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)

(Stock Code : 1122)

Announcement of 2007 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 31st December, 2007, which has been prepared in accordance which Hong Kong Financial Reporting Standards as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2007

	NOTES	**2007** *RMB'000*	2006 *RMB'000*
Revenue	2, 3	**3,756,513**	3,342,442
Cost of sales		**(3,088,955)**	(2,856,020)
Gross profit		**667,558**	486,422
Other income		**95,692**	49,362
Other expenses		**(6,344)**	—
Selling and distribution costs		**(431,774)**	(339,150)
Administrative expenses		**(134,220)**	(97,426)
Finance costs	4	**—**	(9,467)
Profit before tax	5	**190,912**	89,741
Income tax expense	6	**(19,798)**	(10,273)
Profit for the year		**171,114**	79,468
Attributable to:			
Equity holders of the Company		**159,236**	77,688
Minority interests		**11,878**	1,780
		171,114	79,468
Dividend	7	**49,645**	49,645
Basic earnings per share	8	**RMB0.06**	RMB0.03

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2007

	NOTES	**2007** **RMB'000**	2006 RMB'000
Non-current assets			
Property, plant and equipment	9	**2,658,626**	3,264,722
Prepaid lease payments		**42,018**	43,207
Investment properties		**65,350**	—
Intangible assets		**53,823**	67,212
Deferred tax assets		**8,093**	—
		2,827,910	3,375,141
Current assets			
Inventories		**653,277**	960,408
Trade and other receivables	10	**325,235**	42,227
Bills receivables	11	**905,934**	728,148
Prepaid lease payments		**1,189**	1,189
Bank deposits with original maturity more than three months		**2,013,431**	996,435
Bank balances and cash		**1,581,450**	1,814,530
		5,480,516	4,542,937
Current liabilities			
Trade, bills and other payables	13	**1,166,564**	974,064
Tax payable		**21,353**	6,523
		1,187,917	980,587
Net current assets		**4,292,599**	3,562,350
Total assets less current liabilities		**7,120,509**	6,937,491
Capital and reserves			
Share capital	12	**2,482,268**	2,482,268
Reserves		**4,345,359**	4,235,768
Equity attributable to equity holders of the Company		**6,827,627**	6,718,036
Minority interests		**292,882**	219,455
Total equity		**7,120,509**	6,937,491

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) — Int 8	Scope of HKFRS 2
HK (IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arranagements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. Besides, the directors have commenced considering the potential impact of HKRFS 8, but it is not yet in a position to determine whether HKFRS 8 would have a significant impact on the presentation of segment information.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

2. REVENUE

Revenue represents revenue arising on goods sold by the Group to outside customers, net of discounts and sales related tax. An analysis of the Group's revenue for the year is as follows:

	2007	2006
	RMB'000	*RMB'000*
Sales of trucks and vehicles	**3,560,099**	3,218,272
Sales of automobile parts and accessories	**196,414**	124,170
	3,756,513	3,342,442

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently engaged in the manufacture and sales of six products — light-duty trucks, multi-purposes vehicles, pick-up trucks, heavy-duty trucks, other vehicles and automobile parts and accessories.

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
Heavy-duty trucks	— manufacture and sales of heavy-duty trucks
Other vehicles	— manufacture and sales of vehicles other than those identified as above
Automobile parts and accessories	— manufacture and sales of automobile parts and Accessories

(i) Segment information about these businesses for the year ended 31st December, 2007 is presented below:

	Light-duty trucks	**Multi-purposes vehicles**	**Pick-up trucks**	**Heavy-duty trucks**	**Other vehicles**	**Automobile parts and accessories**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
INCOME STATEMENT							
Revenue	**2,114,444**	**110,660**	**979,952**	**354,332**	**711**	**196,414**	**3,756,513**
Result							
Segment result	**189,923**	**298**	**50,554**	**(43,817)**	**479**	**(21,988)**	**175,449**
Unallocated corporate expenses							**(80,229)**
Unallocated interest income							**76,601**
Unallocated other income							**19,091**
Profit before tax							**190,912**
Income tax expense							**(19,798)**
Profit for the year							**171,114**

