慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD.

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

(Stock Code: 1122)

Announcement of 2009 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 2009, which has been prepared in accordance which Hong Kong Financial Reporting Standards as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	Year ended 31/12/2009 RMB'000	Year ended 31/12/2008 RMB'000
Revenue	2, 3	**4,489,968**	3,960,818
Cost of sales		**(3,809,241)**	(3,277,654)
Gross profit		**680,727**	683,164
Other income		**143,531**	145,288
Other expenses		**(79)**	(17,469)
Distribution and selling expenses		**(381,498)**	(458,811)
Administrative expenses		**(140,082)**	(134,977)
Research expenses		**(10,085)**	(11,581)
Profit before tax	4	**292,514**	205,614
Income tax expense	5	**(57,354)**	(26,295)
Profit and total comprehensive income for the year		**235,160**	179,319
Profit and total comprehensive income attributable to:			
Owners of the Company		**240,827**	175,159
Minority interests		**(5,667)**	4,160
		235,160	179,319
Basic and diluted earnings per share	7	**RMB0.10**	RMB0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	NOTES	**31/12/2009** **RMB'000**	31/12/2008 RMB'000
Non-current assets			
Property, plant and equipment	8	**1,997,183**	2,327,032
Prepaid lease payments		**48,958**	40,829
Investment properties		**53,002**	59,176
Intangible assets		**51,090**	56,128
Deferred tax assets		**3,496**	7,627
Long term other receivable		**—**	22,841
		2,153,729	2,513,633
Current assets			
Inventories		**554,922**	615,594
Trade and other receivables	9	**367,643**	329,663
Bills receivables	10	**671,170**	739,232
Prepaid lease payments		**1,383**	1,189
Bank deposits with original maturity more than three months		**2,989,816**	2,724,367
Bank balances and cash		**2,338,507**	1,479,624
		6,923,441	5,889,669
Current liabilities			
Trade, bills and other payables	12	**1,723,579**	1,173,397
Tax liabilities		**18,308**	5,089
		1,741,887	1,178,486
Net current assets		**5,181,554**	4,711,183
Total assets less current liabilities		**7,335,283**	7,224,816
Capital and reserves			
Share capital	11	**2,482,268**	2,482,268
Share premium and reserves		**4,562,768**	4,446,053
Equity attributable to owners of the Company		**7,045,036**	6,928,321
Minority interests		**290,247**	296,495
Total equity		**7,335,283**	7,224,816

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning on 1 January 2009.

The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes, including revised titles for the consolidated financial statements and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments but changed the basis of measurement of segment profit or loss, segment assets and segment liabilities as compared with the primary reportable segments determined in accordance with HKAS 14 *Segment Reporting* (see Note 3).

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition dates are 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 the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2. REVENUE

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

	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*
Sales of trucks and vehicles	**4,332,546**	3,720,138
Sales of automobile parts and accessories	**157,422**	240,680
	4,489,968	3,960,818

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as starting point for the identification of such segments.

The Group is currently engaged in the manufacture and sales of six products — light-duty trucks, multi-purposes vehicles, pick-up trucks, medium and heavy-duty trucks, other vehicles and automobile parts and accessories and the chief operating decision marker (i.e. the Company's directors) also review the segment information by these categories to allocate resources to segments and to assess their performance. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments but has changed the basis of measurement of segment profit or loss, segment assets and segment liabilities as compared with the primary reportable segments determined in accordance with HKAS 14. The items related to the jointly controlled entities under proportionate consolidation are not regularly reviewed by the chief operating decision maker for the purpose of resource allocation and performance assessment.

