

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2016

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 2016, together with comparative figures for the corresponding period in 2015:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	NOTES	Six months ended	
		30/6/2016 RMB'000 (unaudited)	30/6/2015 RMB'000 (unaudited)
Revenue	3	2,422,595	2,977,524
Cost of sales		(1,939,204)	(2,418,258)
Gross profit		483,391	559,266
Other income		73,436	75,185
Other gains and losses, net		2,204	(3,089)
Distribution and selling expenses		(116,593)	(210,702)
Administrative expenses		(127,237)	(114,241)
Share of profit of an associate		145	117
Share of results of joint ventures		6,581	6,704
Profit before tax	4	321,927	313,240
Income tax expense	5	(47,515)	(46,003)
Profit and total comprehensive income for the period		274,412	267,237
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		274,216	265,638
Non-controlling interests		196	1,599
		274,412	267,237
Earnings per share			
Basic	7	RMB0.11	RMB0.11

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

		30/6/2016 RMB'000 (unaudited)	31/12/2015 RMB'000 (audited)
	<i>NOTES</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	723,259	749,086
Prepaid lease payments		39,967	40,795
Investment properties		34,103	34,917
Intangible assets		254,979	137,030
Interest in an associate		6,989	6,844
Interests in joint ventures		466,939	470,860
Bank deposits with original maturity more than three months	11	382,306	376,308
Deferred tax assets		13,744	13,744
		<u>1,922,286</u>	<u>1,829,584</u>
<b>Current assets</b>			
Inventories		741,266	766,102
Trade and other receivables and prepayments	9	941,379	872,992
Bills receivable	10	1,602,901	2,060,348
Prepaid lease payments		1,387	1,413
Bank deposits with original maturity more than three months	11	3,363,420	2,416,985
Restricted bank balances	12	79,999	79,999
Bank deposits and bank balances and cash	12	1,486,952	2,182,750
		<u>8,217,304</u>	<u>8,380,589</u>
<b>Current liabilities</b>			
Trade, bills and other payables	13	2,372,016	2,317,771
Tax liabilities		19,324	19,614
		<u>2,391,340</u>	<u>2,337,385</u>
<b>Net current assets</b>		<u>5,825,964</u>	<u>6,043,204</u>
<b>Total assets less current liabilities</b>		<u><u>7,748,250</u></u>	<u><u>7,872,788</u></u>
<b>Capital and reserves</b>			
Share capital		2,482,268	2,482,268
Share premium and reserves		4,969,201	5,092,148
Equity attributable to owners of the Company		<u>7,451,469</u>	<u>7,574,416</u>
Non-controlling interests		296,781	298,372
<b>Total equity</b>		<u><u>7,748,250</u></u>	<u><u>7,872,788</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company						Total	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	RMB'000
<b>For the six months ended 30 June 2016 (unaudited)</b>									
At 1 January 2016 (audited)	2,482,268	1,764,905	572,239	1,001,084	2,347	1,751,573	7,574,416	298,372	7,872,788
Profit and total comprehensive income for the period	—	—	—	—	—	274,216	274,216	196	274,412
2015 final dividend declared (Note 6)	—	—	—	—	—	(397,163)	(397,163)	—	(397,163)
Dividend declared by a subsidiary to a non-controlling shareholder	—	—	—	—	—	—	—	(1,787)	(1,787)
At 30 June 2016	<u>2,482,268</u>	<u>1,764,905</u>	<u>572,239</u>	<u>1,001,084</u>	<u>2,347</u>	<u>1,628,626</u>	<u>7,451,469</u>	<u>296,781</u>	<u>7,748,250</u>
<b>For the six months ended 30 June 2015 (unaudited)</b>									
At 1 January 2015 (audited)	2,482,268	1,764,905	572,239	953,501	2,347	1,716,432	7,491,692	296,380	7,788,072
Profit and total comprehensive income for the period	—	—	—	—	—	265,638	265,638	1,599	267,237
2014 final dividend declared (Note 6)	—	—	—	—	—	(397,163)	(397,163)	—	(397,163)
Dividend declared by a subsidiary to a non-controlling shareholder	—	—	—	—	—	—	—	(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>7,360,167</u>	<u>294,720</u>	<u>7,654,887</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended	
	30/6/2016 <i>RMB'000</i> <i>(unaudited)</i>	30/6/2015 <i>RMB'000</i> <i>(unaudited)</i>
NET CASH FROM OPERATING ACTIVITIES	<u>339,634</u>	<u>335,527</u>
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7,490)	(13,675)
Acquisition of intangible assets	(130,010)	—
Withdrawal of bank deposits with original maturity more than three months	1,543,500	1,530,800
Placement of bank deposits with original maturity more than three months	(2,508,500)	(1,528,500)
Interest received	63,443	56,889
Proceeds from disposal of property, plant and equipment	447	45
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(1,038,610)</u>	<u>45,559</u>
CASH USED IN FINANCING ACTIVITY		
Dividends paid	—	(397,163)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(698,976)	(16,077)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,182,750	1,133,712
Effect of exchange rate changes on the balance of cash held in foreign currencies	3,178	(886)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank deposits, bank balances and cash	<u><u>1,486,952</u></u>	<u><u>1,116,749</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 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 on 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 2016 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 2015.

