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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 2017 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 2017, which has been prepared in accordance which Hong Kong Financial Reporting Standards as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**Year ended 31 December 2017** ***RMB'000***	Year ended 31 December 2016 *RMB'000*
Revenue	*2, 3*	**5,073,336**	4,633,785
Cost of sales		**(4,151,846)**	(3,769,839)
Gross profit		**921,490**	863,946
Other income		**223,597**	164,984
Other gains and losses, net		**174**	(4,017)
Distribution and selling expenses		**(226,758)**	(202,093)
Administrative expenses		**(232,480)**	(218,647)
Research expenses		**(124,137)**	(57,324)
Share of profit of an associate		**210**	208
Share of results of joint ventures		**18,611**	19,569
Profit before tax	*5*	**580,707**	566,626
Income tax expense	*4*	**(78,912)**	(80,577)
Profit and total comprehensive income for the year		**501,795**	486,049
Profit and total comprehensive income attributable to:			
Owners of the Company		**496,926**	481,287
Non-controlling interests		**4,869**	4,762
		501,795	486,049
Basic earnings per share	*6*	**RMB0.20**	RMB0.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	NOTES	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment		**755,433**	732,984
Prepaid lease payments		**38,060**	39,443
Investment properties		**30,917**	32,932
Intangible assets		**215,327**	241,762
Interest in an associate		**7,262**	7,052
Interests in joint ventures		**498,781**	480,170
Deferred tax assets		**31,752**	27,672
		1,577,532	1,562,015
Current assets			
Inventories		**632,989**	587,156
Trade and other receivables and prepayments	*8*	**624,367**	898,980
Bills receivable	*9*	**2,312,308**	1,582,547
Prepaid lease payments		**1,383**	1,383
Bank deposits with original maturity more than three months		**1,343,202**	3,050,884
Restricted bank balances	*12*	**79,999**	79,999
Bank deposits, bank balances and cash		**4,250,191**	2,434,886
Tax recoverable		**18**	–
		9,244,457	8,635,835
Current liabilities			
Trade, bills and other payables	*10*	**2,731,936**	2,229,961
Tax liabilities		**21,546**	8,000
		2,753,482	2,237,961
Net current assets		**6,490,975**	6,397,874
Total assets less current liabilities		**8,068,507**	7,959,889
Capital and reserves			
Share capital	*11*	**2,482,268**	2,482,268
Share premium and reserves		**5,276,035**	5,176,272
Equity attributable to owners of the Company		**7,758,303**	7,658,540
Non-controlling interests		**304,544**	301,349
Total equity		**8,062,847**	7,959,889
Non-current liability			
Deferred revenue		**5,660**	–
		8,068,507	7,959,889

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

Amendments to HKFRSs that are mandatorily effect for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Clarification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

2. REVENUE

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

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 *RMB'000*
Sales of trucks and vehicles	**4,787,241**	4,413,261
Sales of automobile parts and accessories	**286,095**	220,524
	5,073,336	4,633,785

3. SEGMENT INFORMATION

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

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

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

(i) Segment revenue and results

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

For the year ended 31 December 2017

	Light-duty trucks *RMB'000*	**Multi-purposes vehicles** *RMB'000*	**Pick-up trucks** *RMB'000*	**Medium and heavy-duty trucks** *RMB'000*	**Automobile parts and accessories** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**2,786,114**	**953**	**1,054,917**	**945,257**	**286,095**	**5,073,336**
Result						
Segment profit	**331,032**	**123**	**126,040**	**18,523**	**34,233**	**509,951**
Central administration costs						**(171,836)**
Interest income						**172,988**
Other income						**50,609**
Other gains and losses, net						**174**
Share of profit of an associate						**210**
Share of results of joint ventures						**18,611**
Group's profit before tax						**580,707**

For the year ended 31 December 2016

	Light-duty trucks *RMB'000*	Multi-purposes vehicles *RMB'000*	Pick-up trucks *RMB'000*	Medium and heavy-duty trucks *RMB'000*	Automobile parts and accessories *RMB'000*	Consolidated *RMB'000*
Segment revenue	2,333,580	4,532	1,108,661	966,488	220,524	4,633,785
Result						
Segment profit	283,314	589	162,490	16,020	25,628	488,041
Central administration costs						(102,159)
Interest income						118,621
Other income						46,363
Other gains and losses, net						(4,017)
Share of profit of an associate						208
Share of results of joint ventures						19,569
Group's profit before tax						566,626

There have been no inter-segment sales during the year ended 31 December 2017 (2016: Nil).

