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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 Interim Results 2015

The board of directors (the “**Board**”) of Qingling Motors Co. Ltd (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2015, together with comparative figures for the corresponding period in 2014:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended	
		30/6/2015	30/6/2014
		RMB'000	RMB'000
	NOTES	(unaudited)	(unaudited)
Revenue	3	2,977,524	3,033,348
Cost of sales		(2,418,258)	(2,558,154)
Gross profit		559,266	475,194
Other income		75,185	62,471
Other gains and losses, net		(3,089)	99
Distribution and selling expenses		(210,702)	(168,039)
Administrative expenses		(114,241)	(94,079)
Share of profit of an associate		117	165
Share of results of joint ventures		6,704	6,279
Profit before tax	4	313,240	282,090
Income tax expense	5	(46,003)	(41,394)
Profit and total comprehensive income for the period		267,237	240,696
Profit for the period and total comprehensive income for the period attributable to:			
Owners of the Company		265,638	239,972
Non-controlling interests		1,599	724
		267,237	240,696
Earnings per share			
Basic	7	RMB0.1070	RMB0.0967

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	855,652	919,792
Prepaid lease payments		41,353	42,043
Investment properties		36,092	38,318
Intangible assets		143,852	150,465
Interest in an associate		6,683	6,566
Interests in joint ventures		421,285	414,581
Deferred tax assets		8,738	12,232
		<u>1,513,655</u>	<u>1,583,997</u>
Current assets			
Inventories		662,756	1,037,487
Trade and other receivables and prepayments	9	897,562	877,535
Bills receivables	10	2,969,743	2,748,660
Prepaid lease payments		1,383	1,383
Bank deposits with original maturity more than three months	11	2,787,847	2,797,786
Bank balances and cash		1,116,749	1,133,712
		<u>8,436,040</u>	<u>8,596,563</u>
Current liabilities			
Trade, bills and other payables	13	2,273,610	2,361,216
Tax liabilities		21,198	31,272
		<u>2,294,808</u>	<u>2,392,488</u>
Net current assets		<u>6,141,232</u>	<u>6,204,075</u>
Total assets less current liabilities		<u>7,654,887</u>	<u>7,788,072</u>
Capital and reserves			
Share capital		2,482,268	2,482,268
Share premium and reserves		4,877,899	5,009,424
Equity attributable to owners of the Company		7,360,167	7,491,692
Non-controlling interests		294,720	296,380
Total equity		<u>7,654,887</u>	<u>7,788,072</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Retained profits		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2015 (unaudited)								
At 1 January 2015 (audited)	2,482,268	1,764,905	572,239	953,501	2,347	1,716,432	296,380	7,788,072
Profit and total comprehensive income for the period	—	—	—	—	—	265,638	1,599	267,237
2013 final dividend declared (Note 6)	—	—	—	—	—	(397,163)	—	(397,163)
Dividend declared by a subsidiary to non-controlling interests	—	—	—	—	—	—	(3,259)	(3,259)
At 30 June 2015	<u>2,482,268</u>	<u>1,764,905</u>	<u>572,239</u>	<u>953,501</u>	<u>2,347</u>	<u>1,584,907</u>	<u>294,720</u>	<u>7,654,887</u>
For the six months ended 30 June 2014 (unaudited)								
At 1 January 2014 (audited)	2,482,268	1,764,905	572,239	908,905	2,347	1,639,173	297,038	7,666,875
Profit and total comprehensive income for the period	—	—	—	—	—	239,972	724	240,696
2013 final dividend paid (Note 6)	—	—	—	—	—	(322,695)	—	(322,695)
Dividend declared by a subsidiary to non-controlling interests	—	—	—	—	—	—	(4,807)	(4,807)
At 30 June 2014	<u>2,482,268</u>	<u>1,764,905</u>	<u>572,239</u>	<u>908,905</u>	<u>2,347</u>	<u>1,556,450</u>	<u>292,955</u>	<u>7,580,069</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended	
	30/6/2015	30/6/2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	<u>335,527</u>	<u>31,288</u>
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(13,675)	(20,443)
Withdrawal of bank deposits with original maturity more than three months	1,530,800	1,550,663
Placement of bank deposits with original maturity more than three months	(1,528,500)	(1,551,033)
Interest received	56,889	56,470
Proceeds from disposal of property, plant and equipment	<u>45</u>	<u>32</u>
NET CASH FROM INVESTING ACTIVITIES	<u>45,559</u>	<u>35,689</u>
NET CASH USED IN FINANCING ACTIVITY:		
Dividends paid	<u>(397,163)</u>	<u>—</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,077)	66,977
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,133,712	1,206,765
Effect of exchange rate changes on the balance of cash held in foreign currencies	<u>(886)</u>	<u>386</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	<u><u>1,116,749</u></u>	<u><u>1,274,128</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the annual financial statements of Qingling Motors Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the Company's executive directors) for the purposes of resource allocation and performance assessment are as follows:

