慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD

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

(Stock Code: 1122)

Announcement of 2016 Results

The board of directors of the Company (the "**Board**") is pleased to announce that audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016, which has been prepared in accordance which Hong Kong Financial Reporting Standards as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	**Year ended 31 December 2016** *RMB'000*	Year ended 31 December 2015 *RMB'000*
Revenue	*2, 3*	**4,633,785**	5,504,296
Cost of sales		**(3,769,839)**	(4,476,437)
Gross profit		**863,946**	1,027,859
Other income		**164,984**	157,734
Other gains and losses, net		**(4,017)**	(6,186)
Distribution and selling expenses		**(202,093)**	(374,248)
Administrative expenses		**(218,647)**	(215,831)
Research expenses		**(57,324)**	(36,414)
Share of profit of an associate		**208**	278
Share of results of joint ventures		**19,569**	12,257
Profit before tax	*5*	**566,626**	565,449
Income tax expense	*4*	**(80,577)**	(80,310)
Profit and total comprehensive income for the year		**486,049**	485,139
Profit for the year and total comprehensive income for the year attributable to:			
Owners of the Company		**481,287**	479,887
Non-controlling interests		**4,762**	5,252
		486,049	485,139
Basic earnings per share	*6*	**RMB0.19**	RMB0.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment		**732,984**	749,086
Prepaid lease payments		**39,443**	40,795
Investment properties		**32,932**	34,917
Intangible assets		**241,762**	137,030
Interest in an associate		**7,052**	6,844
Interests in joint ventures		**480,170**	470,860
Bank deposits with original maturity more than three months		**—**	376,308
Deferred tax assets		**27,672**	13,744
		1,562,015	1,829,584
Current assets			
Inventories		**587,156**	766,102
Trade and other receivables and prepayments	*8*	**898,980**	872,992
Bills receivable	*9*	**1,582,547**	2,060,348
Prepaid lease payments		**1,383**	1,413
Bank deposits with original maturity more than three months		**3,050,884**	2,416,985
Restricted bank balances		**79,999**	79,999
Bank balances and cash		**2,434,886**	2,182,750
		8,635,835	8,380,589
Current liabilities			
Trade, bills and other payables	*10*	**2,229,961**	2,317,771
Tax liabilities		**8,000**	19,614
		2,237,961	2,337,385
Net current assets		**6,397,874**	6,043,204
Total assets less current liabilities		**7,959,889**	7,872,788
Capital and reserves			
Share capital	*11*	**2,482,268**	2,482,268
Share premium and reserves		**5,176,272**	5,092,148
Equity attributable to owners of the Company		**7,658,540**	7,574,416
Non-controlling interests		**301,349**	298,372
Total equity		**7,959,889**	7,872,788

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effect for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRS	Annual Improvements to HKFRSs 2012-2014 Cycle
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, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKAS 7	Disclosure Initative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 Financial Instruments

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost, the directors of the Company anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2016.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue,* HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretation when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-concellable operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Other than the above, the directors of the Company anticipate that the application of the new HKFRSs and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group.

2. REVENUE

Revenue represents revenue arising on goods sold by the Group to external customers, net of discounts and sales related tax. The following is an analysis of the Group's revenue from its major products:

	Year ended 31 December 2016	Year ended 31 December 2015
	RMB'000	*RMB'000*
Sales of trucks and vehicles	**4,413,261**	5,257,493
Sales of automobile parts and accessories	**220,524**	246,803
	4,633,785	5,504,296

3. SEGMENT INFORMATION

The Group is engaged in the manufacture and sales of five categories of products — light-duty trucks, multi-purposes vehicles, pick-up trucks, medium and heavy-duty trucks and automobile parts and accessories and the chief operating decision makers (i.e. the Company's executive directors) also review the segment information by these categories to allocate resources to segments and to assess their performance.

