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 2010 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 2010, 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 2010

	NOTES	Year ended 31/12/2010 RMB'000	Year ended 31/12/2009 RMB'000
Revenue	2,3	**6,107,141**	4,489,968
Cost of sales		**(5,246,792)**	(3,809,241)
Gross profit		**860,349**	680,727
Other income		**144,452**	138,455
Other gains and losses		**(91)**	4,997
Distribution and selling expenses		**(486,602)**	(381,498)
Administrative expenses		**(154,547)**	(140,082)
Research expenses		**(8,150)**	(10,085)
Profit before tax	4	**355,411**	292,514
Income tax expense	5	**(52,088)**	(57,354)
Profit and total comprehensive income for the year		**303,323**	235,160
Profit and total comprehensive income attributable to:			
Owners of the Company		**301,666**	240,827
Non-controlling interests		**1,657**	(5,667)
		303,323	235,160
Basic earnings per share	7	**RMB0.12**	RMB0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	**31/12/2010** *RMB'000*	31/12/2009 *RMB'000*
Non-current assets			
Property, plant and equipment	*8*	**1,726,369**	1,997,183
Prepaid lease payments		**47,575**	48,958
Investment properties		**46,828**	53,002
Intangible assets		**43,780**	51,090
Deferred tax assets		**4,322**	3,496
		1,868,874	2,153,729
Current assets			
Inventories		**1,271,416**	554,922
Trade and other receivables	*9*	**646,981**	367,643
Bills receivables	*10*	**1,207,181**	671,170
Prepaid lease payments		**1,383**	1,383
Bank deposits with original maturity more than three months		**3,707,722**	2,989,816
Bank balances and cash		**1,683,709**	2,338,507
		8,518,392	6,923,441
Current liabilities			
Trade, bills and other payables	*12*	**2,915,964**	1,723,579
Tax liabilities		**33,523**	18,308
		2,949,487	1,741,887
Net current assets		**5,568,905**	5,181,554
Total assets less current liabilities		**7,437,779**	7,335,283
Capital and reserves			
Share capital	*11*	**2,482,268**	2,482,268
Share premium and reserves		**4,665,854**	4,562,768
Equity attributable to owners of the Company		**7,148,122**	7,045,036
Non-controlling interests		**289,657**	290,247
Total equity		**7,437,779**	7,335,283

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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") that are mandatorily effective for 2010 financial year ends.

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) may affect the disclosure of the consolidated financial statements because the Group is a government-related entity.

The directors of the Company anticipate that the application of the 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 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Sales of trucks and vehicles	**5,825,200**	4,332,546
Sales of automobile parts and accessories	**281,941**	157,422
	6,107,141	4,489,968

3. SEGMENT INFORMATION

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 maker (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 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 operating segment:

For the year ended 31 December 2010

	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*
Segment revenue	**2,930,144**	**21,929**	**1,694,472**	**1,182,865**	**362**	**277,369**	**6,107,141**
Segment result	**109,304**	**3,914**	**123,576**	**24,767**	**248**	**(17,801)**	**244,008**
Central administration costs							**(57,990)**
Interest income							**97,143**
Other income							**48,303**
Items related to jointly controlled entities under proportionate consolidation							**23,947**
Profit before tax							**355,411**

For the year ended 31 December 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*
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

(ii) Segment assets and liabilities

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

31/12/2010

	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	**1,595,579**	**11,788**	**499,240**	**1,188,591**	**—**	**197,436**	**3,492,634**
Interchangeably used assets between segments							
— property, plant and equipment							**726,038**
— prepaid lease payments							**48,958**
— inventories							**200,501**
Investment properties							**46,828**
Bank deposits and bank balances							**5,195,590**
Other unallocated assets							**257,782**
Items related to jointly controlled entities under proportionate consolidation							**418,935**
Consolidated total assets							**10,387,266**
Liabilities							
Segment liabilities	**701,523**	**8,879**	**323,984**	**189,733**	**—**	**40,960**	**1,265,079**
Unallocated trade, bills and other payables							**1,596,032**
Other unallocated liabilities							**31,756**
Items related to jointly controlled entities under proportionate consolidation							**56,620**
Consolidated total liabilities							**2,949,487**