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 that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10 and HKFRS 12 and HKAS 28	Investment Entities: Applying the consolidation Exception
Amendments to HKFRSs	Annual Improvement to HKFRSs 2012–2014 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 resources 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

#### (i) 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 2016 and 2015:

*Six months ended 30 June 2016*

	Light-duty trucks	Multi-purposes vehicles	Pick-up trucks	Medium and heavy-duty trucks	Automobile parts and accessories	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue	<u>1,166,569</u>	<u>2,624</u>	<u>687,019</u>	<u>491,459</u>	<u>74,924</u>	<u>2,422,595</u>
Result						
Segment profit	<u>133,994</u>	<u>122</u>	<u>82,473</u>	<u>34,805</u>	<u>4,748</u>	256,142
Central administration costs						(16,581)
Interest income						50,876
Other income						22,560
Other gains and losses, net						2,204
Share of profit of an associate						145
Share of results of joint ventures						<u>6,581</u>
Group's profit before tax						<u>321,927</u>

### 3. SEGMENT INFORMATION — cont'd

#### (i) Segment revenue and results — cont'd

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						25,935
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>

Segment profit 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

#### (ii) 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 2016 and 31 December 2015:

*As at 30 June 2016*

	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>1,445,385</u>	<u>7,531</u>	<u>822,527</u>	<u>1,150,353</u>	<u>130,250</u>	3,556,046
Interchangeably used assets between segments						
— property, plant and equipment						188,100
— prepaid lease payments						41,354
— inventories						261,036
Investment properties						34,103
Interest in an associate						6,989
Interests in joint ventures						466,939
Restricted bank balances, bank deposits and bank balances						5,312,677
Other unallocated assets						<u>272,346</u>
Consolidated total assets						<u>10,139,590</u>
Liabilities						
Segment liabilities	<u>247,320</u>	<u>386</u>	<u>148,709</u>	<u>67,285</u>	<u>—</u>	463,700
Unallocated trade, bills and other payables						1,908,316
Other unallocated liabilities						<u>19,324</u>
Consolidated total liabilities						<u>2,391,340</u>



### 3. SEGMENT INFORMATION — cont'd

#### (ii) Segment assets and liabilities — cont'd

As at 31 December 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>1,844,338</u>	<u>435,330</u>	<u>324,924</u>	<u>911,923</u>	<u>553,980</u>	4,070,495
Interchangeably used assets between segments						
— property, plant and equipment						190,865
— prepaid lease payments						42,208
— inventories						157,382
Investment properties						34,917
Interest in an associate						6,844
Interests in joint ventures						470,860
Restricted bank balances, bank deposits and bank balances						5,056,042
Other unallocated assets						<u>180,560</u>
Consolidated total assets						<u>10,210,173</u>
Liabilities						
Segment liabilities	<u>305,768</u>	<u>3,291</u>	<u>148,651</u>	<u>81,390</u>	<u>—</u>	539,100
Unallocated trade, bills and other payables						1,778,671
Other unallocated liabilities						<u>19,614</u>
Consolidated total liabilities						<u>2,337,385</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, restricted bank balances, 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	
	30/6/2016 RMB'000 (unaudited)	30/6/2015 RMB'000 (unaudited)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	34,821	75,073
Amortisation of intangible assets (included in cost of sales)	12,061	6,613
Depreciation of investment properties	814	1,034
Release of prepaid lease payments	854	690
(Gain) loss on disposal of property, plant and equipment, net	(117)	289
Net foreign exchange (gain) loss	(2,050)	2,779
and after crediting:		
Interest income from bank deposits and balances	50,876	49,250
Rental income from renting investment properties and equipment	21,855	22,401
Subsidy income	330	1,931