Principal business segments 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 operating segment:

For the year ended 31 December 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*
Segment revenue	**2,333,580**	**4,532**	**1,108,661**	**966,488**	**220,524**	**4,633,785**
Result						
Segment profit	**283,314**	**589**	**162,490**	**16,020**	**25,628**	**488,041**
Central administration costs						**(102,159)**
Interest income						**118,621**
Other income						**46,363**
Other gains and losses, net						**(4,017)**
Share of profit of an associate						**208**
Share of results of joint ventures						**19,569**
Group's profit before tax						**566,626**

For the year ended 31 December 2015

	Light-duty trucks	Multi-purposes vehicles	Pick-up trucks	Medium and heavy-duty trucks	Automobile parts and accessories	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	2,874,341	32,746	1,344,418	1,005,988	246,803	5,504,296
Result						
Segment profit	282,579	4,048	145,211	29,999	36,135	497,972
Central administration costs						(96,606)
Interest income						102,928
Other income						54,806
Other gains and losses, net						(6,186)
Share of profit of an associate						278
Share of results of joint ventures						12,257
Group's profit before tax						565,449

There have been no inter-segment sales during the year ended 31 December 2016 (2015: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned from each segment without allocation of central administration costs, interest income, other income, other net gains and losses, share of profit of an associate and share of results of joint ventures. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

(ii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2016

	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*
Assets						
Segment assets	**1,334,347**	**317,471**	**355,018**	**1,013,186**	**607,390**	**3,627,412**
Interchangeably used assets between segments						
— property, plant and equipment						**173,496**
— prepaid lease payments						**40,826**
— inventories						**122,981**
Investment properties						**32,932**
Interest in an associate						**7,052**
Interests in joint ventures						**480,170**
Restricted bank balances, bank deposits and bank balances						**5,565,769**
Other unallocated assets						**147,212**
Consolidated total assets						**10,197,850**
Liabilities						
Segment liabilities	**354,782**	**733**	**171,479**	**115,603**	**—**	**642,597**
Unallocated trade, bills and other payables						**1,587,364**
Other unallocated liabilities						**8,000**
Consolidated total liabilities						**2,237,961**

At 31 December 2015

	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*
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.

(iii) Geographical information

Non-current assets (excluding bank deposits and deferred tax assets) of the Group amounting to RMB1,534,343,000 (2015: RMB1,439,532,000) are located in the PRC and substantially all of the sales of the Group are also made to customers located in the PRC. The Group has made limited export sales to countries outside the PRC which accounted for approximately 0.04% (2015: 0.39%) of the Group's revenue.

All of the carrying amount of segment assets and additions to property, plant and equipment, prepaid lease payments, investment properties and intangible assets are located in the PRC for both years presented.

4. INCOME TAX EXPENSE

	Year ended 31 December 2016	Year ended 31 December 2015
	RMB'000	*RMB'000*
Current tax	**92,272**	81,822
Under provision in respect of prior years	**2,233**	—
Deferred tax	**(13,928)**	(1,512)
	80,577	80,310

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 PRC and engaged in the business encouraged by the PRC government are entitled to the preferential enterprise income tax ("**EIT**") rate of 15% if the operating revenue of the encouraged business in the current year accounted for more than 70% of the total income. The Company and 重慶慶鈴模具有限公司 ("**Qingling Moulds**"), a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the total revenue of their major businesses for the year accounted for 70% of their respective total revenue, and therefore continue to enjoy the preferential EIT rate of 15% for the year.

重慶慶鈴技術中心 ("**Qingling Technical Center**"), a subsidiary of the Company, is subject to EIT rate of 25% (2015: 25%) for the year ended 31 December 2016.

5. PROFIT BEFORE TAX

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Profit before tax has been arrived at after charging:		
Salaries and other payments and benefits	**186,237**	176,585
Retirement benefits scheme contributions	**37,858**	31,329
Total staff costs (including directors' and supervisors' remuneration)	**224,095**	207,914
Loss on disposal of property, plant and equipment	**292**	1,990
Amortisation of intangible assets (included in cost of sales)	**25,278**	13,435
Depreciation of property, plant and equipment	**63,071**	201,571
Depreciation of investment properties	**1,985**	2,209
Release of prepaid lease payments	**1,383**	1,411
Minimum lease payments under operating leases in respect of rented premises and production facilities	**36,574**	40,668
Auditor's remuneration	**2,902**	3,468
Write-down of inventories	**79,036**	34,146
Net foreign exchange loss	**3,725**	4,196
and after crediting:		
Sales of scrap materials	**19**	1,156
Interest income from bank deposits and balances	**118,621**	102,928
Income from renting of investment properties	**6,076**	6,269
Less: Direct operating expenses from investment properties that generated from rental income during the year	**(2,056)**	(1,913)
Income from renting of moulds and tooling equipment	**38,402**	39,077
Government grant	**384**	2,803