Light-duty trucks	—	manufacture and sales of light-duty trucks
Multi-purposes vehicles	—	manufacture and sales of multi-purposes vehicles
Pick-up trucks	—	manufacture and sales of pick-up trucks
Medium and heavy-duty trucks	—	manufacture and sales of medium and heavy-duty trucks
Automobile parts and accessories	—	manufacture and sales of automobile parts and accessories

1. Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the six months ended 30 June 2015 and 2014:

Six months ended 30 June 2015

	Light-duty trucks <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Segment revenue	<u>1,552,176</u>	<u>25,579</u>	<u>815,562</u>	<u>480,229</u>	<u>103,978</u>	<u>2,977,524</u>
Result						
Segment profit	<u>147,540</u>	<u>991</u>	<u>70,739</u>	<u>31,194</u>	<u>9,248</u>	259,712
Central administration costs						(25,389)
Interest income						49,250
Other income						25,936
Other gains and losses, net						(3,089)
Share of profit of an associate						117
Share of results of joint ventures						<u>6,704</u>
Group's profit before tax						<u>313,240</u>

3. SEGMENT INFORMATION— cont'd

1. Segment revenue and results — cont'd

Six months ended 30 June 2014

	Light-duty trucks <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Segment revenue	<u>1,385,563</u>	<u>12,074</u>	<u>711,404</u>	<u>764,771</u>	<u>159,536</u>	<u>3,033,348</u>
Result						
Segment profit	<u>94,374</u>	<u>896</u>	<u>73,901</u>	<u>60,056</u>	<u>1,003</u>	230,230
Central administration costs						(17,154)
Interest income						47,966
Other income						14,505
Other gains and losses, net						99
Share of profit of an associate						165
Share of results of joint ventures						<u>6,279</u>
Group's profit before tax						<u>282,090</u>

Segment result represents the profit earned by each segment without allocation of central administration costs, interest income, other income, other gains and losses (net), share of profit of an associate and share of results of joint ventures. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

3. SEGMENT INFORMATION — cont'd

2. Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment as at 30 June 2015 and 31 December 2014:

As at 30 June 2015

	Light-duty trucks <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Assets						
Segment assets	<u>2,243,583</u>	<u>32,878</u>	<u>1,003,458</u>	<u>1,290,619</u>	<u>80,584</u>	4,651,122
Interchangeably used assets between segments						
— property, plant and equipment						400,952
— prepaid lease payments						42,736
— inventories						259,413
Investment properties						36,092
Interest in an associate						6,683
Interests in joint ventures						421,285
Bank deposits and bank balances						3,904,596
Other unallocated assets						<u>226,816</u>
Consolidated total assets						<u>9,949,695</u>
Liabilities						
Segment liabilities	<u>218,724</u>	<u>2,685</u>	<u>98,246</u>	<u>63,549</u>	<u>9,931</u>	393,135
Unallocated trade, bills and other payables						1,880,475
Other unallocated liabilities						<u>21,198</u>
Consolidated total liabilities						<u>2,294,808</u>

3. SEGMENT INFORMATION — cont'd

2. Segment assets and liabilities — cont'd

As at 31 December 2014

	Light-duty trucks <i>RMB'000</i> (audited)	Multi- purposes vehicles <i>RMB'000</i> (audited)	Pick-up trucks <i>RMB'000</i> (audited)	Medium and heavy-duty trucks <i>RMB'000</i> (audited)	Automobile parts and accessories <i>RMB'000</i> (audited)	Consolidated <i>RMB'000</i> (audited)
Assets						
Segment assets	<u>2,311,139</u>	<u>24,194</u>	<u>923,738</u>	<u>1,470,773</u>	<u>159,275</u>	4,889,119
Interchangeably used assets between segments						
— property, plant and equipment						455,457
— prepaid lease payments						43,426
— inventories						226,530
Investment properties						38,318
Interest in an associate						6,566
Interests in joint ventures						414,581
Bank deposits and bank balances						3,931,498
Other unallocated assets						<u>175,065</u>
Consolidated total assets						<u>10,180,560</u>
Liabilities						
Segment liabilities	<u>258,678</u>	<u>1,252</u>	<u>77,783</u>	<u>66,531</u>	<u>15,435</u>	419,679
Unallocated trade, bills and other payables						1,941,537
Other unallocated liabilities						<u>31,272</u>
Consolidated total liabilities						<u>2,392,488</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than interchangeably used assets between segments, investment properties, interest in an associate, interests in joint ventures, bank deposits and bank balances and other unallocated assets held by the head office; and
- All liabilities are allocated to operating segments other than unallocated trade, bills and other payables and other unallocated liabilities of the head office.