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
Other vehicles	— manufacture and sales of vehicles other than those identified above
Automobile parts and accessories	— manufacture and sales of automobile parts and accessories

(i) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2009

	Light-duty trucks	**Multi-purposes vehicles**	**Pick-up trucks**	**Medium and heavy-duty trucks**	**Other vehicles**	**Automobile parts and accessories**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**2,016,563**	**19,029**	**1,444,424**	**851,848**	**682**	**157,422**	**4,489,968**
Segment result	**111,316**	**7,420**	**20,835**	**44,519**	**664**	**(10,592)**	**174,162**
Central administration costs							**(37,957)**
Interest income							**96,887**
Other income							**39,981**
Items related to jointly controlled entities under proportionate consolidation							**19,441**
Profit before tax							**292,514**

For the year ended 31 December 2008

	Light-duty trucks	Multi-purposes vehicles	Pick-up trucks	Medium and heavy-duty trucks	Other vehicles	Automobile parts and accessories	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,953,750	6,817	1,179,275	580,180	116	240,680	3,960,818
Segment result	115,658	4,303	16,695	8,304	113	(24,655)	120,418
Central administration costs							(62,223)
Interest income							108,550
Other income							30,774
Items related to jointly controlled entities under proportionate consolidation							8,095
Profit before tax							205,614

(ii) Segment assets and liabilities

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

31/12/2009

	Light-duty trucks *RMB'000*	Multi-purposes vehicles *RMB'000*	Pick-up trucks *RMB'000*	Medium and heavy-duty trucks *RMB'000*	Other vehicles *RMB'000*	Automobile parts and accessories *RMB'000*	Consolidated *RMB'000*
Assets							
Segment assets	**892,893**	**3,067**	**379,575**	**959,239**	**106**	**133,259**	**2,368,139**
Interchangeably used assets between segments							
— property, plant and equipment							**889,486**
— prepaid lease payments							**50,341**
— inventories							**82,574**
Investment properties							**53,002**
Bank deposits and bank balances							**5,168,460**
Other unallocated assets							**108,418**
Items related to jointly controlled entities under proportionate consolidation							**356,750**
Consolidated total assets							**9,077,170**
Liabilities							
Segment liabilities	**348,294**	**3,672**	**146,577**	**67,574**	**38**	**15,885**	**582,040**
Unallocated trade, bills and other payables							**1,129,148**
Other unallocated liabilities							**15,723**
Items related to jointly controlled entities under proportionate consolidation							**14,976**
Consolidated total liabilities							**1,741,887**

31/12/2008

	Light-duty trucks *RMB'000*	Multi-purposes vehicles *RMB'000*	Pick-up trucks *RMB'000*	Medium and heavy-duty trucks *RMB'000*	Other vehicles *RMB'000*	Automobile parts and accessories *RMB'000*	Consolidated *RMB'000*
Assets							
Segment assets	1,009,624	1,207	499,142	1,147,731	—	51,226	2,708,930
Interchangeably used assets between segments							
— property, plant and equipment							1,064,572
— prepaid lease payments							42,018
— inventories							86,698
Investment properties							59,176
Bank deposits and bank balances							4,077,276
Other unallocated assets							42,749
Items related to jointly controlled entities under proportionate consolidation							321,883
Consolidated total assets							8,403,302
Liabilities							
Segment liabilities	152,269	1,212	76,372	55,850	8	17,409	303,120
Unallocated trade, bills and other payables							786,350
Other unallocated liabilities							4,374
Items related to jointly controlled entities under proportionate consolidation							84,642
Consolidated total liabilities							1,178,486

(iii) Other segment information

2009

	Light-duty trucks *RMB'000*	Multi-purposes vehicles *RMB'000*	Pick-up trucks *RMB'000*	Medium and Heavy-duty trucks *RMB'000*	Other vehicles *RMB'000*	Automobile parts and accessories *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
OTHER INFORMATION								
Amount included in the measure of segment profit or loss or segment assets:								
Allowance for obsolete inventories	2,987	—	—	4,170	—	—	—	7,157
Utilization of allowance for obsolete inventories (upon sale)	(5,428)	(7,111)	(20,036)	—	(2,118)	—	—	(34,693)
Additions of property, plant and equipment	—	—	—	17	—	—	8,695	8,712
Additions of intangible assets	5,092	—	—	—	—	—	—	5,092
Additions of prepaid lease payment	—	—	—	—	—	—	9,673	9,673
Amortisation of intangible assets	3,228	557	303	6,042	—	—	—	10,130
Depreciation of property, plant and equipment	74,442	—	130,339	100,584	—	—	33,110	338,475
Depreciation of investment properties	—	—	—	—	—	—	6,174	6,174
Release of prepaid-lease payments	—	—	—	—	—	—	1,350	1,350