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

(iii) Other segment information

2010

	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	—	—	—	15,527	—	—	—	15,527
Utilisation of allowance for obsolete inventories (upon sale)	(2,989)	—	(8,397)	(2,737)	(1,059)	—	—	(15,182)
Additions of property, plant and equipment	—	—	18,720	—	—	—	17,838	36,558
Additions of intangible assets	3,302	—	—	—	—	—	—	3,302
Amortisation of intangible assets	4,809	63	—	5,740	—	—	—	10,612
Depreciation of property, plant and equipment	73,391	—	92,816	93,142	—	—	39,957	299,306
Impairment for property, plant and equipment	—	—	—	—	—	—	5,161	5,161
Depreciation of investment properties	—	—	—	—	—	—	6,174	6,174
Release of prepaid lease payments	—	—	—	—	—	—	1,383	1,383

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
Utilisation 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

(iv) Geographical information

Non-current assets of the Group amounting to RMB1,864,552,000 (2009: RMB2,150,233,000) 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 0.70% (2009: 0.48%) 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 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Profit before tax has been arrived at after charging:		
Salaries and other payments and benefits	**126,531**	101,407
Retirement benefits scheme contributions	**16,393**	14,133
Total staff costs (including directors' and supervisors' remuneration)	**142,924**	115,540
Allowance for obsolete inventories (included in cost of sales)	**15,527**	7,157
Amortisation of intangible assets (included in cost of sales)	**10,612**	10,130
Auditor's remuneration	**3,051**	2,982
Depreciation of property, plant and equipment	**299,306**	338,475
Depreciation of investment properties	**6,174**	6,174
Impairment for property, plant and equipment	**5,161**	—
Release of prepaid lease payments (included in cost of sales)	**1,383**	1,350
Minimum lease payments under operating leases in respect of rented premises and production facilities	**22,969**	18,933
Cost of inventories recognised as an expense	**5,246,792**	3,809,241
and after crediting:		
Interest income from bank deposits and balances	**100,639**	100,438
Income from renting of investment properties	**6,120**	6,120
Income from renting of moulds and tooling equipment	**33,240**	30,180
Gain (loss) on disposal of property, plant and equipment	**622**	(79)
Government grant	**4,890**	1,175
Net foreign exchange gain	**4,448**	5,076

5. INCOME TAX EXPENSE

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Current tax	**52,914**	38,588
Additional tax paid by a subsidiary	**—**	14,635
Deferred tax (credit) charge	**(826)**	4,131
	52,088	57,354

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 up to 2010. 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.

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

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Profit before tax	**355,411**	292,514
Tax at the applicable income tax rate of 15% (2009: 15%)	**53,312**	43,877
Tax effect of expenses not deductible for tax purpose	**694**	537
Additional tax benefit and refund applicable to the Group *(note)*	**(1,969)**	(2,010)
Effect of different tax rate in a subsidiary	**51**	315
Additional tax paid by a subsidiary	**—**	14,635
Tax charge for the year	**52,088**	57,354

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 RMB1,969,000 (2009: RMB2,010,000) for the year ended 31 December 2010.

6. DIVIDEND

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Dividends recognised as distributions during the year:		
2009 Final, paid — RMB0.08 (2009: 2008 Final, paid RMB0.05) per share	**198,581**	124,113

A final dividend amounting to RMB248,227,000 of RMB0.10 per share in respect of the year ended 31 December 2010 (2009: final dividend amounting to RMB198,581,000 of RMB0.08 per share in respect of the year ended 31 December 2009) 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 earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	Year ended 31/12/2010 *RMB'000*	Year ended 31/12/2009 *RMB'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**301,666**	240,827

Number of shares

	Year ended 31/12/2010 '000	Year ended 31/12/2009 '000
Number of shares for the purpose of basic earnings per share	**2,482,268**	2,482,268

There were no potential ordinary shares in both years presented.