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

(ii) Segment assets and liabilities

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

At 31 December 2017

	Light-duty trucks *RMB'000*	Multi-purposes vehicles *RMB'000*	Pick-up trucks *RMB'000*	Medium and heavy-duty trucks *RMB'000*	Automobile parts and accessories *RMB'000*	Consolidated *RMB'000*
Assets						
Segment assets	**1,676,184**	**7,027**	**652,143**	**1,188,140**	**535,010**	**4,058,504**
Interchangeably used assets between segments						
– property, plant and equipment						**195,195**
– prepaid lease payments						**39,443**
– inventories						**120,888**
Investment properties						**30,917**
Interest in an associate						**7,262**
Interests in joint ventures						**498,781**
Restricted bank balances, bank deposits and bank balances						**5,673,392**
Other unallocated assets						**197,607**
Consolidated total assets						**10,821,989**
Liabilities						
Segment liabilities	**385,468**	**138**	**151,602**	**97,917**	**–**	**635,125**
Unallocated trade, bills and other payables						**2,096,811**
Other unallocated liabilities						**27,206**
Consolidated total liabilities						**2,759,142**

At 31 December 2016

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

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

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

- All liabilities are allocated to operating and reportable segments other than unallocated trade, bills and other payables and other unallocated liabilities of the head office.

(iii) Other segment information

For the year ended 31 December 2017

	Light-duty trucks	Multi-purposes vehicles	Pick-up trucks	Medium and heavy-duty trucks	Automobile parts and accessories	Unallocated	Consolidated
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
OTHER INFORMATION							
Amount included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	**233**	**–**	**590**	**10,340**	**–**	**65,087**	**76,250**
Additions to intangible asset	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Additions to prepaid lease payment	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortisation of intangible assets	**–**	**–**	**–**	**23,326**	**–**	**3,109**	**26,435**
Depreciation of property, plant and equipment	**14,310**	**180**	**8,461**	**11,555**	**–**	**13,725**	**48,231**
Depreciation of investment properties	**–**	**–**	**–**	**–**	**–**	**2,015**	**2,015**
Release of prepaid lease payments	**–**	**–**	**–**	**–**	**–**	**1,383**	**1,383**

For the year ended 31 December 2016

	Light-duty trucks	Multi-purposes vehicles	Pick-up trucks	Medium and heavy-duty trucks	Automobile parts and accessories	Unallocated	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OTHER INFORMATION							
Amount included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	10,369	–	12,956	23,892	–	757	47,974
Additions to prepaid lease payments	–	–	–	–	–	1	1
Additions to intangible assets	–	–	–	130,010	–	–	130,010
Amortisation of intangible assets	–	–	–	22,170	–	3,108	25,278
Depreciation of property, plant and equipment	23,322	316	14,857	7,222	–	17,354	63,071
Depreciation of investment properties	–	–	–	–	–	1,985	1,985
Release of prepaid lease payments	–	–	–	–	–	1,383	1,383

(iv) Geographical information

Non-current assets (excluding deferred tax assets) of the Group amounting to RMB1,545,780,000 (2016: RMB1,534,343,000) are located in the PRC and substantially all of the sales of the Group are also made to customers located in the PRC. The Group has made limited export sales to countries outside the PRC which accounted for approximately 0.05% (2016: 0.04%) of the Group's revenue.

4. INCOME TAX EXPENSE

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 *RMB'000*
Current tax	**79,182**	92,272
Under provision in respect of prior years	**3,810**	2,233
Deferred tax	**(4,080)**	(13,928)
	78,912	80,577

According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the State Administration of Taxation No. 12 [2012]) and the Catalogue of Industries Encouraged to Develop in the Western Region (Order of the National Development and Reform Commission No. 15), companies located in the western region of the PRC and engaged in the businesses encouraged by the PRC government are entitled to the preferential enterprise income tax ("**EIT**") rate of 15% if the operating revenue of the encouraged business in the current year accounted for more than 70% of the total income. The Company and 重慶慶鈴模具有限公司 ("**Qingling Moulds**"), a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the total revenue of their major businesses for the year accounted for 70% of their respective total revenue, and therefore continue to enjoy the preferential EIT rate of 15% for the year.

重慶慶鈴技術中心 ("**Qingling Technical Center**"), a subsidiary of the Company, is subject to EIT rate of 25% (2016: 25%) for the year ended 31 December 2017.