6. EARNINGS PER SHARE

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

Earnings

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**481,287**	479,887

Number of shares

	Year ended 31 December 2016 *'000*	Year ended 31 December 2015 *'000*
Number of shares for the purpose of basic earnings per share	**2,482,268**	2,482,268

There were no potential ordinary shares outstanding in both years presented.

7. DIVIDENDS

	Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2015 *RMB'000*
Dividends recognised as distribution during the year:		
2015 Final, paid — RMB0.16 (2015: 2014 Final, paid — RMB0.16) per share	**397,163**	397,163

Subsequent to the end of the reporting period, a final dividend of RMB397,163,000 or RMB0.16 per share in respect of the year ended 31 December 2016 (2015: final dividend of RMB397,163,000 or RMB0.16 per share in respect of the year ended 31 December 2015) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. 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:

	At 31 December 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade receivables, less allowance for doubtful debts	**842,324**	821,649
Other receivables	**12,473**	12,096
Prepayments	**44,183**	39,247
	898,980	872,992

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. 99% (2015: 99%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

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:

	At 31 December 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 3 months	**604,910**	610,156
Between 3 to 6 months	**209,001**	153,379
Between 7 to 12 months	**18,205**	5,020
Between 1 to 2 years	**9,761**	10,073
Over 2 years	**447**	43,021
	842,324	821,649

9. BILLS RECEIVABLE

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

	At 31 December 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 1 month	**434,349**	646,923
Between 1 to 2 months	**295,117**	359,705
Between 2 to 3 months	**202,930**	275,054
Between 3 to 6 months	**650,151**	778,666
	1,582,547	2,060,348

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

10. TRADE, BILLS AND OTHER PAYABLES

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

	At 31 December 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Trade and bills payables	**1,361,835**	1,670,646
Selling expenses payables	**239,964**	242,977
Value added tax payables	**32,549**	24,582
Other payables	**196,456**	90,047
Advances from customers	**399,157**	289,519
	2,229,961	2,317,771

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

	At 31 December 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Within 3 months	**1,210,083**	1,501,369
Between 3 to 6 months	**144,729**	155,571
Between 7 to 12 months	**635**	7,496
Over 12 months	**6,388**	6,210
	1,361,835	1,670,646

11. SHARE CAPITAL

	At 1 January 2015, 31 December 2015 and 31 December 2016 *RMB'000*
Registered, issued and fully paid	2,482,268

	Number of shares At 1 January 2015, 31 December 2015 and 31 December 2016 *'000*
Shares of RMB1 each	
— Domestic shares	1,243,616
— H shares	1,238,652
	2,482,268

Domestic shares are ordinary shares subscribed for and credited as fully paid up in Renminbi by the PRC government and/or entities established in the PRC. H shares are ordinary shares subscribed for in Hong Kong Dollar and credited as fully paid up in Renminbi by persons other than the PRC government and/or entities established in the PRC.

Domestic shares and H shares rank pari passu in all respects with each other. Domestic shares are not freely traded in The Stock Exchange of Hong Kong Limited.

There were no changes in the registered, issued and fully paid share capital of the Company during both years.

12. MATERIAL LITIGATIONS

As at 31 December 2016, the Company has involved in two material legal proceedings as follows:

(a) According to the civil ruling issued by 深圳市福田區人民法院 (transliterated as People's Court of Futian District, Shenzhen) (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 ("**Bank A**"), the Group's bank balances of RMB79,999,000 have been frozen since 16 August 2015.