8. PROPERTY, PLANT AND EQUIPMENT

An impairment of RMB5,161,000 (2009: nil) were provided on certain buildings which will be rebuilt in the coming year. The cost of such buildings as of 31 December 2010 were RMB20,245,000, with the accumulated depreciation of RMB15,084,000.

As at 31 December 2010, the carrying amount of moulds and machinery that has been leased out was RMB642,535,000 (2009: RMB704,397,000).

9. TRADE AND OTHER RECEIVABLES

At the end of the reporting period, the aged analysis of trade receivables presented based on invoice date, net of allowances, of the Group is as follows:

	31/12/2010 RMB'000	31/12/2009 RMB'000
Within 3 months	**192,476**	186,232
Between 3 to 6 months	**152,201**	3,700
Between 7 to 12 months	**329**	51,399
Between 1 to 2 years	**16,586**	—
Over 2 years	**19**	274
	361,611	241,605
Other receivables	**35,318**	32,140
Prepaid value-added tax	**109,978**	—
Prepayments	**140,074**	93,898
	646,981	367,643

10. BILLS RECEIVABLES

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

	31/12/2010 RMB'000	31/12/2009 RMB'000
Within 1 month	**309,036**	113,315
Between 1 to 2 months	**274,125**	130,259
Between 2 to 3 months	**188,887**	130,012
Between 4 to 6 months	**435,133**	297,584
	1,207,181	671,170

All the above bills receivables are guaranteed by banks and their expiry dates ranged from 30 to 180 days.

11. SHARE CAPITAL

	2010 and 2009
	RMB'000
Registered, issued and fully paid	**2,482,268**

	Number of shares
	2010 and 2009
	'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.

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:

	31/12/2010	31/12/2009
	RMB'000	*RMB'000*
Within 3 months	**1,338,077**	888,795
Between 3 to 6 months	**262,327**	172,336
Between 7 to 12 months	**3,531**	706
Over 12 months	**11,175**	32,460
	1,615,110	1,094,297
Accrued selling expenses	**270,652**	245,726
Value added tax payables	**19,662**	25,584
Other payables	**40,033**	36,831
Advance from customers	**970,507**	321,141
	2,915,964	1,723,579

2010 RESULTS

For the year ended 31 December 2010, the Company sold 60,025 vehicles, an increase of 38% over the 43,506 vehicles sold last year. Turnover reached RMB6.11 billion, an increase of 36% over RMB4.49 billion as recorded last year. Profit after tax was RMB303 million, an increase of 29% over RMB235 million as recorded last year.

REVIEW OF RESULTS

Last year, the year of 2010, was an extraordinary and extremely meaningful year to the development of the Company. All staff, on the working principle of "fully geared up for business growth and achieving a leap in development", rendered arduous and relentless efforts, and excellent 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 solid foundations in terms of hardware and software for the sustainable and rapid growth in 2011.

MAJOR EFFORTS CONTRIBUTING TO THE ACHIEVEMENT OF SATISFACTORY RESULTS DURING THE PERIOD

1. **Considerably sharpened the competitiveness of sales and marketing for light-duty vehicles, and initial success we achieved for the nurturing of the competitiveness of sales and marketing for medium and heavy-duty vehicles:** (i) the Company rapidly increased the number of distributors and branches for light-duty vehicles and penetrated from various provinces and cities into cities at prefecture level and cities at sub-prefecture level in the developed regions, basically forming a nation-wide and localized network for the sales and after-sales services; (ii) the Company initiated the development of new distributors for medium and heavy-duty vehicles and improved the after-sales service capacity in a synchronized manner.