2008

	Light-duty trucks *RMB'000*	Multi-purposes vehicles *RMB'000*	Pick-up trucks *RMB'000*	Medium and Heavy-duty trucks *RMB'000*	Other vehicles *RMB'000*	Automobile parts and accessories *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
OTHER INFORMATION								
Amount included in the measure of segment profit or loss or segment assets:								
Allowance for obsolete inventories	12,124	—	—	—	—	—	—	12,124
Utilization of allowance for obsolete inventories (upon sale)	—	(129)	(4,286)	(10,605)	(212)	—	—	(15,232)
Additions of property, plant and equipment	—	—	—	3,002	—	—	9,733	12,735
Additions of intangible assets	—	—	—	14,260	—	—	—	14,260
Amortisation of intangible assets	3,276	887	1,995	5,797	—	—	—	11,955
Depreciation of property, plant and equipment	74,845	—	118,462	60,423	—	—	25,235	278,965
Depreciation of investment properties	—	—	—	—	—	—	6,174	6,174
Release of prepaid lease payments	—	—	—	—	—	—	1,189	1,189

(iv) ***Geographical information***

Non-current assets of the Group amounting to RMB2,150,233,000 (2008: RMB2,483,165,000) are located in the People's Republic of China (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 0.48% (2008: 3.40%) of the Group's revenue.

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

(v) ***Information about major customers***

No revenues from a single external customer amount to 10% or more of the Group's revenue.

4. PROFIT BEFORE TAX

	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*
Profit before tax has been arrived at after charging:		
Salaries and other payments and benefits	**101,407**	88,051
Retirement benefits scheme contributions	**14,133**	12,383
Total staff costs (including directors' and supervisors' remuneration)	**115,540**	100,434
Allowance for obsolete inventories (included in cost of sales)	**7,157**	12,124
Amortisation of intangible assets (included in cost of sales)	**10,130**	11,955
Auditors' remuneration	**2,982**	3,109
Depreciation of property, plant and equipment	**338,475**	278,965
Depreciation of investment property	**6,174**	6,174
Release of prepaid lease payments (included in cost of sales)	**1,350**	1,189
Loss on disposal of property, plant and equipment	**79**	94
Minimum lease payments under operating leases in respect of rented premises	**18,933**	16,340
Net foreign exchange loss	**—**	17,069
Cost of inventories recognised as an expense	**3,802,084**	3,265,530
and after crediting:		
Interest income from bank deposits and balances	**100,438**	111,309
Income from renting of building, moulds and tooling equipment	**34,960**	33,546
Government grant	**1,175**	1,038
Net foreign exchange gain	**5,076**	—

5. INCOME TAX EXPENSE

	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*
Current tax	**38,588**	27,297
Over provision of current tax in prior year	**—**	(1,468)
Additional tax paid by a subsidiary	**14,635**	—
Deferred tax charge	**4,131**	466
	57,354	26,295

According to the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Fa [2007] No. 39, the Group continue to entitle the Enterprise Income Tax rate of 15% which is applicable for companies located in the western zone of China. The Company and 重慶慶鈴模具有限公司 ("**Qingling Moulds**"), a subsidiary of the Company, enjoy 15% income tax rate because they both locate in western zone of China.

重慶慶鈴技術中心 ("**Qingling Technical Centre**") is a subsidiary of the Company established in 1998 for research and development activities and has not yet commenced business since its establishment. During the current year, Qingling Technical Centre came into an agreement with the local tax bureau and Qingling Technical Centre paid a tax for the interest income it had accumulatively received in prior years. An amount of RMB14,635,000 was then paid during this year.