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

In the 2015 Litigation, Bank A 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. Bank A is also entitled to demand the Customer to prematurely repay all the amount granted under the relevant credit facilities. Bank A 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 Bank A, leading to a breach of the relevant credit agreement, and should be jointly and severally liable to compensate for the losses it suffered. Bank A stated that the outstanding credit balances due from the Customer was RMB80 million in aggregate.

In March 2016, a final ruling from 深圳市中級人民法院 (transliterated as Shenzhen Intermediate People's Court) (the "**Shenzhen Court**") that the 2015 Litigation is under the jurisdiction of the Shenzhen Court was received. In July 2016, Bank A assigned its right to the 2015 Litigation to another company ("**Company X**") and the Shenzhen Court ruled that the plaintiff of the 2015 Litigation was changed from Bank A to Company X. In February 2017, the Shenzhen Court organised the defendants and Bank A for exchange of evidence which has yet to be completed and the 2015 Litigation has not yet been formally heard up to the approval date of the consolidated financial statements.

The Company reviewed all the relevant documents and agreements in relation to the 2015 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 lacks of factual and legal evidence and therefore the Company shall not be liable. Accordingly, no provision for the frozen bank balances has been made in the consolidated financial statements.

(b) On 29 August 2016, the board of directors of the Company (the "**Board**") received a notice of payment from a bank ("**Bank B**") to the Company dated 23 August 2016, demanding, pursuant to the provisions of a tripartite cooperation agreement (the "**Agreement**") entered into among the Company, Bank B and a distributor of the Company (the "**Distributor**"), the Company to be liable for the repayment of an outstanding bank loan of the Distributor falling due as at 23 August 2016 in the amount of approximately RMB14,370,000.

The terms of the Agreement stated that Bank B agreed to grant the Distributor a loan facility of RMB75,000,000 and the Company should pay for the shortfall payment as requested by the notice of payment from Bank B when the guarantee deposited by the Distributor was insufficient.

Subsequently on 26 October 2016, the Company formally received a summon and a notice of respondence to action issued by 廈門市中級人民法院 (transliterated as Intermediate People's Court of Xiamen) (the "**Xiamen Court**") dated 19 October 2016 and a civil complaint from Bank B dated 7 September 2016 in relation to Bank B, as a plaintiff, having initiated legal proceedings (the "**2016 Litigation**") against six defendants including the Distributor and the Company in the Xiamen Court.

In the 2016 Litigation, Bank B sued the Distributor for being unable to pay the deposit in full in accordance with the provisions of the Agreement which constituted an event of default of the Agreement. Bank B requested an immediate repayment of the advances, borrowings and any interests up to the date of actual repayment from the Distributor which amounted to approximately RMB19,680,000 in total up to 6 September 2016. Bank B further sued the Company for not complying with the provisions of the Agreement that it was liable for repaying the shortfall payment, which constituted a breach of the Agreement, and the Company shall have joint liability for the payment and the settlement.

Later, on 11 November 2016, the Board received the second notice of payment from Bank B to the Company dated 7 November 2016, demanding the Company to be liable for the repayment of the outstanding bank loan of the Distributor falling due as at 7 November 2016, together with that under the first notice of payment, in an aggregate amount of approximately RMB39,330,000, and, in January 2017, the Board further received the third notice of payment from Bank B to the Company dated 11 January 2017, demanding the Company to be liable for the repayment of the outstanding bank loan of the Distributor falling due as at 11 January 2017, together with those under the first and second notice of payment, in an aggregate amount of approximately RMB48,300,000.

Since the Company has never entered into the Agreement, on 29 September 2016, the Company reported the aforesaid incident to 重慶市公安局九龍坡分局 (transliterated as Jiulongpo branch of Chongqing Municipal Public Security Bureau). Jiulongpo branch of Chongqing Municipal Public Security Bureau has initiated formal investigation.

In November 2016, an application of objection to the jurisdiction has been filed by the Company to the Xiamen Court but was overruled by the Xiamen Court. In December 2016, the Company filed another application of objection to the jurisdiction to 福建省高級人民法院 (transliterated as Fujian Higher People's Court), which has yet to make a ruling on the Company's application up to the approval date of the consolidated financial statements.