4. PROFIT BEFORE TAX

	Six months ended	
	30/6/2015	30/6/2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	75,073	147,236
Amortisation of intangible assets (included in cost of sales)	6,613	5,760
Depreciation of investment properties	1,034	1,002
Release of prepaid lease payments	690	690
Loss on disposal of property, plant and equipment	289	365
Net foreign exchange loss	2,779	1,159
and after crediting:		
Interest income from bank deposits and balances	49,250	47,966
Rental income from renting investment properties and equipment	22,401	12,624
Reversal of allowance for doubtful debts	—	1,623
Subsidy income	1,931	29

5. INCOME TAX EXPENSE

	Six months ended	
	30/6/2015	30/6/2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax	42,509	41,394
Deferred income tax	3,494	—
Income tax expense charged for the period	46,003	41,394

According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Guo Shui [2012] No. 12), a company located in the western region of the PRC and engaged in the business included in the Catalogue of Industries Encouraged to Develop in the Western Region is entitled to apply to the tax authority for the preferential enterprise income tax (“EIT”) rate of 15% if the conditions set out in the notice are satisfied. The Company and 重慶慶鈴模具有限公司 (“Qingling Moulds”), a subsidiary of the Group have applied and obtained the approval from the tax authority in respect of the application of the preferential EIT rate in 2012, and filed on record of the tax authority in 2013 and 2014. In the opinion of the directors of the Company, the Company and Qingling Moulds are able to satisfy the conditions set out in the notice and therefore continue to apply the preferential EIT rate of 15% (six months ended 30 June 2014: (unaudited) 15%) in 2015.

5. INCOME TAX EXPENSE — cont'd

重慶慶鈴技術中心, a subsidiary of the Group, is subject to EIT rate of 25% (six months ended 30 June 2014: (unaudited) 25%) for the six months ended 30 June 2015.

6. DIVIDEND

During the current interim period, a final dividend of RMB0.16 per share in respect of the year ended 31 December 2014 (six months ended 30 June 2014: (unaudited) RMB0.13 per share in respect of the year ended 31 December 2013) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to RMB397,163,000 (six months ended 30 June 2014: (unaudited) RMB322,695,000). The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: (unaudited) Nil).

7. EARNINGS PER SHARE

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

	Six months ended	
	30/6/2015	30/6/2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>265,638</u>	<u>239,972</u>
	Six months ended	
	30/6/2015	30/6/2014
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Number of shares for the purpose of basic earnings per share	<u>2,482,268</u>	<u>2,482,268</u>

There are no potential dilutive ordinary shares outstanding in both periods presented.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB11,267,000 (six months ended 30 June 2014: (unaudited) RMB19,654,000), which is for new production lines and renovation projects.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Trade receivables, net of allowance for doubtful debts	796,961	819,534
Other receivables	9,815	9,596
Prepayments	90,786	48,405
	897,562	877,535

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

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

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

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Within 3 months	653,593	475,321
Between 3 to 6 months	91,782	274,118
Between 7 to 12 months	5,738	16,364
Between 1 to 2 years	43,577	49,133
Over 2 years	2,271	4,598
	796,961	819,534

An accumulated allowance has been made for estimated irrecoverable amount from sales of goods amounting to RMB2,972,000 as at 30 June 2015 (31 December 2014: (audited) RMB2,972,000).

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — cont'd

Included in the Group's trade and other receivables and prepayments at the end of the reporting period are amounts due from related parties, which are trade in nature, as follows:

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
The ultimate controlling shareholder of the Company — 慶鈴汽車（集團）有限公司（“Qingling Group”）	672,352	684,544
Subsidiaries of Qingling Group	46,439	61,755
Joint venture of the Group — 慶鈴五十鈴（重慶）汽車銷售服務有限公司 （“Qingling Isuzu Sales”）	214	—
Associate of the Group — 五十鈴慶鈴（重慶）汽車技術開發有限公司 （“Isuzu Qingling Engineering”）	4,593	3,254
Associate of Qingling Group — 五十鈴慶鈴（重慶）汽車零部件有限公司 （“Isuzu Qingling Autoparts”）	25,584	14,407
	749,182	763,960

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

10. BILLS RECEIVABLE

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

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Within 1 month	783,789	552,449
Between 1 to 2 months	409,784	434,626
Between 2 to 3 months	442,890	416,999
Between 4 to 6 months	1,333,280	1,344,586
	2,969,743	2,748,660

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

11. BANK DEPOSITS WITH ORIGINAL MATURITY MORE THAN THREE MONTHS

The fixed bank deposits are with a term of 12 months (31 December 2014: (audited) from 6 to 12 months) and carried interest rates ranging from 3.25% to 3.35% (31 December 2014: (audited) from 0.80% to 3.30%) per annum.