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

	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*
Profit before tax	**292,514**	205,614
Tax at the applicable income tax rate of 15% (2008: 15%)	**43,877**	30,842
Tax effect of expenses not deductible for tax purpose	**537**	248
Tax effect of income not taxable for tax purpose	**—**	(1,703)
Additional tax benefit and refund applicable to the Group (note)	**(2,010)**	(1,624)
Effect of different tax rate in a subsidiary	**315**	—
Over-provision in prior year	**—**	(1,468)
Additional tax paid by a subsidiary	**14,635**	—
Tax charge for the year	**57,354**	26,295

Note:

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

Pursuant to the relevant tax rules and regulation, expenses in research nature are tax deductible at 150% of the cost incurred. The related tax benefit amounted to RMB2,010,000 (2008: RMB1,624,000).

6. DIVIDEND

	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*
Dividends recognised as distributions during the year: 2008 Final, paid — RMB0.05 (2008: 2007 Final, paid RMB0.03) per share	**124,113**	74,466

A final dividend amounting to RMB198,581,000 of RMB0.08 in respect of the year ended 31 December 2009 (2008: final dividend amounting to RMB124,113,000 of RMB0.05 in respect of the year ended 31 December 2008) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

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

Earnings

	Year ended 31/12/2009 *RMB'000*	Year ended 31/12/2008 *RMB'000*
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**240,827**	175,159

Number of shares

	Year ended 31/12/2009	Year ended 31/12/2008
	'000	*'000*
Number of shares for the purpose of basic and diluted earnings per share	**2,482,268**	2,482,268

There were no potential ordinary shares in both years presented.

8. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2009, the carrying amount of machinery that has been leased out was RMB704,397,000 (2008: RMB760,532,000).

9. TRADE AND OTHER RECEIVABLES

At the end of the reporting period, the aged analysis of trade receivables, net of allowances, of the Group is as follows:

	31/12/2009	31/12/2008
	RMB'000	*RMB'000*
Within 3 months	**186,232**	84,020
Between 3 to 6 months	**3,700**	3,047
Between 7 to 12 months	**51,399**	—
Over 2 years	**274**	274
	241,605	87,341
Other receivables	**32,140**	127,762
Prepayments	**93,898**	114,560
	367,643	329,663

10. BILLS RECEIVABLES

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

	31/12/2009	31/12/2008
	RMB'000	*RMB'000*
Within 1 month	**113,315**	171,691
Between 1 to 2 months	**130,259**	94,375
Between 2 to 3 months	**130,012**	81,725
Between 4 to 6 months	**297,584**	391,441
	671,170	739,232

11. SHARE CAPITAL

	2009 and 2008
	RMB'000
Registered, issued and fully paid	**2,482,268**

	Number of shares
	2009 and 2008
	'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 entities established in PRC. H Shares are ordinary shares subscribed for in Hong Kong Dollar and credited as fully paid up in Renminbi by persons other than PRC government and/or entities established in 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 (the "Hong Kong Stock Exchange").

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

12. TRADE, BILLS AND OTHER PAYABLES

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

	31/12/2009	31/12/2008
	RMB'000	*RMB'000*
Within 3 months	**888,795**	698,263
Between 3 to 6 months	**172,336**	138,361
Between 7 to 12 months	**706**	642
Over 12 months	**32,460**	3,235
	1,094,297	840,501
Accrued selling expenses	**245,726**	214,375
Value added tax payables	**25,584**	1,176
Other payables	**36,831**	32,891
Advance from customers	**321,141**	84,454
	1,723,579	1,173,397

2009 RESULTS

For the year ended 31 December 2009, the Company sold 43,506 vehicles, an increase of 23.56% over the 35,209 vehicles in last year. Turnover reached RMB4.49 billion, an increase of 13.38% over the RMB3.96 billion in last year. Profit after taxation was RMB235.16 million, an increase of 31.14% over the RMB179.32 million last year.

REVIEW OF OPERATION

The past year, 2009, was an extraordinary and exciting year, during which all staff has, on the working principle of "turning challenges into opportunities and seizing the time", rendered relentless effort and great dedication in overcoming challenges and satisfactory results were achieved in different projects, thus providing support to the Company for achieving satisfactory results in the manufacturing operation during the period and laying a solid foundation for the achievement of promising results for different projects and a leap in the development in 2010.