The Board has reviewed all the relevant documents and contracts in relation to the 2016 Litigation and after making verifications, the Board finds that the Distributor engraved the seals of the Company and the legal person without explicit approval, and entered into the Agreement with Bank B. Based on the opinion of its PRC legal adviser, the directors of the Company are of the view that the Company is not legally bound by the Agreement because it did not sign the Agreement, and therefore the Company should not be liable. Accordingly, no provision has been made in respect of the claims under the 2016 Litigation in the consolidated financial statements.

2016 RESULTS

For the year end 31 December 2016, the Company sold 48,166 trucks and vehicles, and decrease of 16.6% over the 57,744 trucks and vehicles sold last year. Revenue was RMB4.6 billion, a decrease of 15.8% over RMB5.5 billion as recorded last year. Profit after tax was RMB486 million, an increase of 0.2% over RMB485 million as recorded last year.

Review of Results

In 2016, facing the ongoing slowdown of macroeconomic growth, the continued slump of the total market demand for commercial vehicles and the increasingly fierce market competition, the Company, on one hand, arrested the fall in, while enhancing, the profit of production and operation of the period, and on the other hand, promoted the process of the significant projects and system reform on the sustainable development of enterprise, and the work achieved new results.

i. Adhere to market orientation and strengthen marketing. The Company 1) according to the economic characteristics of different regions and industrial development and targeting at key customers and important business opportunities, focused its resources to achieve rapid turnover, and successfully developed a high-quality customer base with top-notch customers such as Jingdong Mall, Yuan Cheng Logistics, Kua Yue Logistics and Vipshop; 2) launched a star-rating evaluation on Qingling special maintenance stations and carried out grading optimization management on the maintenance stations, in order to strengthen the supporting role of after-sales service to marketing; 3) expanded network coverage, with 71 newly established sales positions for the whole year and have achieved an overall coverage of marketing network in those areas centralized by customers; 4) systematically carried out promotion on corporate image and the brand through participating in international auto shows, organizing regional exhibitions of new products, operating new mode of media communication, etc., to engage in accurate and in-depth publicity.

ii. Adhere to innovation drive and strengthen development. The Company 1) organized a development team and intensively commenced the development of phase 5 vehicles and engines with cooperation partners such as Isuzu, Bosch and Delphi, and achieved phase 5 enhancement on the complete series as of the first quarter of 2017; 2) drawing support from the resources of Isuzu, scientific research institutes and social ancillary manufacturers, completed the medium-long-term product planning of light, medium and heavy-duty trucks, pick-up trucks and new energy vehicles, and has moved to the implementation stage; 3) based on market development and customer needs, continued to enhance the existing model specifications and configurations, and completed the development of 20 new models such as extended pick-ups and conjoined pick-ups; 4) with the implementation of a number of mandatory regulations such as fire truck regulations, adjustments and changes in brakes and vehicle license plates, completed the corresponding measures against a total of 749 regulations.

iii. Adhere to in-depth reform and strengthen management. The Company 1) strengthened the management of production and equipment to enhance the comprehensive manufacturing capacity with the overall process and overall segment delivery period as the entry point; 2) rigidly carried out quality management through introducing Isuzu's B.OP quality management activity and establishing and improving the system for disallowing outflow of defective products; 3) promoted special actions, including the promotion of a new round of domestic components merging, the improvement of the effectiveness of capital management and the launch of “small change and small reform” for all employees, to lower cost and increase effectiveness; 4) actively and steadily promoted remuneration reform and built a career development path that allows the remuneration of all employees be commensurated with their ranks, positions and performance, in order to achieve the flexibility in duties allocation, remuneration and staff deployment; 5) according to the unified planning, implemented, step-by-step and from ease to difficulty, a progressive principle to start the construction of an information management platform in the whole Company.