12. TRADE, BILLS AND OTHER PAYABLES

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

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Trade and bills payables	1,779,733	1,918,313
Advance from customers	72,531	139,526
Selling expenses payables	287,849	228,678
Other payables	83,409	66,099
Value added tax payables	46,829	8,600
Dividend payable to a non-controlling shareholder of a subsidiary	3,259	—
	2,273,610	2,361,216

12. TRADE, BILLS AND OTHER PAYABLES — cont'd

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

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Within 3 months	1,549,582	1,260,883
Between 3 to 6 months	220,910	650,293
Between 7 to 12 months	5,363	2,772
Over 1 year	3,878	4,365
	<u>1,779,733</u>	<u>1,918,313</u>

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

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Substantial shareholder of the Company — Isuzu Motors Limited (“Isuzu”)*	59,777	106,809
Subsidiaries of Qingling Group	27,527	3,060
Joint ventures of the Group		
— 慶鈴五十鈴（重慶）發動機有限公司 (“Qingling Isuzu Engine”)	143,206	189,292
— Qingling Isuzu Sales	—	160
	<u>230,510</u>	<u>299,321</u>

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

Except for an amount due to Isuzu of RMB3,259,000 (31 December 2014: (audited) Nil), representing dividend payable to it, the other amounts due to Isuzu, subsidiaries of Qingling Group and Joint ventures of the Group, which are trade in nature, are unsecured, interest-free and under credit period granted on purchases of materials from 3 to 6 months.

13. RELATED PARTY TRANSACTIONS AND BALANCES

Apart from the amounts due from and to related companies as disclosed in notes 9 and 12, during the current interim period, the Group entered into the following transactions with related parties that are conducted in accordance with the terms of the relevant agreements:

(1) Transactions with Qingling Group and its subsidiaries

<u>Type of transactions</u>	Six months ended	
	30/6/2015 RMB'000 (unaudited)	30/6/2014 RMB'000 (unaudited)
Sales of chassis		
— Qingling Group	761,510	925,309
Sales of parts and raw materials for the manufacture of automobile parts		
— 重慶慶鈴汽車機加部品製造有限公司 (“Qingling Jijia”)	589	3,100
— 重慶慶鈴汽車上裝製造有限公司 (“Qingling Shangzhuang”)	4,378	41,978
— 重慶慶鈴汽車底盤部品有限公司 (“Qingling Chassis”)	1,518	5,074
— Qingling Group	14	5
— 重慶慶鈴鑄造有限公司 (“Qingling Casting”)	8,257	19,739
— 重慶慶鈴鍛造有限公司 (“Qingling Forging”)	2,138	1,701
— 重慶慶鈴車橋有限公司 (“Qingling Axle”)	1,454	1,696
— 重慶慶鈴日發座椅有限公司 (“Qingling Chair”)	4,671	6,323
— 重慶慶鈴塑料有限公司 (“Qingling Plastics”)	609	1,533
— 重慶慶鈴鑄鋁有限公司 (“Qingling Cast Aluminium”)	631	1,087
Purchases of automobile parts		
— Qingling Group	3	—
— Qingling Jijia	34,982	27,735
— Qingling Shangzhuang	2,845	1,582
— Qingling Chassis	48,462	51,428
— Qingling Casting	14,130	12,688
— Qingling Forging	20,503	23,785
— Qingling Axle	21,725	25,335
— Qingling Chair	29,727	32,004
— Qingling Plastics	32,223	36,745
— Qingling Cast Aluminium	5,366	6,605

13. RELATED PARTY TRANSACTIONS AND BALANCES — cont'd

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

<u>Type of transactions</u>	Six months ended	
	30/6/2015 RMB'000 (unaudited)	30/6/2014 RMB'000 (unaudited)
Expenses for renting warehouse — Qingling Group	3,020	3,020
Expenses for renting leasehold land — Qingling Group	2,477	—
Expenses for renting equipment — Qingling Group	—	575
— Qingling Forging	9,987	9,987

(2) Transactions with Isuzu

<u>Type of transactions</u>	Six months ended	
	30/6/2015 RMB'000 (unaudited)	30/6/2014 RMB'000 (unaudited)
Purchase of parts and components	337,278	533,613
Royalties on sale of trucks and other vehicles	8,168	13,149
Sales of accessory sets and other automobile parts and components	10,316	10,216

(3) Transactions with Qingling Isuzu Engine, a joint venture of the Group

<u>Type of transactions</u>	Six months ended	
	30/6/2015 RMB'000 (unaudited)	30/6/2014 RMB'000 (unaudited)
Purchases of automobile parts	605,002	707,092
Sales of accessory sets and raw materials	436,565	340,933
Income for renting properties and equipment	21,450	22,005
Miscellaneous services income	2,603	1,403

13. RELATED PARTY TRANSACTIONS AND BALANCES — cont'd

(4) Transactions with Qingling Isuzu Sales, a joint venture of the Group

<u>Type of transactions</u>	Six months ended	
	30/6/2015	30/6/2014
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Sales of trucks	728	4,094
Sales of raw materials and automobile parts	193	236
Rental income	501	780
Miscellaneous services income	250	250