	Light-duty trucks *RMB'000*	**Multi-purposes vehicles** *RMB'000*	**Pick-up trucks** *RMB'000*	**Heavy-duty trucks** *RMB'000*	**Other vehicles** *RMB'000*	**Automobile parts and accessories** *RMB'000*	**Consolidated** *RMB'000*
BALANCE SHEET							
Assets							
Segment assets	**1,200,270**	**47,399**	**398,949**	**1,361,023**	**—**	**64,031**	**3,071,672**
Interchangeably used assets between segments							
— property, plant and equipment							**1,190,531**
— prepaid lease payments							**43,207**
— inventories							**80,740**
Unallocated corporate assets							**3,922,276**
Consolidated total assets							**8,308,426**
Liabilities							
Segment liabilities	**204,736**	**11,060**	**72,265**	**19,785**	**—**	**11,504**	**319,350**
Unallocated trade, bills and other payables							**847,214**
Unallocated corporate liabilities							**21,353**
Consolidated total liabilities							**1,187,917**

(ii) Segment information about these businesses for the year ended 31st December, 2006 is presented below:

	Light-duty trucks *RMB'000*	Multi-purposes vehicles *RMB'000*	Pick-up trucks *RMB'000*	Heavy-duty trucks *RMB'000*	Other vehicles *RMB'000*	Automobile parts and accessories *RMB'000*	Consolidated *RMB'000*
INCOME STATEMENT							
Revenue	2,067,746	95,541	811,295	245,478	(1,788)	124,170	3,342,442
Result							
Segment result	107,260	(29,926)	2,996	(5,060)	(6,931)	19,576	87,915
Unallocated corporate expenses							(38,069)
Unallocated interest income							34,449
Financial cost							(9,467)
Unallocated other income							14,913
Profit before tax							89,741
Income tax expense							(10,273)
Profit for the year							79,468

	Light-duty trucks *RMB'000*	Multi-purposes vehicles *RMB'000*	Pick-up trucks *RMB'000*	Heavy-duty trucks *RMB'000*	Other vehicles *RMB'000*	Automobile parts and accessories *RMB'000*	Consolidated *RMB'000*
BALANCE SHEET							
Assets							
Segment assets	1,361,952	166,806	500,684	1,247,139	—	66,973	3,343,554
Interchangeably used assets between segments							
— property, plant and equipment							1,621,359
— prepaid lease payments							44,396
— inventories							73,741
Unallocated corporate assets							2,835,028
Consolidated total assets							7,918,078
Liabilities							
Segment liabilities	104,069	4,024	31,139	44,739	—	5,206	189,177
Unallocated trade, bills and other payables							784,887
Unallocated corporate liabilities							6,523
Consolidated total liabilities							980,587

(b) Geographical segments

(i) All of the production facilities of the Group 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 PRC which accounted for approximately 3.30% (2006: 2.41%) of the Group's revenue.

(ii) All of the carrying amount of segment assets and additions to property, plant and equipment are located in the PRC for both years presented.

4. FINANCE COSTS

	2007 ***RMB'000***	2006 *RMB'000*
Interest expense on bank loans wholly repayable within five years	**—**	9,467

5. PROFIT BEFORE TAX

	2007 *RMB'000*	2006 *RMB'000*
Profit before tax has been arrived at after charging:		
Salaries and other payments and benefits	**81,727**	70,143
Retirement benefits scheme contributions	**10,141**	9,226
Total staff costs (including directors' and supervisors' remuneration)	**91,868**	79,369
Allowance for obsolete inventories	**53,954**	11,486
Amortisation of intangible assets (included in cost of sales)	**13,389**	15,259
Auditors' remuneration	**3,051**	2,980
Depreciation of property, plant and equipment	**359,034**	256,730
Depreciation of investment property	**1,029**	—
Amortisation of prepaid lease payments	**1,189**	1,189
Loss on disposal of property, plant and equipment	**1,930**	35
Minimum lease payments under operating leases in respect of rented premises	**10,703**	10,129
Research and development costs (included in administrative expenses)	**18,038**	7,789
Net foreign exchange loss	**4,414**	—
Cost of inventories recognised as an expense	**3,057,177**	2,850,531
and after crediting:		
Interest income from bank deposits and balances	**76,601**	34,449
Foreign exchange gain	**—**	1,477
Write back allowance for obsolete inventories (upon sale)	**22,176**	12,990
Write back for bad and doubtful debts (upon collection)	**—**	8,618
Income from renting of building, moulds and tooling equipment	**10,299**	6,059
Written off of long outstanding trade payable	**54**	2,450
Government grant (note)	**8,228**	1,938
Sales of scrap raw materials	**21**	1,689

Note: Local government granted a financial subsidy to the Group for development of the Group's business.