Outlook and Prospects

On the basis of evaluating the inner and outer environment and assessing the Company’s edges and shortcomings, the Company has compiled the “13th Five-Year Plan” development plan with the overall development idea as: Constructing the five major industries of “commercial, transport, professional, development, and retail”, broadening the core business of commercial vehicles, intensely carrying out strategic business on specialized vehicles, engines and components, and expanding passenger vehicles, new energy vehicles and post-market emerging business. In order to achieve the above plan and promote the upgrade of Qingling, the Company has put forward the medium-term development targets, working policy and main tasks in the past three years (2017-2019):

i. Development targets: The enterprise innovation ability and technical team training produce initial results; the proportion of annual investment in research and development over the operating income is increasing; medium-term products planned reach the market on schedule; all series of models achieve phase 6; the scale of modified vehicles and new energy vehicles extends and such vehicles are released to the market in batch; all series of engines achieve phase 6 and simultaneously complete the second phase of development to reduce costs, and large-scale engine exports become the second pillar of operation.

ii. Working policy: To enhance marketing and drive the overall development of operation; to strengthen innovation and boost enterprise development; to promote reform and stimulate the vitality of employees. With marketing being the leader, innovation being the driving force, and mechanism being the guarantee, the three are indispensable.

iii. Main tasks: 1) To develop and implement medium-term product planning; 2) to introduce Isuzu’s new generation phase 6 engines; 3) to vigorously nurture technological innovation ability; 4) to vigorously promote market mechanism reform; 5) to actively and steadily promote remuneration system reform; 6) to strengthen capital operation; 7) to strengthen information construction; 8) to improve and enhance employee benefits and logistic services; 9) to strengthen legal affairs and risk control; 10) to invigorate the modified vehicle industry.

Looking to 2017, the Company’s task of reform on innovation and development is going to be honorable yet arduous. As long as all employees of Qingling work in solidarity and going ahead together hand-in-hand, the Company will be able to tackle difficulties and overcome obstacles, move forward with fortitude, and bring more satisfactory returns to investors.

FINANCIAL RESOURCES AND LIQUID FUNDS SITUATION

Financial Performance

For the year ended 31 December 2016, the revenue of the Group was RMB4,633,785,000, representing a decrease of 15.8% as compared to last year, which is mainly caused by the reduction of the sales of Light-duty trucks and pick-up trucks.

Gross profit for the year was RMB863,946,000, representing an decrease of 15.9% as compared to last year. Gross profit margin of the Group for the year was 18.6% as compared with 18.7% last year. Profit of the Group for the year was RMB486,049,000, representing an increase of 0.2% as compared to last year.

For the year ended 31 December 2016, other income mainly included interest income and rental income, totalling RMB164,984,000, representing an increase of 4.6% as compared to last year, and this was mainly due to an increase of the bank deposits and balances.

For the year ended 31 December 2016, the distribution and selling expenses of the Group, mainly including transportation costs, maintenance fees, rebates and other market promotion expenses, were RMB202,093,000, representing a decrease of 46.0% as compared to last year, and this was mainly because the rebates and other market promotion expenses to the Group's distributors during the year were settled and included in revenue and they were paid to distributors and included in distribution and selling expenses last year.

For the year ended 31 December 2016, the administrative expenses of the Group, mainly including staff's salaries and allowance, insurance premium, maintenance fees and other administrative expenses, were RMB218,647,000, representing an increase of 1.3% as compared to last year, principally due to an increase in staff's salaries and allowance for the year.

For the year ended 31 December 2016, the research expenses of the Group were RMB57,324,000 representing an increase of 57.4% as compared to last year, and this was mainly due to an increase in the input of research for new products during the year.

For the year ended 31 December 2016, the share of results of joint ventures of the Group was RMB19,569,000, representing an increase of 59.7% as compared to last year, and this was mainly due to these joint ventures further improved their performance during the year.

For the year ended 31 December 2016, basic earnings per share was RMB0.19, The Company did not issue any new shares and the basic earnings per share is comparable with last year.

Financial Position

As at 31 December 2016, the total assets and total liabilities of the Group were RMB10,197,850,000 and RMB2,237,961,000 respectively.

As at 31 December 2016, the Group's non-current assets amounted to RMB1,562,015,000 which mainly includes property, plant and equipment, prepaid lease payments, investment properties, intangible assets, interests in an associate and joint ventures and deferred tax assets.