5. PROFIT BEFORE TAX

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 *RMB'000*
Profit before tax has been arrived at after charging:		
Salaries and other payments and benefits	**214,110**	186,237
Retirement benefits scheme contributions	**40,421**	37,858
Total staff costs (including directors' and supervisors' remuneration)	**254,531**	224,095
Staff costs capitalised in inventories	**(80,187)**	(66,773)
	174,344	157,322
Loss on disposal of property, plant and equipment, net	**203**	292
Amortisation of intangible assets	**26,435**	25,278
Depreciation of property, plant and equipment	**48,231**	63,071
Capitalised in inventories	**(20,762)**	(44,608)
	27,469	18,463
Depreciation of investment properties	**2,015**	1,985
Release of prepaid lease payments	**1,383**	1,383
Minimum lease payments under operating leases in respect of rented premises and production facilities	**36,011**	36,574
Auditor's remuneration	**2,735**	2,902
Impairment losses (reversed) recognised on trade receivables	**(1,749)**	391
Write-down of inventories *(Note)*	**108,953**	79,036
Net foreign exchange (gain) loss	**(377)**	3,725
Cost of inventories recognised as cost of sales	**4,042,893**	3,690,803
and after crediting:		
Sales of scrap materials	**250**	19
Interest income from bank deposits and balances	**172,988**	118,621
Income from renting of investment properties	**6,213**	6,076
Less: Direct operating expenses from investment properties that generated rental income during the year	**(2,295)**	(2,056)
	3,918	4,020
Income from renting of moulds and tooling equipment	**39,641**	38,402
Government grants	**2,632**	384

Note: The write-down of inventories were made for certain of the Group's raw materials, work-in-progress, and finished goods at the end of the reporting period which, in the opinion of the directors of the Company, are expected to be realised at amounts lower than their costs in the future sale.

6. EARNINGS PER SHARE

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

Earnings

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 *RMB'000*
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**496,926**	481,287

Number of shares

	Year ended 31 December 2017 *'000*	Year ended 31 December 2016 *'000*
Number of shares for the purpose of basic earnings per share	**2,482,268**	2,482,268

No diluted earnings per share were presented as there were no potential ordinary shares in issues in both years presented.

7. DIVIDENDS

	Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2016 *RMB'000*
Dividends recognised as distribution during the year:		
2016 Final, paid – RMB0.16 (2016: 2015 Final, paid – RMB0.16) per share	**397,163**	397,163

Subsequent to the end of the reporting period, a final dividend of RMB397,163,000 or RMB0.16 per share in respect of the year ended 31 December 2017 (2016: final dividend of RMB397,163,000 or RMB0.16 per share in respect of the year ended 31 December 2016) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	At 31 December 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade receivables, less allowance for doubtful debts	**546,499**	842,324
Other receivables	**11,117**	12,473
Prepayments	**66,751**	44,183
	624,367	898,980

Before accepting any new external customers, the Group uses an external credit scoring system to assess the potential customer's credit quality and assign credit limits thereto. Limits and scoring attributed to customers are reviewed twice a year. 99% (2016: 99%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the Group.

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

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

	At 31 December 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Within 3 months	**515,765**	604,910
Between 3 to 6 months	**5,709**	209,001
Between 7 to 12 months	**12,549**	18,205
Between 1 to 2 years	**7,926**	9,761
Over 2 years	**4,550**	447
	546,499	842,324

9. BILLS RECEIVABLE

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

	At 31 December 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Within 1 month	**504,532**	434,349
Between 1 to 2 months	**419,489**	295,117
Between 2 to 3 months	**298,946**	202,930
Between 3 to 6 months	**1,089,341**	650,151
	2,312,308	1,582,547

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

10. TRADE, BILLS AND OTHER PAYABLES

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

	At 31 December 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Trade and bills payables	**1,883,428**	1,361,835
Selling expenses payables	**172,476**	151,781
Value added tax payables	**30,943**	32,549
Other payables	**181,284**	196,456
Advance from customers	**463,805**	487,340
	2,731,936	2,229,961

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

	At 31 December 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Within 3 months	**1,692,716**	1,210,083
Between 3 to 6 months	**182,545**	144,729
Between 7 to 12 months	**2,498**	635
Over 12 months	**5,669**	6,388
	1,883,428	1,361,835

11. SHARE CAPITAL

	At 1 January 2016, 31 December 2016 and 31 December 2017 *RMB'000*
Registered, issued and fully paid	2,482,268

	Number of shares At 1 January 2016, 31 December 2016 and 31 December 2017 *'000*
Shares of RMB1 each	
– Domestic shares	1,243,616
– H shares	1,238,652
	2,482,268

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

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

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

12. MATERIAL LITIGATIONS

As at 31 December 2017, the Company has involved in two material legal proceedings as follows:

(a) According to the civil ruling issued by 深圳市福田區人民法院 (transliterated as People's Court of Futian District, Shenzhen) (the "**Futian Court**") in relation to a dispute in respect of a financial credit agreement entered into between the Company's customer (the "**Customer**", who is independent to the Company) and another bank ("**Bank A**"), the Group's bank balances of RMB79,999,000 have been frozen since 16 August 2015.