6. INCOME TAX EXPENSE

	2007 *RMB'000*	2006 *RMB'000*
Current tax	**29,141**	11,583
Over provision of current tax in prior year	**(1,250)**	(1,310)
Deferred tax credit	**(8,093)**	—
	19,798	10,273

According to the "Notice of certain measures for implementation of exploration and development of western zone" issued by the State Council of the PRC, domestic investment enterprises and foreign investment enterprises located in the western zone of the PRC of a production nature and engaged in the business encouraged by the State Government are entitled to PRC Enterprise Income Tax at the rate of 15% effective from 1st January, 2001. Besides, a subsidiary of the Company, 重慶慶鈴模具有限公司 "Qingling Moulds", is qualified as an enterprise with advance technology to entitle to a preferential tax rate of 10%.

On 16th March, 2007, PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008. According to the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Fa [2007] No. 39, the Group can continue to entitle the Enterprise Income Tax rate of 15% for the subsidiaries located in the western zone. According to the New Law, Qingling Moulds is re-applying to qualify as an enterprise with advance technology. The Enterprise Income Tax rate of Qingling Moulds will be 15% due to the fact that it is located in western zone, and the re-application result will have no influence on the tax rate of 15%.

The tax charge for the year can be reconciled to the profit per consolidated income statement as follows:

	2007	2006
	RMB'000	*RMB'000*
Profit before tax:	**190,912**	89,741
Tax at the domestic income tax rate of 15% (2006: 15%)	**28,637**	13,461
Tax effect of expenses not deductible for tax purpose	**244**	123
Tax effect of income not taxable for tax purpose	**(2,955)**	(1,048)
Utilisation of deductible temporary difference not recognised	**—**	(928)
Additional tax benefit and refund applicable to the Group (note)	**(4,724)**	—
Effect of different tax rate in a subsidiary	**(154)**	(25)
Over-provision in prior year	**(1,250)**	(1,310)
Tax charge for the year	**19,798**	10,273

Note:

The additional tax benefit and refund applicable to the Group are as follows:

(1) Pursuant to the relevant tax rules and regulation, technical fee can be over-deducted 50% from income tax payable, which amounted to RMB2,044,000.

(2) Pursuant to the relevant tax rules and regulations, the Company claimed PRC Enterprise Income Tax credits on 40% of the acquisition cost of certain qualified equipment in PRC Enterprise Income Tax Expense in excess of that in the previous year, which amounted to RMB2,680,000.

7. DIVIDEND

	2007	2006
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year:		
Final, paid — RMB0.02 (2006: RMB0.02) per share	**49,645**	49,645

A final dividend of RMB0.03 (2006: RMB: 0.02) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company for the year ended 31st December, 2007 is based on the following data:

Earnings

	2007	2006
	RMB'000	*RMB'000*
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**159,236**	77,688

Number of shares

	2007	2006
	'000	*'000*
Number of shares for the purpose of basic earnings per share	**2,482,268**	2,482,268

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

9. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred approximately RMB26,387,000 on acquisition of property, plant and equipment for expansion of its production facilities.

During the year, the Group transferred buildings at net book value approximately RMB66,379,000 to investment properties.

During the year, an engine production line under development, amounted to RMB121,095,000, was completed and transferred to machinery.

During the year, the Group disposed two engine production lines at net book value approximately RMB201,974,000 to a jointly controlled entity.

10. TRADE AND OTHER RECEIVABLES

As at balance sheet date, the aged analysis of trade receivables, net of allowances, of the Group is as follows:

	2007	2006
	RMB'000	*RMB'000*
Within 3 months	**80,865**	21,727
Between 3 to 6 months	**17**	8
Between 7 to 12 months	**15**	5
Between 1 to 2 years	**5**	1,095
Over 2 years	**1,200**	920
	82,102	23,755
Other receivables	**233,742**	12,340
Prepayments	**9,391**	6,132
	325,235	42,227

11. BILLS RECEIVABLES

As at balance sheet date, the aged analysis of bills receivables of the Group is as follows:

	2007	2006
	RMB'000	*RMB'000*
Within 1 month	**279,783**	219,509
Between 1 to 2 months	**162,932**	116,342
Between 2 to 3 months	**137,712**	112,638
Between 4 to 6 months	**325,507**	279,659
	905,934	728,148

12. SHARE CAPITAL

	2007 and 2006
	RMB'000
Registered, issued and fully paid	2,482,268

	Number of shares
	2007 and 2006
	'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 PRC government and/or PRC incorporated entities and H Shares are ordinary shares subscribed for and credited as fully paid up in Renminbi by persons other than PRC government and/or PRC incorporated entities.