2. **Extra efforts made to ensure the timely delivery of components and parts produced internally and procured externally resulted in the significant improvement of the production efficiency:** (i) the Company enhanced its standard on equipment management to provide strong support for the sustainable and normal operation of each production department; (ii) the Company actively took technical measures to improve the technologies, equipment, tools and moulds, and strengthened the production management in the meanwhile to improve the production efficiency and increase the output; (iii) the Company made efforts to ensure the supply of components and parts procured externally, raw materials and imported components and parts to satisfy the significantly increased market demand.

3. **Extra efforts made on the quality improvement further improved the quality and quantity of components and parts procured externally and produced internally:** (i) the Company conducted quality inspection and control over the products of the Company and the suppliers, and established a dual supervision and support mechanism for the quality and quantity management department and the manufacturing units; (ii) the Company fully implemented the quality and quantity management method of Isuzu and optimized the technologies manufacturing system and the quality inspection system to provide assurance for the improvement of product quality.

MAJOR EFFORTS MADE TO LAY SOLID FOUNDATIONS IN TERMS OF HARDWARE AND SOFTWARE FOR THE SUSTAINABLE AND RAPID DEVELOPMENT IN 2011

1. **Leveraged on the edges on internationally advanced technologies, superior quality and production cost to develop four portfolios of high quality, medium-priced products with high performance-to-price ratio:** (i) the Company introduced FTR medium-priced vehicles, forming the portfolio of medium-duty commercial vehicles with 700P; (ii) FVR and FVZ heavy-duty vehicles, the selling prices of which were reduced in January 2010, have turned into high quality, medium-priced vehicles and have become part of the portfolio of heavy-duty commercial vehicles; (iii) 600P has turned into high quality, medium-priced vehicles and formed the portfolio of light-duty commercial vehicles with 100P, targeting at various provinces, cities and prefecture-level cities; (iv) 4K, 4J diesel pick-ups and 4Z petrol pick-ups formed the portfolio of pick-ups, which will all be the driving force for the sustainable and rapid development of the Company in 2011.

2. **Steadily carried out various projects for the expansion of production capacities in assembly and components and parts produced internally and procured externally, as well as the construction of testing/inspection centers, so as to lay a solid foundation in terms of hardware for the sustainable development of the Company:** (i) the newly-built T/U assembly lines commenced production in 2010, and new 700P and N series of assembly lines that are currently under construction are expected to commence production in 2011; (ii) the Company improved its production capacity for components and parts internally produced (such as engines and gearboxes) and procured externally; (iii) the Company introduced advanced technologies and equipment from Europe, America and Japan to establish testing and inspection centers at most technical advanced level and nuture the research and development capability in the key technologies, such as environmental protection, energy saving and safety, for the vehicles and engines.

3. **Improved the skills and management quality of the staff at different levels by offering them job-related training:** the Company arranged the training lessons with the contents based on the principle of "making up for what is lacking and studying what is needed", and invited experts and professors from universities and colleges as well as leaders of the Company to give on-site training lessons on the management knowledge and expertise in relation to vehicles/engines to the management, mid-level officials, technicians and workers of the Company, the results of which were relatively satisfactory.

OUTLOOK AND PROSPECTUS

During the 10th Five-Year Plan Period and the 11th Five-Year Plan Period, the Company focused its efforts on the establishment and development of the portfolio of light-duty vehicles, and basically achieved its strategic target. While during the 12th Five-Year Plan Period, to which 2011 is the beginning year, the Company will step up its effort to further develop such portfolio. The Company is aware of the changes in the demand for medium and heavy-duty vehicles as well as its unique edges on light and heavy-duty vehicles, and accordingly it has formulated its development strategy for the 12th Five-Year Plan Period as follows: seeking for the growth in the manufacturing operation of medium and heavy-duty vehicles and developing into an enterprise specialized in both medium and heavy-duty commercial vehicles. According to our development strategy for the 12th Five-Year Plan Period, our efforts in 2011 will be made to focus on the following aspects:

1. **Complete the projects for the expansion of production capacities in assembly, components and parts produced internally and procured externally, as well as the construction of testing and construction centers in 2011:** (i) for the projects on the expansion of the production capacity in assembly, the Company will complete the construction of new 700P and N series of assembly lines and commence production within the year; (ii) for the projects on the expansion of the production capacity in components and parts produced internally and procured externally, the Company will complete the expansion of the production capacity in components and parts produced internally (such as engines and gearboxes) and procured externally; (iii) for the projects on the construction of testing and inspection centers, the Company will put extra efforts on the construction as well as the installation and debugging of the imported and domestic equipment upon delivery, and complete the hardware construction by the end of the year; (iv) for the projects on the improvement of the competitiveness of sales and marketing, the Company will continue to rapidly develop the sales networks for medium and heavy-duty vehicles and light-duty vehicles, and improve the after-sales service capacity in a synchronized manner.

2. **Further its efforts on efficiency improvement, quality and quantity management, product development and staff training:** (i) the Company will establish a production information management system to enhance the production management by scientific means, proactively carry out equipment management to ensure the smooth operation of the equipment with the significant growth in the output and the sales volume, and continue to implement technical measures and improve the facilities for technologies to further improve the production efficiency and increase the output; (ii) the Company will enhance quality and quantity management, adopt the Isuzu quality and quantity management method and the latest standards on quality inspection and control to ensure the high quality of the products; (iii) the Company will consolidate the technical foundation, continuously develop and launch new products with internationally advanced technologies, and at the same time, further commercialize the existing products to satisfy different customers' needs on different performance-price ratios; (iv) the Company will nurture staff for characters and professional competence which are in line with the corporate development by improving their professional qualities and ethics.

3. **Further reduce the cost of components and parts produced internally and procured externally and enhance the competitiveness of the products in terms of performance-price ratios.** Although the products of the Company are high quality, medium priced, with the lapse of time, unceasing changes in the economic environment will result in new negative impact on the products in terms of performance-price ratios: (i) with the annual increase in the costs of raw materials, fuels and labor, the profit will be restricted; (ii) the competitors also endeavour to improve the product qualities and reducing costs, thus narrowing the gap with the Company in terms of performance-price ratios. As such, the Company is committed to reduce the costs so as to offset such negative impact and seek for new competitiveness.

In face of the development opportunities in 2011 and in the future, the Company believes that all the staff will seize the time and make full use of its existing competitive edges on the resources to increase its market share, strive 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 2010 increased by 1.46% compared with that as at 31 December 2009. This increase was mainly due to the aggregate profit attributable to shareholders for the year amounted to approximately RMB301,666,000 and the payment of 2009 dividend approximately RMB198,581,000.

There were no borrowings of the Group as at 31 December 2010. The Group's current assets were mainly bank balance, deposits and cash, inventories like raw materials and finished goods, bills receivables and trade receivables. Current assets amounted to approximately RMB8,518,392,000, whereas current liabilities amounted to approximately RMB2,949,487,000. As at 31 December 2010, bank balance, deposits and cash amounted to approximately RMB5,391,431,000.

As at 31 December 2010, no assets had been pledged by the Group as security and the gearing ratio of the Group was 28.40%, 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 RMB0.10 per share (2009: RMB0.08 per share) in respect of the year ended 31 December 2010 to those shareholders on the register of shareholders on 9 May 2011. Subject to the approval at the annual general meeting of the Company to be held on 31 May 2011, the final dividend is expected to be payable on or before 14 June 2011.

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, 31 May 2011 at 10:00 a.m. (the "AGM").

CLOSURE OF REGISTER OF SHAREHOLDERS

The register of shareholders of the Company will be closed from Saturday, 30 April 2011 to Tuesday, 31 May 2011 (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, 29 April 2011.

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 2010 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 2010 final dividend to be distributed to non-resident enterprise holders of overseas H shares.