(5) Transactions with Isuzu Qingling Engineering, an associate of the Group

<u>Type of transactions</u>	Six months ended	
	30/6/2015	30/6/2014
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Rental income	450	443
Miscellaneous services income	308	425

(6) Transactions with Isuzu Qingling Autoparts, an associate of Qingling Group

<u>Type of transactions</u>	Six months ended	
	30/6/2015	30/6/2014
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Sales of raw materials and automobile parts	22,760	3,218
Miscellaneous services income	33	935

(7) Transactions/balances with other government-related entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled, jointly controlled or significantly influenced by the PRC government (“government-related entities”). In addition, the Group itself is part of a larger group of companies under Qingling Group which is controlled by the PRC government. Apart from the transactions with Qingling Group and its subsidiaries disclosed in section (1) above, the Group also conducts businesses with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group’s business transactions with them are concerned.

13. RELATED PARTY TRANSACTIONS AND BALANCES — cont'd

(7) Transactions/balances with other government-related entities in the PRC — cont'd

Material transactions/balances with other government-related entities are as follows:

	Six months ended	
	30/6/2015 RMB'000 (unaudited)	30/6/2014 RMB'000 (unaudited)
Trade sales	<u>325,602</u>	<u>429,986</u>
Trade purchases	<u>130,660</u>	<u>178,483</u>
Purchase of property, plant and equipment	<u>—</u>	<u>582</u>

	Six months ended	
	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Trade and other balances due to other government-related entities	<u>114,153</u>	<u>113,210</u>
Trade and other balances due from other government-related entities	<u>357,019</u>	<u>289,087</u>

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits and other general banking facilities with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of these banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors of the Company are of the opinion that transactions with government-related entities are not significant to the Group's operations.

(8) Compensation of directors and key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management personnel during the six months ended 30 June 2015 amounted to approximately RMB1,590,000 (six months ended 30 June 2014: (unaudited) RMB1,685,000).

14. COMMITMENTS

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

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of		
— acquisition of property, plant and equipment	4,734	3,114
— capital contribution to Qingling Isuzu Sales	49,826	—
	<u>54,560</u>	<u>3,114</u>
Approved by the directors of the Company but not contracted for in respect of acquisition of property, plant and equipment	14,334	14,334
	<u>14,334</u>	<u>14,334</u>

15. OPERATING LEASE

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Within one year	35,811	39,197
In the second to fifth year, inclusive	20,434	32,985
	<u>56,245</u>	<u>72,182</u>

Operating lease payments represent rentals payable to Qingling Group by the Group for certain of its warehouses and production facilities. Leases are negotiated for an average term of one to three years.

15. OPERATING LEASE — cont'd

The Group as lessor

At the end of the reporting period, the Group had entered into lease agreement with tenants for the following future minimum lease payments:

	30/6/2015 RMB'000 (unaudited)	31/12/2014 RMB'000 (audited)
Within one year	51,431	51,989
In the second to fifth year, inclusive	24,815	50,189
	76,246	102,178

The amount represents rentals receivable from Qingling Isuzu Engine, Qingling Isuzu Sales and Isuzu Qingling Engineering for certain of its land and buildings and production facilities.

16. EVENT AFTER THE REPORTING PERIOD

On 16 August 2015, a bank informed the Company that the Company's bank balances of approximately RMB79,999,000 with this bank was frozen according to the civil ruling issued by People's Court of Futian District, Shenzhen, Guangdong Province in relation to a dispute in respect of a financial credit agreement which was entered into between the Company's customer and another bank.

Up to the approval date of these condensed consolidated interim financial statements, the Company did not receive any claims, summons nor litigation documents.

The Company reviewed all the relevant documents and agreements in relation to the aforesaid dispute and consulted its legal adviser that the Directors believe the Company is not a party to the financial credit agreement and did not provide guarantee to any parties to the financial credit agreement. Based on legal opinion, in the opinion of the Directors, the Company has no financial obligation in the dispute and, accordingly, no provision has been made in the condensed consolidated interim financial statements.

2015 HALF-YEARLY RESULTS

As at 30 June 2015, the Group sold 32,482 vehicles, representing an increase of 12.6% over the corresponding period of the previous year. Sales revenue realized amounted to RMB2.98 billion, representing a decrease of 1.8% over the corresponding period of the previous year. Profit after taxation was RMB270 million, representing a year-on-year increase of 11.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATION

During the first half of the year, the macro economy faced increasing pressure resulted from downward adjustments. With the continuous fall in Producer's Price Index for Manufactured Products, the movement of Purchasing Managers Index has been lingered around the boom-bust line. Commodity truck industry had a significant decline in development. In accordance with the data published by China Association of Automobile Manufacturers, the total national sales turnover of commodity trucks for the first half of the year amounted to 1.473 million, representing a decrease of 16.8% over the corresponding period. With the economy of China entering an era of "new normal", short-term radical change in the overall sluggish market demand for commodity cars could not be expected, while competition tended to be intensified. Early this year, the Company proposed the notion of reformation, transformation, enhancement and innovation, and of building a "large-scale marketing, large-scale development, large-scale production and large-scale logistics" system based on its analysis on national macro-economic development as well as the fundamental element of the industry and internal and external environment so as to enhance quantity of output with better quality and scale new heights amid unfavourable economic environment.