PROMISING RESULTS OF DIFFERENT PROJECTS TO SUPPORT THE MANUFACTURING BUSINESS AND OPERATION FOR 2009

1. **Light and middle-duty commercial vehicles began to capture the market share.** In March 2009, the Company introduced "國III 100P" light-duty commercial vehicles with high quality and medium price has captured the market share from our competitors by capitalizing on our strength in high performance-to-price ratio, which resulted in a rapid growth in the sales volume especially in the second half of the year, amounting to approximately 8,400 units and representing 75% of the annual sales volume of 11,266 units. In the meanwhile, through our intensive marketing effort and our initiative taken for customer development, the sales volume of 700P medium-duty commercial vehicles experienced a rapid growth, with its annual sales volume amounting to 3,248 units, representing a year-on-year increase of about 3.3 times.

2. **The sales work rapidly "spread and localized".** The sales department endeavored to make the sales network as well as marketing and promotion spread and localized: (i) the coverage of the sales network was extended from capital cities and economic centers to prefecture-level cities, and we have developed and nurtured new distributors and set up new branches, with nearly 90 distributors and approximately 200 branches at present, at pressing close to the sales network covered by our competitors and retail customers; (ii) approximately 140 marketing and promotion activities were undertaken in cities, counties and towns, to spread the information of products with high quality and medium prices, to develop retail customers and to increase the sales volume.

3. **Proceeding with the exercise of "Improving Production Quality" resulted in the significant improvement of the production efficiency:** (i) we have adopted the delivery management system of Isuzu and carried out the mode of management in vehicle and component assembly lines, and this has improved the assembly quality, reduced the workload and improved the production efficiency; (ii) we have also improved the technologies, strengthened the quality assurance of equipment, cutting instrument, moulds, inspection tools, while training employees for enhancing their professional skills. The production capacity of the Company has hence been greatly improved.

4. **Strengthening the high technical production processes control and the quality inspection control resulted in further improvement of product quality:** (i) we paid on-site visit to the factories of parts and components and required them to set up necessary procedures in inspection with a view to blocking the inflow of substandard goods, while jointly undertaking measures to control the product quality; (ii) each internal manufacturing unit also undertook exercises on improving the technology and optimizing the management to avoid substandard goods be produced and released to the market. The quality of components and parts produced externally and in-house produced products has been improved significantly.

INITIATED DIFFERENT PROJECTS TO LAY THE FOUNDATION FOR BUSINESS GROWTH IN 2010

1. **Develop three groups of high quality, medium-priced products with competitive edges arising from relatively high performance-to-price ratio:** (i) introduce medium-priced 國III 100P and 600P products with prices being adjusted downwards in January 2010, and form a portfolio of light-duty commercial vehicles; (ii) complete the development of the medium-priced F vehicles and form a portfolio of medium-duty commercial vehicles with 700P; (iii) introduce 4J low-powered 國III diesel pick-ups, and form a portfolio of pick-ups with 4K high-powered 國III diesel pick-ups, so as to equip the Company for furthering our efforts in developing the mid-end and high-end markets in 2010.

2. **Rapidly improve the capacities in sales and marketing as well as after-sales services of 700P medium-duty commercial vehicles:** (i) identify and establish business relations with new distributors for medium-duty commercial vehicles in regional markets with high medium truck ownership and comprehensive logistic facilities, and assist existing distributors to improve their sales and marketing capacity of medium-duty commercial vehicles through various measures, which included marketing, promotion and customer development; (ii) improve the after-sales service capacity of medium-duty commercial vehicles in a synchronized manner and require both new distributors and existing distributors to be able to carry out maintenance of 700P and lay a solid foundation for perking up sales volume of 700P.

3. **Carry out different technical measures, improve production capacity and get well prepared for improving the sales volume in 2010:** (i) focus on equipment and moulds, proceed with precise inspection and recovery work, improve efficiency and the quality of our products and increase production capacity; (ii) carry out different technical measures including technical optimization and adjustment which pitch at production lines which face production bottleneck problems in order to improve their efficiency and production capacity.