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 up to 2010. 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 2010, 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 2010, the Group has 2,923 employees (2009: 3,050 employees). For the year ended 31 December 2010, labour cost was RMB142,924,000 (2009: RMB115,540,000). The Group actively formulate and provides various training to its staff at all levels.

SALES AND STAFF QUARTERS

For the year ended 31 December 2010, the Group did not sell any staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

(1) As at 31 December 2010, 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 2010, 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.	H shares	496,453,654 shares	Beneficial Owner	40.08%	20.00%
Richard L. Chilton, Jr.	H shares	74,528,000 shares *(Note)*	Interest of controlled corporation	6.02%	3.00%
Chilton Investment Company, Inc.	H shares	74,528,000 shares *(Note)*	Interest of controlled corporation	6.02%	3.00%
Chilton Investment Company, LLC	H shares	74,528,000 shares *(Note)*	Investment manager	6.02%	3.00%

Note:

The following is a breakdown of the interests in shares of the Company held by Richard L. Chilton, Jr.:

Name of controlled corporation	Name of controlling shareholder	Percentage of control	Total interest in shares: Direct interest	Total interest in shares: Indirect interest
Chilton Investment Company, Inc.	Richard L. Chilton, Jr.	49.80%	—	74,528,000
Chilton Investment Company, LLC	Chilton Investment Company, Inc.	61.06%	—	74,528,000

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 2010.

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

As at 31 December 2010, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**"). For the year ended 31 December 2010, 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 2010.

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.

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 2010.

PROPOSED APPOINTMENT OF 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. Currently, none of the three independent non-executive directors are ordinarily resident in Hong Kong. This is due to the fact that the Board has been unable to identify a suitable candidate who is ordinarily resident in Hong Kong in the past.

With effect from 10 March 2011, Article 94 of the Articles of Association has been amended to increase the number of directors comprised in the Board in order to provide for the appointment of a suitable candidate as the fourth independent non-executive director at the AGM for the purpose of complying with Rule 19A.18(1) of the Listing Rules.

The Board proposes that resolution be passed to approve the appointment of Mr. LIU Tianni as an independent non-executive director with effect from the date of AGM until the date of the Company's annual general meeting in 2012.

Biography details of Mr. LIU Tianni are as follows:

Mr. LIU Tianni, aged 47, is currently the Founder and Chairman of Wonderful Sky Financial Group Limited, an executive director of Silver Grant International Industries Limited (listed on the Hong Kong Stock Exchange, stock code: 171) and the managing director of Sure Spread Company Limited. He is also an independent non-executive director of Chongqing Iron & Steel Company Limited (listed on the Hong Kong Stock Exchange, stock code: 1053). Mr. LIU graduated from Beijing Normal University with a master degree in science. He has over 15 years of experience in finance, trade businesses and corporate administration. Mr. LIU was awarded "Outstanding Young Chinese Entrepreneur of the World" by Asiaweek, as an acknowledgement of his excellent corporate management and prominent business strategies. Save as disclosed above, Mr. LIU did not hold any directorship in other listed companies in the past three years or any other positions with the Company and other members of the Company's group.

Mr. LIU has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. LIU did not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company.

Under an authorization to be given by the shareholders at the AGM, the Company will enter into an appointment letter with Mr. LIU. His remuneration will be determined in accordance with the terms and conditions of the said appointment letter having regard to his duties and responsibilities with the Company, the Company's remuneration policy, the Company's performance and profitability. It is expected that he will receive a remuneration of approximately HK$120,000 per annum.

Save as disclosed above, there are no other matters relating to his appointment that need to be brought to the attention of the Shareholders and there is no other information required to be disclosed pursuant to any of the requirements of rule 13.51(2) of the Listing Rules.

A circular containing details of the proposed appointment of director and the notice of the AGM will be desptached to shareholders as soon as practicable.

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 2010 and the 2010 results.

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. Ryozo TSUKIOKA
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
Qingling Motors Co. Ltd
WU Nianqing
Company Secretary

Chongqing, the PRC, 23 March 2011