1. Building the innovative large-scale marketing system

The new system is built through leveraging on the capability of new systems in which each performs its own functions effectively. It targets at strengthening marketing capability by solidifying the quality and quantity of marketing networks and promoting corporate image and integration of marketing resources in order to increase recognition and reputation of Qingling's brand and products. Meanwhile, the new system would also help to create synergy amongst departments of sales, development, production, procurement and quality assurance so as to better respond to the markets while enhancing business policies which stimulate distributors' initiative and also fortify the management and control over distributors. In addition, the Company would also standardize and improve after-sales services on parts supply with a view to enhancing market satisfaction, and by setting up a 24-hour call center to facilitate customer communication, improve service quality and efficiency and solve customers' problems promptly, customer satisfaction would be boosted up. During the first half of the year, the sales turnover of commodity trucks produced by the Company enjoyed an increase of 12.6% over the corresponding period.

2. Building the innovative large-scale development system

The new system is built upon the notion that “it is the developers’ duty to realize target customers’ demand”. The system expanded, extended and developed vehicles of various specifications and configurations to cater to different customer needs by fully utilizing the Company’s existing foundation technology platform of finished vehicles and engines while developing exclusive products for clients by responding to the technical requirements and the expertise of the technical support teams of big clients and car-tuning factories. The Company would also enhance the standardization, generalization, modularization, “platformization”, seriation and “quota-ization” of development to promote the efficient and rapid development of mass production of new products.

3. Building the large-scale production system

The new system is built through adjusting and integrating the production system with the target of “raising efficiency, increasing production, maintaining quality, lowering the cost and ensuring safety” while putting “lean, intelligent and intellectual production” into practice. It enhanced the production capacity of high-value-added products by further optimizing the product structure and linking production system with our function of research and development. Besides, we would put strong emphasis on our work on safety and environmental protection and maintain our prestige as an enterprise which always complies with the laws.

4. Building the large-scale logistics system

The new system is built through establishing flawless organizations and management processes and improving logistics and packaging equipment while constructing spare parts storage and quality control center and building a perfect logistics information system.

Outlook

It is expected that the economy of the PRC will face a further increase in downward adjustment pressure in the second half of the year and the government will further its effort on law enforcement of energy saving and emission reduction. With the full development of the regional economy, the business model which emphasizes on commodity cars will undergo a radical change that the market share of mid-end and high-end commodity cars will see a fast growth. For the second half of the year, the Company will continue to focus on the following six aspects:

1. Endeavor to explore the finished vehicle market. The Company will continue its promotional activities carried out in each market during the first half of the year and will launch further targeted promotional activities based on the economic characteristics, regional regulations and competition landscape of market segments. The Company will also continue to focus on marketing network penetration, network building follow-up and quality enhancement of network operation.

2. The projects of heavy-duty trucks and engines for heavy-duty trucks. 1) Focus on building heavy-duty truck network. 2) Continue to cooperate with financial organizations closely to achieve a breakthrough in respect of heavy-duty truck clients in acquiring financial support. 3) Closely cooperate with cooperation partners to perfect the specification and configuration of VC46 heavy-duty truck and accelerate the development of new generation heavy-duty trucks and engines for heavy-duty trucks for striving to launch the products within 2016.
3. To speed up the emission enhancement of the entire series of National V engines. The Company will speed up the emission enhancement of the entire series of engines designed with various technologies through working with world-renowned enterprises such as Isuzu of Japan, Bosch and Delphi in order to comply with the requirements of national energy saving and emission reduction regulations.
4. Commence informatization and overall planning. The Company will speed up the pace of informatization of enterprises on the foundation of existing technology platform integration.
5. Continue to focus on various areas of basic management such as quality, production organization, equipment, moulds and 5S and robustly promote “4Jian + 1Gai” (i.e. reduction, examination, simplification and frugality + improvement) activities so as to reduce manufacturing costs.
6. To place on-going training for cadres and workers and to fulfil the “one post double duty” system. The Company will continue to care for lives of employees and further improve and ensure their livelihood as well.

The Company will make further effort to raise the quantity of output with better quality and higher efficiency for scaling new heights amid unfavourable economic environment so as to bring satisfactory rewards to the investors.

FINANCIAL REVIEW

Comprehensive Income

For the six months ended 30 June 2015, the revenue of the Group was RMB2,977,524,000, representing an decrease of 1.84% as compared to the corresponding period last year and was stable compared with last year due to the reduction of the scale of spare parts businesses.