#### 5. INCOME TAX EXPENSE

	Six months ended	
	30/6/2016 RMB'000 (unaudited)	30/6/2015 RMB'000 (unaudited)
Current tax	47,515	42,509
Deferred tax charge	—	3,494
Total income tax expense charged for the period	47,515	46,003

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 People's Republic of China (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 their revenue from encouraged businesses in a year accounts for more than 70% of their total revenue. The Company and 重慶慶鈴模具有限公司, a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and

## 5. INCOME TAX EXPENSE — cont'd

catalogue and the revenue from these encouraged businesses is expected to account for more than 70% of its total revenue for the year ending 31 December 2016, and therefore continue to enjoy the preferential EIT rate of 15% for the period.

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 2015: (unaudited) 25%) for the six months ended 30 June 2016.

## 6. DIVIDEND

During the current interim period, a final dividend of RMB0.16 per share in respect of the year ended 31 December 2015 (six months ended 30 June 2015: (unaudited) RMB0.16 per share in respect of the year ended 31 December 2014) 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 2015: (unaudited) RMB397,163,000). The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: (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:

	<b>Six months ended</b>	
	<b>30/6/2016</b>	<b>30/6/2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<u><u>274,216</u></u>	<u><u>265,638</u></u>
	<b>Six months ended</b>	
	<b>30/6/2016</b>	<b>30/6/2015</b>
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Number of shares</b>		
Number of shares for the purpose of basic earnings per share	<u><u>2,482,268</u></u>	<u><u>2,482,268</u></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 RMB9,324,000 (six months ended 30 June 2015: (unaudited) RMB11,267,000).

## 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:

	<b>30/6/2016</b> <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Trade receivables, net of allowance for doubtful debts	<b>750,531</b>	821,649
Other receivables	<b>132,264</b>	12,096
Prepayments	<b>48,082</b>	39,247
Dividend receivable from a joint venture	<b>10,502</b>	—
	<b>941,379</b>	872,992

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.

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:

	<b>30/6/2016</b> <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Within 3 months	<b>606,720</b>	610,156
Between 3 to 6 months	<b>116,278</b>	153,379
Between 7 to 12 months	<b>14,957</b>	5,020
Between 1 to 2 years	<b>8,308</b>	10,073
Over 2 years	<b>4,268</b>	43,021
	<b>750,531</b>	821,649

An accumulated allowance has been made for estimated irrecoverable amount from sales of goods amounting to RMB2,203,000 as at 30 June 2016 (31 December 2015: (audited) RMB2,203,000).

## 10. BILLS RECEIVABLE

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

	<b>30/6/2016</b> <i>RMB'000</i> (unaudited)	31/12/2015 <i>RMB'000</i> (audited)
Within 1 month	<b>661,388</b>	646,923
Between 1 to 2 months	<b>97,684</b>	359,705
Between 2 to 3 months	<b>483,411</b>	275,054
Between 3 to 6 months	<b>360,418</b>	778,666
	<hr/> <b>1,602,901</b> <hr/>	<hr/> 2,060,348 <hr/>

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 6 to 24 months (31 December 2015: (audited) from 12 to 24 months) and carried interest rates ranging from 0.80% to 3.60% (31 December 2015: (audited) from 0.80% to 3.35%) per annum.

## 12. RESTRICTED BANK BALANCES, BANK DEPOSITS, BANK BALANCES AND CASH

*Bank deposits, bank balances and cash*

Bank deposits and bank balances carry interest at market rates which range from 0.0001% to 3.30% (31 December 2015 (audited): from 0.0001% to 0.35%) per annum.

*Restricted bank balances*

The balances have been frozen since 16 August 2015 according to the civil ruling issued by People's Court of Futian District, Shenzhen, Guangdong Province, the PRC (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 (the "Bank").

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

## 12. RESTRICTED BANK BALANCES, BANK DEPOSITS, BANK BALANCES AND CASH — cont'd

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

In March 2016, Shenzhen Intermediate People's Court (the "Shenzhen Court") made a final ruling that the Litigation is under the jurisdiction of the Shenzhen Court and the Litigation has not yet been formally heard.