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

In the 2015 Litigation, Bank A alleged that the Customer has failed to meet the margin calls according to the requirements under a credit agreement, constituting an event of default of such agreement. Bank A is also entitled to demand the Customer to prematurely repay all the amount granted under the relevant credit facilities. Bank A further alleged that the Company did not, as instructed by the Bank A, deliver the vehicles that had not been picked up but paid by the Customer in full with loan to the warehouse as specified by Bank A, leading to a breach of the relevant credit agreement, and should be jointly and severally liable to compensate for the losses it suffered. Bank A stated that the outstanding credit balances due from the Customer was RMB80 million in aggregate.

In March 2016, a final ruling from 深圳市中級人民法院 (transliterated as Shenzhen Intermediate People's Court) (the "**Shenzhen Court**") that the 2015 Litigation is under the jurisdiction of the Shenzhen Court was received. In July 2016, Bank A assigned its right to the 2015 Litigation to another company ("**Company X**") and the Shenzhen Court ruled that the plaintiff of the 2015 Litigation was changed from Bank A to Company X.

In October 2017, the Shenzhen Court ruled that since Company X had transferred its claims in the 2015 Litigation to another company ("**Company Y**"), the replacement of Company X by Company Y as the plaintiff of the 2015 Litigation was approved. In December 2017, the 2015 Litigation was heard in the Shenzhen Court. However, the parties failed to settle through mediation and the court decided that it would set a date and to hand down judgement. The 2015 Litigation is still pending a formal judgement up to the approval date of the consolidated financial statements.

The Company reviewed all the relevant documents and agreements in relation to the 2015 Litigation and based on the opinion of its PRC legal adviser, the directors of the Company are of the view that the alleged liability in the litigation document lacks of factual and legal evidence and therefore the Company shall not be liable. Accordingly, no provision for the frozen bank balances has been made in the consolidated financial statements.

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

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

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

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

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

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

In November 2016, an application of objection to the jurisdiction has been filed by the Company to the Xiamen Court but was overruled by the Xiamen Court. In December 2016, the Company filed another application of objection to the jurisdiction to 福建省高級人民法院 (transliterated as Fujian Higher People's Court), but such application was overruled by the Fujian Higher People's Court in May 2017, which held that the 2016 Litigation remains to be heard by the Xiamen Court.

In July 2017, the Company received a civil complaint from the Xiamen Branch of Bank B after altering the litigation claim requesting the Company to be jointly liable for the repayment of borrowings of the Distributor and accrued interest thereon amounting to approximately RMB54,018,000.

In July and August 2017, the 2016 Litigation was heard by the Xiamen Court, existing evidence was examined and further evidence was supplemented. The cross-examination and the court debate have been completed.

The Board has reviewed all the relevant documents and contracts in relation to the 2016 Litigation and after making verifications, the Board finds that the Distributor engraved the seals of the Company and the legal person without explicit approval, and entered into the Agreement with Bank B. Based on the opinion of its PRC legal adviser, the directors of the Company are of the view that the Company is not legally bound by the Agreement because it did not sign the Agreement, and therefore the Company should not be liable.

In November 2017, the Xiamen court ruled that the seals in relation to the Company affixed on the Agreement and the relevant agreements thereunder are forged, and therefore it was suspected that economic crime was involved in the 2016 Litigation and the appeal of Bank B was dismissed. The 2016 Litigation was transferred to Xiamen Public Security Bureau for investigation.

Up to the approval date of the consolidated financial statements, the directors of the Company are of the view that the Company should not be held legally responsible in respect of the 2016 Litigation. Accordingly, no provision has been made in respect of the claims under the 2016 Litigation in the consolidated financial statements. The civil case concerning the 2016 Litigation had been concluded, while the criminal investigation on the economic crime involved is still pending a final conclusion.

2017 RESULTS

For the year ended 31 December 2017, the Company sold 50,379 vehicles, an increase of 4.6% over 48,166 vehicles sold last year. Revenue was RMB5,073 million, an increase of 9.5% over RMB4,634 million as recorded last year. Profit after tax was RMB502 million, an increase of 3.2% over RMB486 million as recorded last year.