OUTLOOKS AND PROSPECTS

The Company has adhered to its operation principle and objectives which attach great importance to sustainable development, put much emphasis on quality and efficiency, continued to build up its strengths and consolidated its core competitive strength. With a wide range of products and a significant enhancement of performance-to-price ratio, we have developed three groups of high quality and medium-priced products, which considerably sharpen the competitive edge of our products. We have also enhanced our capability in terms of business development, manufacturing, marketing and management, which would serve as strong competitive strengths for us to further increase our market shares and we expect that our manufacturing and sales performance will continue to improve.

In 2010, the Company's operating principles will be "fully geared up for business growth and achieving a leap in development". The key initiatives are as follows:

1. **Increase our efforts to enhance our marketing capability and catapult our sales to new levels.** (i) We will focus on consolidating the sales network, swiftly develop new distributors and set up new sales branches for providing after-sales services; (ii) we will focus on consolidating the marketing and promotion activities, intensively carry out marketing and promotion activities of the existing products and the newly introduced high quality, medium-priced products in provincial capital cities and economic centers, especially in cities, counties and towns, rapidly spread the information of the high quality, medium-priced products, and capture the market shares of our competitors, so as to provide strong support for the sales volume to reach a new level.

2. **Persistently proceed with the exercise of "Improving Production Quality", with the focus on the improvement of the manufacturing capacity of light-duty and medium-duty commercial vehicles in light the greatly increased market demands:** (i) We will put strong emphasis on work with respect to the precision of the equipment and moulds, improve the quality of the parts and components and the comprehensive manufacturing capacity; (ii) we will optimize the integration on the operation of various departments, covering development, purchase, production and sales with a view to make swift response to the market demands; (iii) we will also develop new information management system in respect of the manufacturing process, and improve the efficiency and accuracy in information transmission and information processing.

3. **Strengthen the quality control, and further consolidate the quality foundation for high quality, medium-priced vehicles:** (i) we will establish a dual supervision and support mechanism for the quality control department and the manufacturing units; (ii) we will fully implement the quality control method of Isuzu, and satisfy the demands both in domestic and overseas markets by the same the quality standard adopted for the same product; (iii) we will focus on the quality verification of the parts and components of medium-duty vehicles produced under high production efficiency, and rapidly achieve mass production and sales. In the meanwhile, the Company will establish an information system in respect of the quality control, and improve the efficiency in collecting and processing the information on quality.

4. **Carry out technological upgrade projects in respect of assembly and development to lay a strong foundation for the Company's sustainable development:** (i) we will expand the production capacity of light-duty and medium-duty commercial vehicles and pick-ups by expanding the assembly lines, with production capacity of 60,000 units per 8 hours for N series of assembly lines and 30,000 units per 8 hours for T/U assembly lines; (ii) we will improve the capacity and efficiency in the development of new products, and initiate projects on product trial testing and facilities inspection, while undertaking testing with respect to the endurance of engines, emission system and chassis parts and components.

In face of 2010, the Company believes that all the staff will seize the time and achieve satisfactory results in sales and marketing, manufacturing, quality assurance and technological improvement. The Company will make full use of its competitive edge on high quality, medium-priced products to achieve better operating results and bring more satisfactory returns for the investors.

FINANCIAL RESOURCES AND LIQUID FUNDS SITUATION

Shareholders' equity as at 31 December 2009 increased by 1.68% compared with that as at 31 December 2008. This increase was mainly due to the aggregate profit attributable to shareholders for the year amounted to approximately RMB240,827,000 and the payment of 2008 dividend approximately RMB124,113,000.

There were no borrowings of the Group as at 31 December 2009. 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 RMB6,923,441,000, whereas current liabilities amounted to approximately RMB1,741,887,000. As at 31 December 2009, bank balance, deposits and cash amounted to approximately RMB5,328,323,000.