Domestic shares and H shares rank pari passu in all respects with each other.

Domestic shares are not freely traded in the Hong Kong Stock Exchange.

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

13. TRADE, BILLS AND OTHER PAYABLES

As at balance sheet date, the aged analysis of trade and bills payables of the Group is as follows:

	2007	2006
	RMB'000	*RMB'000*
Within 3 months	**687,817**	593,737
Between 3 to 6 months	**121,322**	76,292
Between 7 to 12 months	**8**	42
Over 12 months	**518**	421
	809,665	670,492
Other payables	**213,953**	210,680
Advance from customers	**142,946**	92,892
	1,166,564	974,064

2007 RESULTS

For the year ended 31st December, 2007, the Company sold 32,380 vehicles, an increase of 6.23% over the 30,482 vehicles in last year. Turnover reached RMB3.76 billion, an increase of 12.57% over the RMB3.34 billion in last year. Profit after taxation was RMB171.11 million, an increase of 115.31% over the RMB79.47 million last year.

REVIEW OF OPERATION

Attributable to the relentless effort and great dedication of the staff, encouraging results in production and operation has been achieved by the Company in 2007. Both the domestic and overseas markets have sustained relative rapid growth, with operating quality, efficiency and effectiveness per capita significantly increased. The new competitiveness arising from development of new products and enhancement in performance-price ratio provided the Company with impetus to leverage on its advantages and develop rapidly in 2008.

1. Competitiveness newly resulted from development of new products and enhancement in performance-price ratio of products. Firstly, the deficiency and limitation of the Company's commercial vehicles product mix have been perfected. The technological preparation for production of medium duty commercial vehicles of 5 to 7 tons and heavy duty commercial vehicles of 15 tons was completed. Secondly, the newly developed petrol and diesel driven engines of the existing products complies with the Euro III Emission Standard. These, coupled with the gradual results achieved by the cost reduction activities, the performance-price ratio of the products was significantly increased.

2. Continuous effort in enhancing the Company's capability in marketing and after-sales services. In 2007, the Company strengthened the implementation of marketing measures in accordance with the new marketing mechanism. New results have been achieved in areas such as building of marketing network, expansion of customer base, fundamental management in marketing, promoting dealers in compliance of 4S, supply of supplements and establishment of multi-regional marketing pattern. The new results has supported the growth in sales for the year and laid a solid foundation for the expansion of sales in 2008.

3. Continuous enlargement in overseas export markets of parts, accessories and assembly. Firstly, the structure of export products was adjusted to further enhance the proportion of export of high value-added products. Secondly, purchase orders for new export products were secured on the basis of its stable export of the existing products. The market prospect for the export products was sound. Thirdly, the Company will continue to strive for excellent after-sales services for exports to enhance the users' satisfaction.

4. Persistent enhancement in management standard. Capitalizing the continuous promotion of domestic production of parts and accessories and expansion of export markets, the Company determined to exercise management in view of the management requirement "One Standard, Two Markets". Benefited from the joint operation with Isuzu, it actively learnt the advanced thinking, concept and method of management in foreign countries, enhancing the management level of the Company under the effect of high standard and high requirements.

Outlooks and Prospects

2008 is an important year for the Company to carry on its development under the Eleventh Five-Year Plan in the past and open up the future. In connection with the external factors, the State will enforce the energy-saving and emission-reducing policy. Starting from July, the Euro III Emission Regulations will come into full effect in the vehicle industry. The operation order of commercial vehicles will become more organized. New opportunities will arise from the development of commercial vehicles of high technological content and high quality. In connection with the internal factors, after establishing the joint venture of engines, the Company has developed two major businesses, namely the finished vehicles and engines, contributing unique competitive edge in the commercial vehicles industry to Qingling.

