion expenses for the period as compared to the corresponding period last year.

For the six months ended 30 June 2016, the total administrative expenses of the Group mainly including staff's salaries and allowance, insurance premium, research and development expenses, maintenance fees and other administrative expenses, were RMB127,237,000, representing an increase of 11.38% as compared to the corresponding period last year, principally due to the increases in salary and bonus for staff and research and development expenses for the period as compared to the corresponding period last year.

For the six months ended 30 June 2016, the share of results of an associate and joint ventures to the Group was RMB6,726,000, representing a decrease of 1.39% as compared to the corresponding period last year, principally due to the decrease in profit of joint ventures during the period.

For the six months ended 30 June 2016, basic earnings per share was RMB0.11 which is comparable with that of the corresponding period last year. The Company did not issue any new shares during the period.

FINANCIAL POSITION

As at 30 June 2016, the total assets and total liabilities of the Group were RMB10,139,590,000 and RMB2,391,340,000 respectively.

The non-current assets were RMB1,922,286,000, mainly including property, plant and equipment, interests in joint ventures, bank deposits with original maturity more than three months and intangible assets.

The total current assets amounted to RMB8,217,304,000, mainly including RMB741,266,000 of inventories, RMB941,379,000 of trade and other receivables and prepayments, RMB1,602,901,000 of bills receivables, RMB3,363,420,000 of bank deposits with original maturity more than three months and RMB1,566,951,000 of bank deposits and bank balances (including restricted bank balances of RMB79,999,000) and cash.

The total current liabilities amounted to RMB2,391,340,000, mainly including RMB1,973,066,000 of total trade, bills and other payables, RMB398,950,000 of dividend payable and RMB19,324,000 of tax payable.

Net current assets fell from RMB6,043,204,000 as at 31 December 2015 to RMB5,825,964,000 as at 30 June 2016, representing a decrease of 3.59%.

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 2016 was 30.86% (as at 31 December 2015: 29.69%).

Issued share capital as at 30 June 2016 maintained at RMB2,482,268,000 and no share was issued during this period of six months.

For the six months ended 30 June 2016, 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 Company 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 2016 was RMB7,451,469,000. The net asset per share as at 30 June 2016 was RMB3.00.

SIGNIFICANT INVESTMENT

As at 30 June 2016, the Group's interests in joint ventures were RMB466,939,000 and interest in an associate was RMB6,989,000 which mainly included the interest in Qingling Isuzu Engine, a joint venture, of RMB405,047,000. For the six months ended 30 June 2016, the joint ventures and associate of the Group were under normal operation. The revenue of Qingling Isuzu Engine increased for the six months ended 30 June 2016 from the corresponding period last year that was mainly attributable to increase in market demand.

During the period ended 30 June 2016, there were no significant acquisition and disposal of the Group.

SEGMENT INFORMATION

The revenue contributed by light-duty trucks and pick-up trucks were RMB1,166,569,000 and RMB687,019,000 respectively, representing 76.51% of the total revenue and 84.51% of the total segment profit. 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 RMB491,459,000, representing 20.29% of the total revenue. The profit from operation attributable to them was RMB34,805,000, accounting for 13.59% of the segment profit.

The Company planned to enlarge the contribution of 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 2016, no asset of the Group was pledged for financial facilities (During the period ended 30 June 2015: Nil).

EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

As at 30 June 2016, the Group had bank balances of foreign currency including Hong Kong dollars of RMB16,083,000 and foreign currency payables and other payables of RMB106,764,000.

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 on its operations or liquidity as a result of the fluctuation of the exchange rate.

COMMITMENTS

As at 30 June 2016, the Group had capital commitments of RMB3,667,000 that had been contracted for but not provided in the condensed consolidated financial statements, mainly including the outstanding consideration payable concerning property, plant and equipment. The Group expects to finance the above capital requirement by its own cash flows.

INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend for the six months ended 30 June 2016 (for the period ended 30 June 2015: nil).

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

During the six months ended 30 June 2016, 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 2016, the Group had 2,913 employees. For the six months ended 30 June 2016, labour cost was RMB100,210,000. 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 2016, the Group has not sold any staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

- (1) As at 30 June 2016, 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 2016, 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%
Edgbaston Investment Partners LLP	H shares	68,655,000 shares	Investment manager	5.54%	2.77%

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 2016.

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

As at 30 June 2016, 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 2016, 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 puts high emphasis on and endeavors to maintain a high standard of corporate governance. The Board believes that good corporate governance practices are important to promote investors' confidence and protect the interest of our shareholders. We attach importance to our staff, our code of conduct and our corporate policies and standards, which together form the basis of our corporate governance practices. The Board has adopted sound corporate and disclosure practices, and is committed to continuously improving those practices and cultivating an ethical corporate culture.

For the six months ended 30 June 2016, the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules except for the deviation from code provision A.1.8 of the Corporate Governance Code as stated below.

Under code provision A.1.8 of the Corporate Governance Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular, timely and effective communications among the directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the directors of the Company can be handled effectively, and the possibility of actual litigation against the directors of the Company is relatively low. The Company will review and consider to make such arrangement as and when it thinks necessary.

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 2016.

EVENTS AFTER THE LATEST ANNUAL REPORT

Save as disclosed in this report, there were no other significant events affecting the Company nor any of its subsidiaries after the latest annual report requiring disclosure in this report.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2016 are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's auditor, 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.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2016 interim report containing all the financial information required by the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qingling.com.cn) in due course.

CHANGE IN DIRECTOR'S INFORMATION

Subsequent to the approval date of the Annual Report 2015, there was no change in information of directors of the Company required to be disclosed pursuant to Rule 13.51(2) and Rule 13.51B(1) of the Listing Rule.

By Order of the Board
Qingling Motors Co. Ltd
ZOU Guanghua
Company Secretary

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

HE Yong (*Chairman*)

Keiichiro MAEGAKI (*Vice Chairman and General Manager*)

GAO Jianmin

Makoto TANAKA (Resigned on 15 June 2016)

Naoto HAKAMATA (Resigned on 15 June 2016)

ZENG Jianjiang (*Deputy General Manager*) (Resigned on 27 May 2016)

Masanori OTA (Appointed on 15 June 2016)

Yoshifumi KOMURA (Appointed on 15 June 2016)

LI Juxing

XU Song (Appointed on 15 June 2016)

Independent Non-executive Directors:

LONG Tao

SONG Xiaojiang

LIU Erh Fei

LIU Tianni

SUPERVISORS

GUAN Jinming (*Chairman of the Supervisory Committee*)

MIN Qing

LEI Bin

COMPANY SECRETARY

responsible for PRC affairs:

ZENG Jianjiang (Resigned on 27 May 2016)

ZOU Guanghua (Appointed on 27 May 2016)

responsible for Hong Kong affairs:

TUNG Tat Chiu Michael

AUDIT COMMITTEE

SONG Xiaojiang (*Committee Chairman*)

LONG Tao

LIU Erh Fei

LIU Tianni

REMUNERATION COMMITTEE

SONG Xiaojiang (*Committee Chairman*)

HE Yong

LONG Tao

LIU Erh Fei

LIU Tianni

NOMINATION COMMITTEE

HE Yong (*Committee Chairman*)

LONG Tao

SONG Xiaojiang

LIU Erh Fei

LIU Tianni

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H SHARE LISTING PLACE

The Stock Exchange of Hong Kong Limited

Stock code: 1122

PRINCIPAL BANKERS

Bank of China, Chongqing Branch

Bank of Communications, Chongqing Branch

The Commercial and Industrial Bank of China, Chongqing Branch

The Commercial and Industrial Bank of China, Zhongliangshan Office

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