The Company reviewed all the relevant documents and agreements in relation to the 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 is lack of factual and legal evidence and therefore the Company shall not be liable. Accordingly, no provision for these bank balances has been made in these condensed consolidated financial statements.

## 13. TRADE, BILLS AND OTHER PAYABLES

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

	<b>30/6/2016</b> <i>RMB'000</i> <b>(unaudited)</b>	31/12/2015 <i>RMB'000</i> (audited)
Trade and bills payables	<b>1,406,469</b>	1,670,646
Advance from customers	<b>142,223</b>	289,519
Selling expenses payables	<b>216,113</b>	242,977
Other payables	<b>202,027</b>	90,047
Value added tax payables	<b>6,234</b>	24,582
Dividend payable	<b>397,163</b>	—
Dividend payable to a non-controlling shareholder of a subsidiary	<b>1,787</b>	—
	<b><u>2,372,016</u></b>	<b><u>2,317,771</u></b>

## 13. 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:

	<b>30/6/2016</b> <b>RMB'000</b> <b>(unaudited)</b>	31/12/2015 <b>RMB'000</b> <b>(audited)</b>
Within 3 months	<b>1,337,589</b>	1,501,369
Between 3 to 6 months	<b>59,705</b>	155,571
Between 7 to 12 months	<b>3,327</b>	7,496
Over 1 year	<b>5,848</b>	6,210
	<hr/> <b>1,406,469</b> <hr/>	<hr/> 1,670,646 <hr/>

## 2016 FIRST HALF-YEARLY RESULTS

As at 30 June 2016, the Group sold 25,420 vehicles, representing a decrease of 21.74% over the corresponding period of the previous year. Sales revenue amounted to RMB2.42 billion, representing a decrease of 18.64% over the corresponding period of the previous year. Profit after tax was RMB274 million, representing a year-on-year increase of 2.62%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF OPERATION

During the first half of the year, the economy faced a relatively great downward adjustments pressure. From the international perspective, the world economy did not recover as well as expected, international trade remained weak and there was an increase of uncertainties in the economy. From the domestic perspective, the China economy was at the critical stage of structural adjustment, transformation and upgrading. The labour pains of adjustment persisted and the economic entity operated rather difficultly. According to data published by the China Association of Automobile Manufacturers, the domestic sales turnover of commodity trucks for the first half of the year amounted to 1.534 million units, representing an increase of 4.0% over the corresponding period; the total national sales turnover of light-duty trucks for the first half of the year amounted to 778 thousand units, representing a decrease of 4.7% over the corresponding period. Early this year, based on a thorough analysis of internal and external environment of the enterprise, the company established the operating philosophy of “Casting a classic, Leading the value”; with the market as its focus, enhanced the overall competitiveness of the enterprise through strengthening its execution ability, continuously consolidating the four major systems, implementing enhanced, strengthened and consolidated marketing and development strategies, and engaging in concise, precise and optimized production and logistics.

## **1. Consolidating the large-scale marketing system**

To consolidate the following goals, namely “all are market-oriented, all for sales, all services are for sales, all submit to sales” in order to innovate mind, method and practice and create growth. It would as well monitor closely the emerging industries and new industrial environment format, scout and satisfy demands proactively, and pay close attention to strengthen the marketing team and to improve its marketing ability so as to enhance its competitiveness.

## **2. Strengthening the large-scale development system**

To regulate the development processes and to establish a corresponding organizational body so as to nurture a Research & Development team. Focusing on the overall enhancement of emission standard, platforms for three vehicle models were constructed to complete the current specifications of vehicles. Further promote the gathering of technological information, patent application, result filing and the building of the national grade technology center.

## **3. Consolidating the large-scale production system**

With the intuitive goal of shortening the delivery lead times, reviewed, consolidated and reformed on the following areas of enterprise management and operation, namely resources integration, production preparation efficiency, balanced production, level of automation, preventive maintenance of equipment, dynamic maintenance, energy saving and waste reduction, and consumption reduction so as to fully consolidate the “large-scale production” system and engage in concise, precise and optimized production management in order to improve the company’s overall production ability.