The Company will capitalize opportunities to step up its effort to rapid development and develop on its resources edges in both the finished vehicles and engines business over the market. Regarding the finished vehicles business, by launching new products and taking advantage of the price competitiveness of some of its existing products, the Company will boost up the sales of finished vehicles to a higher level to support the development of the Company. Regarding the engines business, leveraging on the separate operation of the engines company, the Company will cultivate the engine business as a separate business. It will also secure increases in both the domestic and overseas markets of the Group. Major targets are as follows:

1. Commencement of the "Exercise of Improving Production Quality" with high efficiency. A strong quality assurance system will be established by going into highly efficient, diversified and bulk production. Such highly efficient, diversified and bulk production will reveal the defects in different fundamental management areas such as equipments, cutting instruments, handicrafts, logistics, measurement and inspection, standard setting and production organization. The Company will swiftly formulate rectifying measures to overcome difficulties and implement fundamental management and enhance the Company's integrated management level, in order to achieve stable production of quality products with high efficiency and low costs.

2. Rapid enhancement of capability in marketing and after-sales services. The Company will continue to uphold its requirements to "enhance implementation and strengthen execution". It will continue to promote regional marketing hierarchy to refine the measures and impose and implement such measures. By regulating the quality, quantity and timeframe in accordance to requirements of practicability, details, depth, penetration and speed, the Company will rapidly strengthen major measures such as "building of marketing network", "expansion of customer base", "fundamental management in marketing", "promoting dealers in compliance of 4S" and "supply of supplements", so as to enlarge the high-end market and enter into the medium-end market, establishing a multi-regional marketing pattern.

3. Continuous expansion of overseas market to enhance the Company's integrated management level. Firstly, along with the continuous expansion in the product range and scale of the exports, the Company will again strengthen the competitiveness of its new product QCD by complying to the requirements of the "Exercise of Improving Production Quality" with high efficiency. Secondly, the Company will insist to consider quality to be its priority. It will continue to optimize its export product structure to confront with adverse effects such as changes in

exchange rate, increasing price of raw materials and rises in labour costs and to enhance its profitability.

4. Continuous development of cost reduction activities to further increase the performance-price ratio of the products. Firstly, the Company will focus on the products which have a relative low domestic production rate and strengthen the promotion of cost reduction activities to increase such domestic production rate. Secondly, the Company will commence another round of product structure adjustment to reduce its cost. Thirdly, it will take implement refined purchases management and capitalize its resources advantage to control the cost of purchases. Fourthly, the Company will reduce its manufacturing cost with the efficient method which has been long established.

5. Commitment to people-oriented principle and continuous building and cultivation of quality team with extensive technological knowledge, skills and aspiration. The Company encourages every staff to continuously enhance their techniques and skills on the job and fortify their own thinking, conduct and moral. They are encouraged to develop innovative ideas and contribute to the new development of the Company with their wisdom and hard work, so as to pursue for a happier life.

Facing the external environment where both challenges and opportunities exist in 2008, the Company will take advantage of the favourable external factors to expedite its progress to quality and efficiency model and enhance the quality and level of external cooperation. It will also speed up to capitalize the Company's established resources edge and capability and increase its market share, in order to strive for satisfactory operating results for the investors.

FINANCIAL RESOURCES AND LIQUID FUNDS SITUATION

Shareholders' interest as at 31st December, 2007 increased by 1.63% compared with that as at 31st December, 2006. This increase was mainly due to the aggregate profit attributable to shareholders for the year amounted to approximately RMB159,236,000 and the payment of 2006 dividend approximately RMB49,645,000.

There were no borrowings of the Group as at 31st December, 2007. The Group's current assets were mainly bank balance, deposits and cash, inventories like raw materials and finished goods, bills receivables and trade receivables which amounted to approximately RMB5,480,516,000, whereas current liabilities amounted to approximately RMB1,187,917,000. As at 31st December, 2007, bank balance, deposits and cash amounted to approximately RMB3,594,881,000.

As at 31st December, 2007, no assets had been pledged by the Group as security and the gearing ratio of the Group was 14.30%, calculated by dividing total liabilities over total assets. The Group did not have any significant contingent liabilities. The Group continued their prudent policy in managing foreign exchange risks through exchange contracts in order to minimize foreign exchange risks.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.03 per share (2006: RMB0.02 per share) in respect of the year ended 31st December, 2007 to those shareholders on the register of shareholders on 26th May, 2008. Subject to the approval at the annual general meeting to be held on 17th June, 2008, the final dividend will be payable on or before 25th June, 2008.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Conference Hall, 1st Floor of Qingling Motors Co. Ltd Office Building, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China on Tuesday, 17th June, 2008 at 10:00 a.m..

