



# **QINGLING MOTORS CO. LTD**

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

Stock Code: 1122

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## **2017 Interim Report**

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## **REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

TO THE BOARD OF DIRECTORS OF QINGLING MOTORS CO., LTD.

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

## **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Qingling Motors Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 3 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong  
25 August 2017

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

*For the six months ended 30 June 2017*

		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>NOTES</i>	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	2,444,316	2,422,595
Cost of sales		(1,933,774)	(1,939,204)
		<hr/>	<hr/>
Gross profit		510,542	483,391
Other income		106,989	73,436
Other gains and losses, net		(1,171)	2,204
Distribution and selling expenses		(159,670)	(116,593)
Administrative expenses		(109,995)	(109,817)
Research expenses		(32,569)	(17,420)
Share of profit of an associate		145	145
Share of results of joint ventures		10,122	6,581
		<hr/>	<hr/>
Profit before tax	4	324,393	321,927
Income tax expense	5	(47,880)	(47,515)
		<hr/>	<hr/>
Profit and total comprehensive income for the period		<u>276,513</u>	<u>274,412</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		276,186	274,216
Non-controlling interests		327	196
		<hr/>	<hr/>
		<u>276,513</u>	<u>274,412</u>
Earnings per share			
Basic	7	<u>RMB0.11</u>	<u>RMB0.11</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2017*

		At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>NOTES</i>	<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	722,303	732,984
Prepaid lease payments		38,751	39,443
Investment properties		31,924	32,932
Intangible assets		228,544	241,762
Interest in an associate		7,197	7,052
Interests in joint ventures		493,469	480,170
Deferred tax assets		12,162	27,672
		1,534,350	1,562,015
<b>Current assets</b>			
Inventories		659,241	587,156
Trade and other receivables and prepayments	9	600,923	898,980
Bills receivable	10	1,701,989	1,582,547
Prepaid lease payments		1,383	1,383
Bank deposits with original maturity more than three months	11	876,150	3,050,884
Restricted bank balances	12	79,999	79,999
Bank deposits, bank balances and cash	12	4,745,714	2,434,886
		8,665,399	8,635,835
<b>Current liabilities</b>			
Trade, bills and other payables	13	2,351,744	2,229,961
Tax liabilities		10,440	8,000
		2,362,184	2,237,961
<b>Net current assets</b>		6,303,215	6,397,874
<b>Total assets less current liabilities</b>		7,837,565	7,959,889

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

*At 30 June 2017*

	<b>At 30 June 2017</b>	<b>At 31 December 2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Capital and reserves</b>		
Share capital	2,482,268	2,482,268
Share premium and reserves	5,055,295	5,176,272
	_____	_____
Equity attributable to owners of the Company	7,537,563	7,658,540
Non-controlling interests	300,002	301,349
	_____	_____
<b>Total equity</b>	<b>7,837,565</b>	<b>7,959,889</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company							Non- controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Retained profits	Total		
	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 2017 (unaudited)</b>									
At 1 January 2017 (audited)	2,482,268	1,764,905	572,239	1,049,035	2,347	1,787,746	7,658,540	301,349	7,959,889
Profit and total comprehensive income for the period	—	—	—	—	—	276,186	276,186	327	276,513
2016 final dividend declared (Note 6)	—	—	—	—	—	(397,163)	(397,163)	—	(397,163)
Dividend declared by a subsidiary to a non-controlling shareholder	—	—	—	—	—	—	—	(1,674)	(1,674)
At 30 June 2017	<u>2,482,268</u>	<u>1,764,905</u>	<u>572,239</u>	<u>1,049,035</u>	<u>2,347</u>	<u>1,666,769</u>	<u>7,537,563</u>	<u>300,002</u>	<u>7,837,565</u>
<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>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	475,609	339,634
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(21,956)	(7,490)
Acquisition of intangible assets	—	(130,010)
Withdrawal of bank deposits with original maturity more than three months	2,475,396	1,543,500
Placement of bank deposits with original maturity more than three months	(310,349)	(2,508,500)
Interest received	91,087	63,443
Proceeds from disposal of property, plant and equipment	7	447
NET CASH FROM (USED IN) INVESTING ACTIVITIES	2,234,185	(1,038,610)
FINANCING ACTIVITIES		
Dividends paid	(397,163)	—
Dividends paid to a non-controlling shareholder of a subsidiary	(1,674)	—
CASH USED IN FINANCING ACTIVITIES	(398,837)	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,310,957	(698,976)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,434,886	2,182,750
Effect of exchange rate changes on the balance of cash held in foreign currencies	(129)	3,178
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank deposits, bank balances and cash	4,745,714	1,486,952



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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## 1. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 for certain financial instruments that are measured at fair values at the end of the reporting period.

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 2017 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 2016.

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 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

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, but the application may have impact on disclosures in the consolidated financial statements for the year ending 31 December 2017.