Gross profit for the period was RMB559,226,000, representing an increase of 17.69% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 18.78%, approximating to 15.67% for the corresponding period last year. Profit of the Group for the period attributable to owners of the Company was RMB265,638,000, representing an increase of 10.70% as compared to the corresponding period last year.

For the six months ended 30 June 2015, other income mainly included bank interest income and rental income, totaling RMB75,185,000, representing an increase of 20.35% as compared to the corresponding period last year. Bank interest income for the period increased and rental income also increased.

For the six months ended 30 June 2015, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB210,702,000, representing an increase of 25.39% as compared to the corresponding period last year, mainly due to the increase in advertising and business promotion expenses for the period as compared to the corresponding period last year.

For the six months ended 30 June 2015, the total administrative expenses of the Group mainly including staff's salaries and allowance, insurance premium, development and research expenses, maintenance fees and other administrative expenses, were RMB114,241,000, representing an increase of 21.43% as compared to the corresponding period last year, principally due to the increase of bonus for staff for the period as compared to the corresponding period last year.

For the six months ended 30 June 2015, the share of results of an associate and joint ventures to the Group was RMB6,821,000, representing an increase of 5.85% as compared to the corresponding period last year, principally due to the increase in profit of joint ventures during the period.

For the six months ended 30 June 2015, basic earnings per share was RMB0.1070, representing an increase of 10.65% as compared to the corresponding period last year. The Company did not issue any new shares during the period and the increase of earnings per share was resulted from the increase in net profit.

Financial Position

As at 30 June 2015, the total assets and total liabilities of the Group were RMB9,949,695,000 and RMB2,294,808,000 respectively.

The non-current assets were RMB1,513,655,000, mainly including property, plant and equipment, interests in joint ventures and prepaid lease payments.

The total current assets amounted to RMB8,436,040,000, mainly including RMB662,756,000 of inventories, RMB897,562,000 of trade and other receivables and prepayments and RMB2,969,743,000 of bills receivables, RMB2,787,847,000 of fixed deposit with maturity over 3 months and RMB1,116,749,000 of bank balances and cash. Trade and other receivables included RMB749,182,000 due from related parties.

The total current liabilities amounted to RMB2,294,808,000, mainly including RMB2,270,351,000 of total trade, bills and other payables, RMB3,259,000 of dividend payable and RMB21,198,000 of tax payable.

Net current assets fell from RMB6,204,075,000 as at 31 December 2014 to RMB6,141,232,000 as at 30 June 2015, representing a decrease of 1.01%.

Liquidity and Capital Structure

The Group's working capital requirement was financed by its own cash flow.

Gearing ratio represented the percentage of total liabilities over total equity as per condensed consolidated statement of financial position. The gearing ratio of the Group as at 30 June 2015 was 29.98% (as at 31 December 2014: 30.72%).

Issued share capital as at 30 June 2015 maintained at RMB2,482,268,000 and no share was issued during this period of six months.

For the six months ended 30 June 2015, there was no material change in the financing strategies of the Group and the Group did not incur any bank borrowings nor any non-current liabilities. The Group would closely monitor the financial and liquidity position of the Group and financial market from time to time in order to formulate financing strategies appropriate to the Group.

The total equity attributable to owners of the Company as at 30 June 2015 was RMB7,360,167,000. The net asset per share as at 30 June 2015 was RMB2.97.

Significant Investment

As at 30 June 2015, the Group's interests in joint ventures was RMB421,285,000 and interest in an associate was RMB6,683,000 which mainly included the interest in Qingling Isuzu Engine, a joint venture, of RMB410,611,000. For the six months ended 30 June 2015, the joint ventures and associate of the Group were under normal operation, and the increase in the revenue from operation of Qingling Isuzu Engine was mainly attributable to increase in market demand.

Except for the Company's commitment for capital contribution of RMB49,826,000 in respect of the equity of Qingling Isuzu Sales, during the period ended 30 June 2015, there were no significant acquisition and disposal of the Group.

Segment Information

The revenue contributed by light-duty trucks and pick-up trucks were RMB1,552,176,000 and RMB815,562,000 respectively, representing 79.52% of the total revenue and 84.05% of the total segment profit severally. Light-duty trucks and pick-up trucks are currently the major products accounting for the highest contribution to the Group.

The revenue contributed by medium trucks and heavy-duty trucks was RMB480,229,000, representing 16.13% of the total revenue. The profit from operation attributable to them was RMB31,194,000, accounting for 12.01% of the segment profit.

The Company planned to enlarge the share of sales revenue and segment profit attributable to medium and heavy-duty trucks to over 30% to establish a strategic operation layout with equal emphasis on the light-duty, medium and heavy-duty trucks.

Pledge of Assets

During the period ended 30 June 2015, no asset of the Group was pledged for financial facilities (During the period ended 30 June 2014: Nil).