REVIEW OF RESULTS

The year 2017 witnessed accelerated technology upgrading in commercial vehicle sector and automobile sector, intensified homogeneous competition, increasingly stringent emission and safety regulations, rapid development of new energy and intelligent vehicles and increased operating pressures of businesses. Against such context, the Company strove to shore up and improve its business operations while implementing mid-term reform, innovation and development projects. Meanwhile, the Company achieved "**Standard V**" conformity on the complete series while planning for and carrying out R&D on "**Standard VI**" products in advance. At the same time, the Company continued to promote the marketing of its **hit products** (i.e. light-duty trucks) while striving to develop market for its **high-end products** (i.e. heavy-duty trucks). Besides, the Company continued to expand the value chain of traditional fuel vehicles within life cycle while keeping an eye on environmental protection and energy conservation policies and launching the deployment of new energy vehicle business. Moreover, the Company strove to set up frameworks, processes and systems for its major segments internally and consolidate its partnerships with multiple parties externally. Thanks to these efforts, the Company has achieved good results and strengthened its growth momentum.

1. **Initial success was achieved in strengthening product innovation**. Firstly, the Company established an integrated R&D system, covering a system for auto sector-related regulations and circulars, an R&D system for light, medium and heavy-duty trucks, pick-up trucks and new energy vehicles, a powertrain R&D system and a trial production department and test center system. Secondly, the Company rapidly expanded the specifications of Standard V vehicles to support marketing and take back market share. Thirdly, the Company launched a group of new vehicles to the market, such as heavy-duty vehicles GIGA and new TΛGΛ pick-up trucks. Fourthly, given that its Standard V vehicles fell behind in development, the Company managed to speed up the development of Standard VI vehicles. It introduced the Isuzu Standard VI engines to upgrade existing engines. Finally, the Company formulated a medium-term product plan to push ahead with product development in an orderly manner, which was the initial form of its "**three-batch**" integrated product R&D and launch mechanism.

2. **Sales volume and business foundation were enhanced and new change was seen in marketing efforts**. Firstly, the Company developed and implemented targeted policies to regain market share and stabilize sales volume. In particular, the Company devoted great efforts to drive the sales of Standard IV vehicles to clear inventory on the one hand, and promoted sanitation, airport and firefighting refitting factories to apply Qingling Standard V chassis in advance on the other hand. In addition, the Company systematically planned to launch heavy-duty vehicles and new pickups, laying a good foundation for the expansion in sales in 2018. Secondly, the Company reinforced its marketing management. Through launch of the DMS information system, the Company enhanced its warehouse management and market research, strengthened the collaborative capabilities of its market and development, production, quality control, planning and procurement departments and improved its after-sales service and overall marketing capability.

3. **Internal quality, cost, and delivery (QCD) management was enhanced to increase the competitiveness of products and marketing**. Firstly, delivery performance was improved by production system, and the Time and Assessment Standards for Key Link of Delivery Date of Commercial Vehicle was formulated and issued. Over the past year, we done a lot of work on improving the efficiency of production system, resulting in a noticeable increase in the rate of on-time delivery of vehicles and customer satisfaction. Secondly, the Company reinforced the initial flow management of GIGA heavy-duty trucks to strengthen quality control and rectifications, which helped stabilize product quality and consolidate the foundation for quality control – which was essential to the Company. Thirdly, the Company adopted multiple measures to reduce costs and increase profits, and managed to reduce procurement costs and increase capital management gains through enhancing cost control.

4. **Mechanism reform was deepened to spur inherent vitality**. Firstly, the Company adopted an effective innovation incentive mechanism to stimulate its inherent vitality. The Company implemented the Rules on Incentives for New Product Development Projects and the Management Measures on Technological Innovation and Management Innovation to stimulate employees' passion for innovation. Secondly, the Company improved its internal control system and standardized risk management and control over external production and operations and significant decisions. Thirdly, the Company embarked on innovation in human resource management with a primary focus on compensation and benefits and talent recruitment, thereby reinforcing its human resources management system. Fourthly, information construction was accelerated with dealership management system (DMS) and office automation (OA) system being launched, which helped improve the Company's management practices.

OUTLOOK AND PROSPECT

China's economy has entered a new era, transitioning from a phase of rapid growth to a stage of high-quality development. Regarding supply-side structural reform as its main task, the Chinese government has been pursuing for better quality, higher efficiency, and more robust drivers of economic growth through reform while advancing law-based governance in all fields. All this has produced a profound impact on the development and reform of the commercial vehicle sector in China. Thus it is imperative for the Company to deepen its reform, step up innovation and make practical efforts on a continuing basis to move forward. To this end, the Company has set the following major tasks for 2018:

1. **Enhance product competitiveness step by step**. The Company will ensure orderly and effective operation of its "**three-batch**" integrated product R&D and launch mechanism, so as to ensure the implementation of the plan of "**one batch ready for sale**", "**one batch under research**" and "**one batch in the pipeline**". Furthermore, it will speed up the development of new energy vehicle business to achieve substantive breakthroughs in terms of manufacturing qualifications, product launch and the building of professional teams.