## **4. Strengthening the large-scale logistics system**

To continue to enhance our management by focusing on four major aspects, namely effectiveness and efficiency, shortest work flow, quality assurance, and cost reduction. To focus on the operation of logistics information system and basically realize the standardization of logistics operation.



## Outlook

It is expected that the growth of the domestic macro-economy will be relatively slow in the second half of the year. The market of commodity trucks will be difficult and market funds will be tight, and there is a lack of demand for mid-end and high-end commodity trucks. In the second half of the year, the major strategies of the company are:

1. To lay emphasis on “marketing” studies; to focus on seizing “business opportunities” in order to promote rapid transactions. Continue to strengthen and to improve the construction of marketing system and to consolidate the foundation of every functional sector. Encourage active dynamic and seek for job innovations to work hard on the “marketing” while innovating marketing strategies and skills so as to enhance the marketing ability and standard.
2. To spare no effort in commencing the development of the emission enhancement of the entire series of National V vehicles. Focusing on the key task of getting 4 licenses for National V vehicles to further expand and upgrade the National V series. In the light of the problems spotted during the new product trial manufacture, prompt analysis will be carried out to identify the technical condition, consolidate the foundation and provide technical support for the sales of new products. The Company has completed the on-site assessment conducted by the Ministry of Industry and Information Technology and obtained the manufacture qualification for New Energy Vehicles.
3. To aim at shortening the delivery time and enhance the overall manufacturing capacity. To speed up the bulk production preparation and commence the bulk production of National V vehicles and other new vehicles and to uplift the initial delivery capability of new products quickly. Speed up the corresponding production organization of CKD vehicles and exporting vehicles in order to ensure the realization of the annual export targets.
4. To consolidate, maintain and optimize the operation of the logistics information system, and strive to cover all suppliers. To continue the development of National V vehicles; the reorganization of information, such as special spare parts of new vehicles, as well as the division of warehouses, warehousing and distribution.
5. To accelerate the development of VC61 heavy vehicles projects and endeavor to launch the project in the second half of 2017. The Company will spare no effort to increase the sales against adverse market trend and bring returns to the investors.

# FINANCIAL REVIEW

## Financial Performance

For the six months ended 30 June 2016, the revenue of the Group was RMB2,422,595,000, representing a decrease of 18.64% as compared to the corresponding period last year due to the reduction of the scale of commodity cars businesses.

Gross profit for the period was RMB483,391,000, representing a decrease of 13.57% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 19.95%, approximating to 18.78% for the corresponding period last year. Profit of the Group for the period attributable to owners of the Company was RMB274,216,000, representing an increase of 3.23% as compared to the corresponding period last year.

For the six months ended 30 June 2016, other income mainly included bank interest income and rental income, totaling RMB73,436,000, representing a decrease of 2.33% as compared to the corresponding period last year. Bank interest income for the period increased while rental income decreased.

For the six months ended 30 June 2016, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB116,593,000, representing a decrease of 44.66% as compared to the corresponding period last year, mainly due to the decrease in sales causing the decrease in business promotion expenses for the period as compared to the corresponding period last year.

For the six months ended 30 June 2016, the total administrative expenses of the Group mainly including staff's salaries and allowance, insurance premium, research and development expenses, maintenance fees and other administrative expenses, were RMB127,237,000, representing an increase of 11.38% as compared to the corresponding period last year, principally due to the increases in salary and bonus for staff and research and development expenses for the period as compared to the corresponding period last year.

For the six months ended 30 June 2016, the share of results of an associate and joint ventures to the Group was RMB6,726,000, representing a decrease of 1.39% as compared to the corresponding period last year, principally due to the decrease in profit of joint ventures during the period.

For the six months ended 30 June 2016, basic earnings per share was RMB0.11 which is comparable with that of the corresponding period last year. The Company did not issue any new shares during the period.

## **Financial Position**

As at 30 June 2016, the total assets and total liabilities of the Group were RMB10,139,590,000 and RMB2,391,340,000 respectively.

The non-current assets were RMB1,922,286,000, mainly including property, plant and equipment, interests in joint ventures, bank deposits with original maturity more than three months and intangible assets.

The total current assets amounted to RMB8,217,304,000, mainly including RMB741,266,000 of inventories, RMB941,379,000 of trade and other receivables and prepayments, RMB1,602,901,000 of bills receivables, RMB3,363,420,000 of bank deposits with original maturity more than three months and RMB1,566,951,000 of bank deposits and bank balances (including restricted bank balances of RMB79,999,000) and cash.