As at 31 December 2016, the Group's current assets amounted to RMB8,635,835,000 which mainly includes inventories of RMB587,156,000, trade and other receivables and prepayments of RMB898,980,000, bills receivables of RMB1,582,547,000, bank deposits with original maturity more than three months of RMB3,050,884,000, restricted bank balances of RMB79,999,000 and bank balances and cash of RMB2,434,886,000.

As at 31 December 2016, the Group's current liabilities amounted to RMB2,237,961,000 which mainly includes trade, bills and other payables of RMB2,229,961,000 and tax liabilities of RMB8,000,000.

As at 31 December 2016, the Group's net current assets was RMB6,397,874,000 (2015: RMB6,043,204,000) remained stable from last year.

Liquidity and Capital Structure

As at 31 December 2016, the cash and cash equivalents (representing bank balances and cash) retained by the Group were RMB2,434,886,000 representing an increase of RMB252,136,000 as compared to the balances reported on 31 December 2015, which was primarily derived from our operations.

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 consolidated statement of financial position. The gearing ratio of the Group as at 31 December 2016 was 28.1% (as at 31 December 2015: 29.7%).

Issued share capital as at 31 December 2016 maintained at the level of RMB2,482,268,000 as no share was issued during this year.

For the year ended 31 December 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 31 December 2016 was RMB7,658,540,000. The net assets value per share (representing total equity attributable to owners of the Company divided by number of shares of the Company as at 31 December 2016) as at 31 December 2016 was RMB3.09.

Significant Investment

As at 31 December 2016, the Group's interests in joint ventures (being mainly the Group's investment in Qingling Isuzu Engine) was RMB480,170,000 and interest in an associate was RMB7,052,000. The joint ventures and associate of the Group were under normal operation.

Except for the Company's intangible assets acquisition from ISUZU of RMB130,010,000, during the year ended 31 December 2016, the Group had no other significant acquisition and disposal of investment.

Segment Information

The segment revenue contributed by light-duty trucks and pick-up trucks was RMB3,442,241,000, representing 74.3% of the total segment revenue and the segment profit of light-duty trucks and pick-up trucks accounted for 91.3% 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 segment revenue contributed by medium and heavy-duty trucks was RMB966,488,000, representing 20.9% of the total segment revenue. The segment profit from medium and heavy-duty trucks was RMB16,020,000, accounting for 3.3% of the total segment profit.

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

Pledge of Assets

As at 31 December 2016, no asset of the Group was pledged for financial facilities (for the year ended 31 December 2015: Nil).

Effects of Foreign Exchange Rate Changes

As at 31 December 2016, the Group had bank balances and receivables of foreign currencies other than RMB in aggregate of RMB10,946,000 and trade and other payables of currencies other than RMB in aggregate of RMB103,912,000.

The major foreign currency transactions of the Group are relating to purchasing 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 in the exchange rate.

Commitments

As at 31 December 2016, the Group had capital commitments of RMB13,268,000 that had been contracted for but not provided in the consolidated financial statements, mainly for purchasing properties, plant and equipment for the heavy-duty truck projects. The Group expects to finance the above capital requirement by its own cash flows.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.16 per share (the "**2016 final dividend**") (2015: RMB0.16 per share) in respect of the year ended 31 December 2016 to those shareholders whose names appear on the Company's register of shareholders on Friday, 23 June 2017. Subject to the approval at the annual general meeting of the Company to be held on 9 June 2017, the 2016 final dividend will be payable on or before 30 June 2017.

According to the regulations of the Enterprise Income Tax Law of the People's Republic of China, Implementation Regulations on Enterprise Income Tax Law of the People's Republic of China and the Notice of Withholding and Payment of Enterprise Income Tax Regarding China Resident Enterprise Paying Dividend to Non-Resident Enterprise Holders of Overseas H Shares issued by China's State Administration of Taxation (Guo Shui Han [2008] No. 897 on 6 November 2008), any China resident enterprise which pays dividend to non-resident enterprise holders of overseas H shares for the year of 2008 and subsequent years shall withhold and pay enterprise income tax at a unified tax rate of 10%.