CLOSURE OF REGISTER OF SHAREHOLDERS

The register of shareholders of the Company will be closed from Saturday, 17th May, 2008 to Tuesday, 17th June, 2008 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all share transfers, together with the relevant share certificates, shall be delivered to the Company's H Share Registrars, Hong Kong Registrars Limited at Shops 1712–6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 16th May, 2008.

PREFERENTIAL TREATMENTS FOR CONSOLIDATED INCOME TAX AND LOCAL TAX

The cancellation of the preferential treatment of tax refund provided by the local governments will not have material impact on the Group as it has not enjoyed the preferential treatment of income tax refund provided by the local governments. On 16th March, 2007, PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008. According to the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Fa [2007] No. 39, the Group can continue to entitle the Enterprise Income Tax rate of 15% for the subsidiaries located in the western zone. According to the New Law, Qingling Moulds is re-applying to qualify as an enterprise with advance technology. The Enterprise Income Tax rate of Qingling Moulds will be 15% due to the fact that it is located in western zone, and the re-application result will have no influence on the tax rate of 15%.

DESIGNATED DEPOSITS

As at 31st December, 2007, the Group did not hold any designated deposits or any time deposits that were overdue but could not be collected upon maturity.

EMPLOYEES

As at 31st December, 2007, the Group has 3,030 employees. During the years, no material change is noted for the number of employees nor their remuneration policy. The Group actively provides various training to its staff of all levels.

SALES AND STAFF QUARTERS

The Company did not sell any of its staff quarters to its employees during the year 2007.

STRUCTURE OF SHAREHOLDING

(1) The Group registered a total share capital of 2,482,268,268 shares on 31st December, 2007, 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 31st December, 2007, shareholders other than a director, supervisor, of chief executive of the Company having an interest and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO") were as follows:

Long positions in the shares of the Company

Name of shareholders	**Class of shares**	**Number of shares**	**Capacity**	**Percentage of the relevant of share capital**	**Percentage of entire share capital**
Qingling Motors (Group) Company Limited	Domestic shares	1,243,616,403 shares	Beneficial Owner	100.00%	50.10%
Isuzu Motors Ltd.	Foreign shares (H shares)	496,453,654 shares	Beneficial Owner	40.08%	20.00%

Save as disclosed above, the register required to be kept under section 336 of 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 31st December, 2007.

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

As at 31st December, 2007, none of the directors, supervisors and chief executive of the Company has any interest 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 ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code").

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.

CORPORATE GOVERNANCE

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

Except for the deviation specified below, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules in the year of 2007.

Code Provision E.1.2 of the Code stipulates that the Chairman of the Board should attend annual general meetings. Owing to an important commitment overseas, the Chairman of the Board, Mr. WU Yun, has given an apology for not presiding the 2007 annual general meeting. Hence, he has signed an appointing letter, appointing Mr. LIU Guangming, an executive director to attend the 2007 annual general meeting. The Chairman of the Board, Mr. WU Yun, should attend the annual general meeting of the Company unless any exceptional circumstances occur.

According to the regulations promulgated by the Stock Exchange, any PRC-based company listed in Hong Kong shall engage one Hong Kong resident to act as an independent non-executive director. However, as at the date of this announcement, the Company has not identified a suitable candidate.

According to the regulations promulgated by the Stock Exchange, any company listed in Hong Kong shall engage a qualified accountant for the financial management of the company. The Company is currently using its best endeavour in identifying a suitable candidate. However, as at the date of this announcement, the Company has not identified a suitable candidate.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed with the management and auditors of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31st December, 2007.

DIRECTORS

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

Mr. WU Yun
Mr. GAO Jianmin
Mr. Yoshiyuki MIYATAKE
Mr. Naotoshi TSUTSUMI
Mr. LIU Guangming
Mr. PAN Yong
Mr. YUE Huaqiang
Mr. Long Tao*
Mr. SONG Xiaojiang*
Mr. XU Bingjin*

* *independent non-executive directors*

By Order of the Board
WU Yun
Chairman

Chongqing, the PRC, 22nd April, 2008