2. **Improve marketing competitiveness in a systematic manner**. The Company will strengthen customer analysis and research and development services and enhance the supporting roles of after-sales services and financial services to marketing and sales through standardizing marketing network construction, support and management. Taking the establishment and improvement of a specialized market research plan, market-oriented business and financial policies, normalized multi-level training program and differentiated incentive and restraint mechanism as its main tasks, the Company will continue to modernize its marketing efforts and enhance marketing competitiveness in a systematic manner, so as to enhance marketing network, customer base and sales team.

3. **Constantly improve product quality, cost, and delivery (QCD) to support market expansion**. The Company will further improve its production efficiency and manufacturing quality by making quick efforts to unlock production bottlenecks and speedily enhance its capabilities for production and delivery of new products. Meanwhile, the Company will accelerate the implementation of major technical renovation related to product quality, safety and environment protection and production capability. It will set up a fast delivery mechanism for special-purpose vehicles, modified vehicles and vehicles with individualized configurations and enhanced 4M1H management at basic level to ensure quality and quantity and satisfy market demand in a timely manner. In addition, the Company will make greater efforts to enhance quality control, implement more rigid and refined cost control and speed up key technical renovations, so as to further consolidate its production capability.

4. **Deepen reform of market-oriented mechanisms**. Firstly, the Company will further deepen the reform of innovation mechanisms to create a Qingling product innovation circle featuring integrated innovation, collaborative innovation and open innovation, increase incentives to innovation projects that have originality, invention and prominent economic benefits and devote efforts to foster technical cadres, young technicians and high-caliber innovation teams, ensuring continuous improvement of innovation mechanisms. Secondly, the Company will expedite information construction and further optimize its existing systems to establish product life-cycle management system and enterprise resource planning management system, thereby shortening development cycle and reducing product cost through improving management efficiency and level by means of information technology. Thirdly, the Company will pursue human resources reform in an all-round way, including optimizing its compensation and benefit system and performance appraisal system in line with industry trends and establishing a specialized system for recruiting professionals and training and development systems for all types of employees.

In the coming year, the Company shall renew its efforts to forge ahead. In this regard, it will follow a market-oriented approach, endeavor to accomplish every task and make new breakthroughs, thereby securing a rapid and sound growth of its business and delivering ever better returns to investors.

FINANCIAL RESOURCES AND LIQUID FUNDS SITUATION

Financial Performance

For the year ended 31 December 2017, the revenue of the Group was RMB5,073,336,000, representing an increase of 9.5% as compared to last year, which is mainly caused by the addition of the sales of Light-duty trucks.

Gross profit for the year was RMB921,490,000, representing an increase of 6.7% as compared to last year. Gross profit margin of the Group for the year was 18.2% as compared with 18.6% last year. Profit of the Group for the year was RMB501,795,000, representing an increase of 3.2% as compared to last year.

For the year ended 31 December 2017, other income mainly included interest income and rental income, totalling RMB223,597,000, representing an increase of 35.5% as compared to last year, and this was mainly due to an increase of the bank deposits and balances.

For the year ended 31 December 2017, the distribution and selling expenses of the Group, mainly including transportation costs, maintenance fees, rebates and other market promotion expenses, were RMB226,758,000, representing an increase of 12.2% as compared to last year, and this was mainly because an increase in the expenses of market development and promotions.

For the year ended 31 December 2017, the administrative expenses of the Group, mainly including staff's salaries and allowance, insurance premium, maintenance fees and other administrative expenses, were RMB232,480,000, representing an increase of 6.3% as compared to last year, principally due to an increase in staff salaries and allowance for the year.

For the year ended 31 December 2017, the research expenses of the Group were RMB124,137,000 representing an increase of 116.6% as compared to last year, and this was mainly due to an increase in the input of research for new products during the year.

For the year ended 31 December 2017, the share of results of joint ventures of the Group was RMB18,611,000, representing a decrease of 4.9% as compared to last year, and this was mainly due to the slight decline in performance of these joint ventures during the year.

For the year ended 31 December 2017, basic earnings per share was RMB0.20, The Company did not issue any new shares and the basic earnings per share is comparable with last year.