As at 31 December 2009, no assets had been pledged by the Group as security and the gearing ratio of the Group was 19.19%, 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 RMB0.08 per share (2008: RMB0.05 per share) in respect of the year ended 31 December 2009 to those shareholders on the register of shareholders on 10 May 2010. Subject to the approval at the annual general meeting of the Company to be held on 1 June 2010, the final dividend will be payable on or before 15 June 2010.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Conference Hall, 1st Floor of the Company's Office Building, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China on Tuesday, 1 June 2010 at 10:00 a.m..

CLOSURE OF REGISTER OF SHAREHOLDERS

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 standardized tax rate of 10%.

Pursuant to the Notice of Certain Preferential Policies for the Enterprise Income Tax issued by the Ministry of Finance and the State of Administration of Taxation (Cai Shui [2008] No.1 promulgated on 22 February 2008), accumulated undistributed profit of foreign-invested enterprises generated before 1 January 2008 and distributed to foreign investors after 2008 are exempt from enterprise income tax.

Having consulted the relevant tax regulatory authority by the Company, such policy is effective. As the Company's 2009 final dividend will be paid out of the Company's accumulated undistributed profit generated before 1 January 2008, no enterprise income tax will be withheld by the Company in respect of the 2009 final dividend to be distributed to non-resident enterprise holders of overseas H shares.

The register of shareholders of the Company will be closed from Saturday, 1 May 2010 to Tuesday, 1 June 2010 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the final dividend and to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming annual general meeting, 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 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 30 April 2010.

PREFERENTIAL TREATMENTS FOR CONSOLIDATED INCOME TAX AND LOCAL TAX

According to the Implementation of Transitional Preferential Policies for Enterprise Income Tax by Guo Fa [2007] No. 39, the Group continue to entitle the Enterprise Income Tax rate of 15% which is applicable for companies located in the western zone of China. The Company and 重慶慶鈴模具有限公司 ("**Qingling Moulds**"), a subsidiary of the Company, enjoy 15% income tax rate because they both locate in western zone of China.

DESIGNATED DEPOSITS

As at 31 December 2009, 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 2009, the Group has 3,050 employees (2008: 2,960 employees). For the year ended 31 December 2009, labour cost was RMB115,540,000 (2008: RMB100,434,000). The Group actively provides various training to its staff or all levels.

SALES AND STAFF QUARTERS

For the year ended 31 December 2009, the Group did not sell any staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

(1) As at 31 December 2009, 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 2009, 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 31 December 2009.

DIRECTORS', SUPERVISOR'S AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2009, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). For the year ended 31 December 2009, none of directors, supervisors and chief executives of the Company, their spouse or children under 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

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 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 Rules governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2009.

Code Provision E.1.2 of the Code stipulates that the Chairman of the Board should attend annual general meetings. Owing to an overseas trip to process important business, Mr. WU Yun, the Chairman of the Board, has given an apology for not presiding the 2009 annual general meeting. Hence, he has signed an appointing letter, appointing Mr. LIU Guangming, an executive director to attend the 2009 annual general meeting. Mr WU Yun, the Chairman of the Board, should attend the annual general meeting of the Company unless any exceptional circumstances occur.

ORDINARY HONG KONG RESIDENT AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

According to the regulations promulgated by the Hong Kong 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.

QUALIFIED ACCOUNTANT

Since 1 January 2009, the requirements of Rule 3.24 of the Listing Rules had been removed, pursuant to which the Company is no longer required to appoint a qualified accountant. However, the Company's accounting and financial reporting function has accounting staff with adequate qualifications and experience to assist the Company and the Board in fulfilling their continuing financial and accounting related obligations.

REVIEW OF ACCOUNTS

The audit committee of the Company with the management and auditor of the Company has reviewed 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 31 December 2009.

DIRECTORS

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

Executive Directors:
Mr. WU Yun
Mr. GAO Jianmin
Mr. Makoto TANAKA
Mr. Masanori KATAYAMA
Mr. LIU Guangming
Mr. PAN Yong
Mr. YUE Huaqiang

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

By Order of the Board
WU Nianqing
Company Secretary

Chongqing, the PRC, 23 March 2010