The total current liabilities amounted to RMB2,391,340,000, mainly including RMB1,973,066,000 of total trade, bills and other payables, RMB398,950,000 of dividend payable and RMB19,324,000 of tax payable.

Net current assets fell from RMB6,043,204,000 as at 31 December 2015 to RMB5,825,964,000 as at 30 June 2016, representing a decrease of 3.59%.

## **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 2016 was 30.86% (as at 31 December 2015: 29.69%).

Issued share capital as at 30 June 2016 maintained at RMB2,482,268,000 and no share was issued during this period of six months.

For the six months ended 30 June 2016, 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 30 June 2016 was RMB7,451,469,000. The net asset per share as at 30 June 2016 was RMB3.00.

## **Significant Investment**

As at 30 June 2016, the Group's interests in joint ventures were RMB466,939,000 and interest in an associate was RMB6,989,000 which mainly included the interest in Qingling Isuzu Engine, a joint venture, of RMB405,047,000. For the six months ended 30 June 2016, the joint ventures and associate of the Group were under normal operation. The revenue of Qingling Isuzu Engine increased for the six months ended 30 June 2016 from the corresponding period last year that was mainly attributable to increase in market demand.

During the period ended 30 June 2016, there were no significant acquisition and disposal of the Group.

## **Segment Information**

The revenue contributed by light-duty trucks and pick-up trucks were RMB1,166,569,000 and RMB687,019,000 respectively, representing 76.51% of the total revenue and 84.51% 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 revenue contributed by medium trucks and heavy-duty trucks was RMB491,459,000, representing 20.29% of the total revenue. The profit from operation attributable to them was RMB34,805,000, accounting for 13.59% of the segment profit.

The Company planned to enlarge the contribution of 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 2016, no asset of the Group was pledged for financial facilities (During the period ended 30 June 2015: Nil).

## **Effects of Foreign Exchange Rate Changes**

As at 30 June 2016, the Group had bank balances of foreign currency including Hong Kong dollars of RMB16,083,000 and foreign currency payables and other payables of RMB106,764,000.

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 on its operations or liquidity as a result of the fluctuation of the exchange rate.

## **Commitments**

As at 30 June 2016, the Group had capital commitments of RMB3,667,000 that had been contracted for but not provided in the condensed consolidated financial statements, mainly including the outstanding consideration payable concerning property, plant and equipment. 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 2016 (for the period ended 30 June 2015: nil).

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

During the six months ended 30 June 2016, 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 2016, the Group had 2,913 employees. For the six months ended 30 June 2016, labour cost was RMB100,210,000. 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 2016, the Group has not sold any staff quarters to its employees.

## **STRUCTURE OF SHAREHOLDING**

(1) As at 30 June 2016, the entire share capital of the Company comprised 2,482,268,268 shares, including:

	<b>Number of shares</b>	<b>Percentage of total number of issued shares</b>
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 2016, 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 Motors (Group) Company Limited	Domestic shares	1,243,616,403 shares	Beneficial Owner	100.00%	50.10%
Isuzu Motors Limited	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 30 June 2016.

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

As at 30 June 2016, 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 2016, 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 puts high emphasis on and endeavors to maintain a high standard 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 of 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.

For the six months ended 30 June 2016, the Company has complied with the code provisions in 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 six months ended 30 June 2016.

## **EVENTS AFTER THE LATEST ANNUAL REPORT**

Save 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 2016 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 Accountants. The interim results have also been reviewed by the Company's audit committee.

## **PUBLICATION OF FINANCIAL INFORMATION**

The Company's 2016 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](http://www.hkexnews.hk)) and the Company ([www.qingling.com.cn](http://www.qingling.com.cn)) in due course.

## **DIRECTORS**

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

### **Executive Directors:**

HE Yong  
Keiichiro MAEGAKI  
GAO Jianmin  
Masanori OTA  
Yoshifumi KOMURA  
LI Juxing  
XU Song

### **Independent Non-Executive Directors:**

LONG Tao  
SONG Xiaojiang  
LIU Tianni  
LIU Erh Fei

By Order of the Board  
**Qingling Motors Co. Ltd**  
**ZOU Guanghua**  
*Company Secretary*

Chongqing, the PRC, 26 August 2016