As stated above, in respect of any non-resident enterprise holders of H Shares (including HKSCC Nominees Limited, other custodians, corporate nominees and trustees such as securities companies and banks, and other entities or organizations) whose names appear on the Company's register of shareholders on the record date of dividend, the Company will pay the 2016 final dividend payable to such shareholders after deducting all enterprise income tax payable from the 2016 final dividend.

In respect of any individual holders of H shares whose names appear on the Company's register of shareholders on the record date of dividend, the Company will not deduct the enterprise income tax from the 2016 final dividend which such shareholders have right to receive.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at New Conference Hall, 1st Floor of the Company's Office Building, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China on Friday, 9 June 2017 at 10:00 a.m. (the "**AGM**").

CLOSURE OF REGISTER OF SHAREHOLDERS

To ascertain the H shareholders' entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Wednesday, 10 May 2017 to Friday, 9 June 2017 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms relating to H shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 9 May 2017.

Subject to the approval of the shareholders at the AGM, the proposed final dividend will be payable to the shareholders whose names appear on the register of shareholders of the Company on Friday, 23 June 2017. To ascertain the H shareholders' entitlement to the proposal final dividend, the register of shareholders of the Company will be closed from Friday, 16 June 2017 to Friday, 23 June 2017 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms relating to H shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 15 June 2017.

PREFERENTIAL TREATMENTS FOR CONSOLIDATED INCOME TAX AND LOCAL TAX

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 PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% if the operating revenue of the encouraged business in the current year accounted for more than 70% of the total income. In the opinion of the directors of the Company, the Company and Qingling Moulds, a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the total revenue of their major businesses for the year accounted for 70% of their respective total revenue, and therefore continue to enjoy the preferential EIT rate of 15% for the year.

DESIGNATED DEPOSITS

As at 31 December 2016, the Group did not hold any designated deposit or any time deposits that were overdue but could not be collected upon maturity.

EMPLOYEES

As at 31 December 2016, the Group has 2,857 employees (2015: 2,842 employees). For the year ended 31 December 2016, labor cost was RMB224,095,000 (2015: RMB207,914,000). For the year ended 31 December 2016, there are no major changes in the remuneration policy of employees. The Group actively provides various training to its staff of all levels.

DISPOSAL OF STAFF QUARTERS

For the year ended 31 December 2016, the Group has not sold any of its staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

(1) As at 31 December 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 31 December 2016, shareholders other than director, supervisor and chief executive of the Company having an interest and short positions in 5% or more of the relevant class of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "**SFO**") were as follows:

Long positions in the shares of the Company:

Name of shareholders	**Class of shares**	**Number of shares**	**Capacity**	**Percentage of the relevant class of share capital**	**Percentage of entire share capital**
Qingling Motors (Group) Company Limited	Domestic shares	1,243,616,403 shares	Beneficial Owner	100.00%	50.10%
Isuzu Motors Ltd.	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 31 December 2016.

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

As at 31 December 2016, none of the directors, supervisors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). For the year ended 31 December 2016, none of directors, supervisors and chief executives of the Company, or 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.

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

There were no purchase, sale, redemption or cancellation of the Company's listed securities by the Company and its subsidiaries during the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company puts high emphasis on endeavors to maintain high standards 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 or 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.

During the year ended 31 December 2016, the Company has complied with the code provisions of 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 year ended 31 December 2016.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed, with the management and auditor of the Company, the accounting principles and practices adopted by the Group, and discussed auditing, risk management and internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2016 and the 2016 annual results.

DIRECTORS

As at the date of this announcement, the Board comprises 10 directors, of which Mr. LUO Yuguang, Mr. Keiichiro MAEGAKI, Mr. Masanori OTA, Mr. Yoshifumi KOMURA, Mr. LI Juxing and Mr. XU Song are executive directors and Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. LIU Tianni and Mr. LIU Erh Fei are independent non-executive directors.

By Order of the Board
Qingling Motors Co. Ltd
LUO Yuguang
Chairman

Chongqing, the PRC, 24 March 2017