Financial Position

As at 31 December 2017, the total assets and total liabilities of the Group were RMB10,821,989,000 and RMB2,759,142,000 respectively.

As at 31 December 2017, the Group's non-current assets amounted to RMB1,577,532,000 which mainly includes property, plant and equipment, prepaid lease payments, investment properties, intangible assets, interests in an associate and joint ventures and deferred tax assets.

As at 31 December 2017, the Group's current assets amounted to RMB9,244,457,000 which mainly includes inventories of RMB632,989,000, trade and other receivables and prepayments of RMB624,367,000, bills receivable of RMB2,312,308,000, bank deposits with original maturity more than three months of RMB1,343,202,000, restricted bank balances of RMB79,999,000 and bank deposits, bank balances and cash of RMB4,250,191,000.

As at 31 December 2017, the Group's current liabilities amounted to RMB2,753,482,000 which mainly includes trade, bills and other payables of RMB2,731,936,000 and tax liabilities of RMB21,546,000.

As at 31 December 2017, the group's non-current liability amounted to RMB5,660,000 which mainly includes the government grants subsidising the Group's equipment for environmental protection.

As at 31 December 2017, the Group's net current assets was RMB6,490,975,000 (2016: RMB6,397,874,000) remained stable from last year.

Liquidity and Capital Structure

As at 31 December 2017, the cash and cash equivalents (representing bank deposits and bank balances and cash) retained by the Group were RMB4,250,191,000 representing an increase of RMB1,815,305,000 as compared to the balances reported on 31 December 2016, which was primarily derived from our operations.

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

Gearing ratio represented the percentage of total liabilities over total equity as per consolidated statement of financial position. The gearing ratio of the Group as at 31 December 2017 was 34.2% (as at 31 December 2016: 28.1%).

Issued share capital as at 31 December 2017 maintained at the level of RMB2,482,268,000 as no share was issued during this year.

For the year ended 31 December 2017, there was no material change in the financing strategies of the Group and the Group did not incur any bank borrowings nor any non-current liabilities. The Company would closely monitor the financial and liquidity position of the Group and financial market from time to time in order to formulate financing strategies appropriate to the Group.

The total equity attributable to owners of the Company as at 31 December 2017 was RMB7,758,303,000. The net assets value per share (representing total equity attributable to owners of the Company divided by number of shares of the Company as at 31 December 2017) as at 31 December 2017 was RMB3.13.

Significant Investment

As at 31 December 2017, the Group's interests in joint ventures (being mainly the Group's investment in Qingling Isuzu Engine) was RMB498,781,000 and interest in an associate was RMB7,262,000. The joint ventures and associate of the Group were under normal operation.

During the year ended 31 December 2017, the Group had no significant acquisition and disposal of investment.

Segment Information

The segment revenue contributed by light-duty trucks and pick-up trucks was RMB3,841,031,000, representing 75.7% of the total segment revenue and the segment profit of light-duty trucks and pick-up trucks accounted for 89.6% of the total segment profit. Light-duty trucks and pick-up trucks are currently the major products accounting for the highest contribution to the Group.

The segment revenue contributed by medium and heavy-duty trucks was RMB945,257,000, representing 18.6% of the total segment revenue. The segment profit from medium and heavy-duty trucks was RMB18,523,000, accounting for 3.6% of the total segment profit.

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

Pledge of Assets

As at 31 December 2017, no asset of the Group was pledged for financial facilities (for the year ended 31 December 2016: Nil).

Effects of Foreign Exchange Rate Changes

As at 31 December 2017, the Group had bank balances and receivables of foreign currencies other than RMB in aggregate of RMB9,569,000 and trade and other payables of currencies other than RMB in aggregate of RMB98,582,000.

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

Commitments

As at 31 December 2017, the Group had capital commitments of RMB33,860,000 that had been contracted for but not provided in the consolidated financial statements, mainly for purchasing properties, plant and equipment for the heavy-duty truck projects. The Group expects to finance the above capital requirement by its own cash flows.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.16 per share (the "**2017 final dividend**") (2016: RMB0.16 per share) in respect of the year ended 31 December 2017 to those shareholders whose names appear on the Company's register of shareholders on Tuesday, 12 June 2018. Subject to the approval at the annual general meeting of the Company to be held on 30 May 2018, the 2017 final dividend will be payable on or before 30 June 2018.

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

As stated above, in respect of any non-resident enterprise holders of H Shares (including HKSCC Nominees Limited, other custodians, corporate nominees and trustees such as securities companies and banks, and other entities or organizations) whose names appear on the Company's register of shareholders on the Record Date of Dividend, the Company will pay the 2017 final dividend payable to such shareholders after deducting all enterprise income tax payable from the 2017 final dividend.