Effects of Foreign Exchange Rate Changes

As at 30 June 2015, the Group had bank balances of foreign currency including HK dollars of RMB14,213,000 and foreign currency payables and other payables of RMB19,966,000.

The major foreign currency transactions of the Group was the purchasing business of automobile parts denominated in Japanese Yen. The Group did not encounter any difficulty or suffer any significant impact in its operations or liquidity as a result of the fluctuation of the exchange rate.

Commitments

As at 30 June 2015, the Group had capital commitments of RMB54,560,000 that had been contracted for but not provided in the condensed consolidated financial statements and RMB14,334,000 that had been approved by the Board but not contracted for, mainly including the outstanding consideration payable concerning heavy-duty truck technology license fees. The Group expects to finance the above capital requirement by its own cash flows.

Interim Dividend

The Board did not recommend to declare any interim dividend for the six months ended 30 June 2015 (for the period ended 30 June 2014: nil).

Purchase, Sale and Redemption of the Company's Listed Securities

During the six months ended 30 June 2015, there were no purchase, redemption or sales of the Company's listed securities by the Company or any of its subsidiaries.

Employees and Remuneration Policy

As at 30 June 2015, the Group had 2,927 employees. For the six months ended 30 June 2015, labour cost was RMB89,575,000. The Group determines the emoluments payable to its employees based on their performances, experience and prevailing industry practices while the Group's remuneration policy and packages are reviewed on a regular basis so as to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. Depending on the assessment about their work performances, employees may be granted bonuses and rewards which in turn provide the motives and incentives for better individual performance.

SALES OF STAFF QUARTERS

For the six months ended 30 June 2015, the Group has not sold any staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

- (1) As at 30 June 2015, the entire share capital of the Company comprised 2,482,268,268 shares, including:

	Number of shares	Percentage of total number of issued shares
Domestic shares	1,243,616,403 shares	About 50.10%
Foreign shares (H shares)	1,238,651,865 shares	About 49.90%

- (2) Substantial shareholders

As at 30 June 2015, shareholders other than a director, supervisor or chief executive of the Company having interests and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the “SFO”) are as follows:

Long positions in the shares of the Company:

Name of shareholders	Class of shares	Number of shares held	Capacity	Percentage of share capital of relevant class	Percentage of entire share capital
Qingling Group	Domestic shares	1,243,616,403 shares	Beneficial Owner	100.00%	50.10%
Isuzu	H shares	496,453,654 shares	Beneficial Owner	40.08%	20.00%
Allianz SE	H shares	102,122,000 shares (Note)	Interest of controlled corporation	8.24%	4.11%
Edgbaston Investment Partners Limited	H shares	62,085,000 shares	Investment manager	5.01%	2.50%

Note:

The following is a breakdown of the interests in shares of the Company held by Allianz SE:

Name of controlled corporation	Name of controlling shareholder	Percentage of control	Total interest in shares	
			Direct interest	Indirect interest
Allianz Asset Management AG	Allianz SE	100%	—	102,122,000
Allianz Global Investors GmbH	Allianz Asset Management AG	100%	—	101,600,000
RCM Asia Pacific Ltd.	Allianz Global Investors GmbH	100%	98,240,000	—
Allianz Global Investors Taiwan Ltd.	Allianz Global Investors GmbH	100%	3,360,000	—
Allianz Asset Management of America Holdings Inc.	Allianz Asset Management AG	100%	—	522,000
Allianz Asset Management of America L.P.	Allianz Asset Management of America Holdings Inc.	100%	—	522,000
Allianz Global Investors U.S. Holdings LLC	Allianz Asset Management of America L.P.	100%	—	522,000
Allianz Global Investors Fund Management LLC	Allianz Global Investors U.S. Holdings LLC	100%	522,000	—

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2015.

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

As at 30 June 2015, none of the directors, supervisors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined under the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”). For the six months ended 30 June 2015, none of directors, supervisors and chief executives of the Company, their spouse or children under 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

CORPORATE GOVERNANCE

The Company 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 Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors. Having made specific enquiry of all directors and supervisors, the Company confirmed all directors and supervisors have complied with the required standard set out in the Model Code during the six months ended 30 June 2015.

EVENTS AFTER THE LATEST ANNUAL REPORT

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

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2015 are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, the Company's auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accounts. The interim results have also been reviewed by the Company's audit committee.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2015 interim report containing all the financial information required by the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qingling.com.cn) in due course.

DIRECTORS

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

Executive Directors:

HE Yong

Keiichiro MAEGAKI

GAO Jianmin

Makoto TANAKA

ZENG Jianjiang

Naoto HAKAMATA

LI Juxing

Independent Non-Executive Directors:

LONG Tao

SONG Xiaojiang

LIU Tianni

LIU Erh Fei

By Order of the Board

Qingling Motors Co. Ltd

ZENG Jianjiang

Executive Director and Company Secretary

Chongqing, the PRC, 26 August 2015