In respect of any individual holders of H shares whose names appear on the Company's register of shareholders on the Record Date of Dividend, the Company will not deduct the enterprise income tax from the 2017 final dividend which such shareholders have right to receive.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at New Conference Hall, 1st Floor of the Company's Office Building, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China on Wednesday, 30 May 2018 at 10:00 a.m. (the "**AGM**").

CLOSURE OF REGISTER OF SHAREHOLDERS

To ascertain the H shareholders' entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Monday, 30 April 2018 to Wednesday, 30 May 2018 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms relating to H shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 27 April 2018.

Subject to the approval of the shareholders at the AGM, the proposed final dividend will be payable to the shareholders whose names appear on the register of shareholders of the Company on Tuesday, 12 June 2018. To ascertain the H shareholders' entitlement to the proposal final dividend, the register of shareholders of the Company will be closed from Tuesday, 5 June 2018 to Tuesday, 12 June 2018 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms relating to H shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 4 June 2018.

PREFERENTIAL TREATMENTS FOR CONSOLIDATED INCOME TAX AND LOCAL TAX

According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the State Administration of Taxation No. 12 [2012]) and the Catalogue of Industries Encouraged to Develop in the Western Region (Order of the National Development and Reform Commission No. 15), companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% if the operating revenue of the encouraged business in the current year accounted for more than 70% of the total income. In the opinion of the directors of the Company, the Company and Qingling Moulds, a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the total revenue of their major businesses for the year accounted for 70% of their respective total revenue, and therefore continue to enjoy the preferential EIT rate of 15% for the year.

DESIGNATED DEPOSITS

As at 31 December 2017, 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 2017 the Group has 2,813 employees (2016: 2,857 employees). For the year ended 31 December 2017, labor cost was RMB254,531,000 (2016: RMB224,095,000). For the year ended 31 December 2017, there are no major changes in the remuneration policy of employees. The Group actively provides various training to its staff of all levels.

DISPOSAL OF STAFF QUARTERS

For the year ended 31 December 2017, the Group has not sold any of its staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

(1) As at 31 December 2017, 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 2017, shareholders other than director, supervisor and chief executive of the Company having an interest and short positions in 5% or more of the relevant class of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "**SFO**") were as follows:

Long positions in the shares of the Company:

Name of shareholders	**Class of shares**	**Number of share**	**Capacity**	**Percentage of the relevant class of share capital**	**Percentage of entire share capital**
Qingling Motors (Group) Company Limited	Domestic shares	1,243,616,403 shares	Beneficial Owner	100.00%	50.10%
Isuzu Motors Ltd.	H shares	496,453,654 shares	Beneficial Owner	40.08%	20.00%
Allianz SE	H shares	102,122,000 shares *(Note)*	Interest of controlled corporation	8.24%	4.11%
Edgbaston Investment Partners LLP	H shares	68,655,000 shares	Investment manager	5.54%	2.77%

Note:

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

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

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2017.

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

As at 31 December 2017, none of the directors, supervisors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). For the year ended 31 December 2017, none of directors, supervisors and chief executives of the Company, or their spouse or children under 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

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

There were no purchase, sale, redemption or cancellation of the Company's listed securities by the Company and its subsidiaries during the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company puts high emphasis on endeavors to maintain high standards of corporate governance. The Board believes that good corporate governance practices are important to promote investors' confidence and protect the interest of our shareholders. We attach importance to our staff, our code of conduct and our corporate policies and standards, which together form the basis or our corporate governance practices. The Board has adopted sound corporate and disclosure practices, and is committed to continuously improving those practices and cultivating an ethical corporate culture.

During the year ended 31 December 2017, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules except for the deviation from code provision A.1.8. of the Corporate Governance Code as stated below.

Under code provision A.1.8 of the Corporate Governance Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular, timely and effective communications among the directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the directors of the Company can be handled effectively, and the possibility of actual litigation against the directors of the Company is relatively low. The Company will review and consider to make such arrangement as and when it thinks necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors. Having made specific enquiry of all directors and supervisors, the Company confirmed all directors and supervisors have complied with the required standard set out in the Model Code during the year ended 31 December 2017.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed, with the management and auditor of the Company, the accounting principles and practices adopted by the Group, and discussed auditing, risk management and internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2017 and the 2017 annual results.

DIRECTORS

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

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

Chongqing, the PRC, 23 March 2018