## 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.

Principal business segments are as follows:

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

### 3. SEGMENT INFORMATION (Cont'd)

#### (i) Segment revenue and results

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

Six months ended 30 June 2017

	Light-duty trucks	Multi- purposes vehicles	Pick-up trucks	Medium and heavy-duty trucks	Automobile parts and accessories	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue	1,348,729	841	622,231	415,570	56,945	2,444,316
Result						
Segment profit	143,889	37	80,777	28,839	4,619	258,161
Central administration costs						(49,853)
Interest income						81,400
Other income						25,589
Other gains and losses, net						(1,171)
Share of profit of an associate						145
Share of results of joint ventures						10,122
Group's profit before tax						324,393

### 3. SEGMENT INFORMATION (Cont'd)

#### (i) Segment revenue and results (Cont'd)

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
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Segment revenue	1,166,569	2,624	687,019	491,459	74,924	2,422,595
Result						
Segment profit	133,994	122	82,473	34,805	4,748	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						6,581
Group's profit before tax						321,927

There have been no inter-segment sales during the six months ended 30 June 2017 (2016: Nil).

The accounting policies of the operating segments are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2016.

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 makers 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 operating segment:

As at 30 June 2017

	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)
<b>Assets</b>						
Segment assets	<u>1,451,682</u>	<u>3,572</u>	<u>691,133</u>	<u>973,604</u>	<u>184,122</u>	3,304,113
Interchangeably used assets between segments						
— property, plant and equipment						175,994
— prepaid lease payments						40,134
— inventories						292,189
Investment properties						31,924
Interest in an associate						7,197
Interests in joint ventures						493,469
Restricted bank balances, bank deposits and bank balances						5,701,863
Other unallocated assets						<u>152,866</u>
Consolidated total assets						<u>10,199,749</u>
<b>Liabilities</b>						
Segment liabilities	<u>295,412</u>	<u>207</u>	<u>136,285</u>	<u>91,022</u>	<u>—</u>	522,926
Unallocated trade, bills and other payables						1,828,818
Other unallocated liabilities						<u>10,440</u>
Consolidated total liabilities						<u>2,362,184</u>

### 3. SEGMENT INFORMATION (Cont'd)

#### (ii) Segment assets and liabilities (Cont'd)

As at 31 December 2016

	Light-duty trucks <i>RMB'000</i> (audited)	Multi- purposes vehicles <i>RMB'000</i> (audited)	Pick-up trucks <i>RMB'000</i> (audited)	Medium and heavy-duty trucks <i>RMB'000</i> (audited)	Automobile parts and accessories <i>RMB'000</i> (audited)	Consolidated <i>RMB'000</i> (audited)
<b>Assets</b>						
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
<b>Liabilities</b>						
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 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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	110,821	101,712
Retirement benefits scheme contributions	12,556	13,174
	<hr/>	<hr/>
Total staff costs	123,377	114,886
	<hr/>	<hr/>
Loss (gain) on disposal of property, plant and equipment, net	51	(117)
Amortisation of intangible assets (included in cost of sales)	13,218	12,061
Depreciation of property, plant and equipment	24,097	34,821
Depreciation of investment properties	1,008	814
Release of prepaid lease payments	692	854
Minimum lease payments under operating lease in respect of rented premises and production facilities	18,694	17,279
Write-down of inventories	7,295	—
Net foreign exchange losses (gains)	1,120	(2,050)
Cost of inventories recognised as cost of sales	1,926,479	1,939,204
Interest income from bank deposits and balances	(81,400)	(50,876)
Income from renting investment properties	(3,316)	(3,086)
Less: Direct operating expenses from investment properties that generated rental income during the period	1,407	1,331
	<hr/>	<hr/>
	(1,909)	(1,755)
	<hr/>	<hr/>
Income from renting of moulds and tooling equipment	(19,799)	(18,769)
	<hr/> <hr/>	<hr/> <hr/>

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax	32,370	47,515
Deferred tax	15,510	—
	<hr/>	<hr/>
Total income tax expense charged for the period	<u>47,880</u>	<u>47,515</u>

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 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 catalogue and the revenue from these encouraged businesses is expected to account for more than 70% of their respective total revenue for the year ending 31 December 2017, 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 Company, is subject to EIT rate of 25% (six months ended 30 June 2016: (unaudited) 25%) for the six months ended 30 June 2017.

## 6. DIVIDEND

During the current interim period, a final dividend of RMB0.16 per share in respect of the year ended 31 December 2016 (six months ended 30 June 2016: (unaudited) RMB0.16 per share in respect of the year ended 31 December 2015) 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 2016: (unaudited) RMB397,163,000).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: (unaudited) Nil).

## 7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	276,186	274,216
	<u>276,186</u>	<u>274,216</u>

	Six months ended 30 June	
	2017	2016
	'000	'000
	(unaudited)	(unaudited)
<b>Number of shares</b>		
Number of shares for the purpose of basic earnings per share	2,482,268	2,482,268
	<u>2,482,268</u>	<u>2,482,268</u>

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

## 8. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment of approximately RMB13,474,000 (six months ended 30 June 2016: (unaudited) RMB9,324,000).

## 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:

	At	At
	30 June 2017	31 December 2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables, less allowance for doubtful debts	517,447	842,324
Other receivables	16,662	12,473
Prepayments	66,814	44,183
	<u>600,923</u>	<u>898,980</u>



## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Cont'd)

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>At</b> <b>30 June 2017</b> <i>RMB'000</i> <b>(unaudited)</b>	<b>At</b> <b>31 December 2016</b> <i>RMB'000</i> <b>(audited)</b>
Within 3 months	463,661	604,910
Between 3 to 6 months	13,661	209,001
Between 7 to 12 months	24,639	18,205
Between 1 to 2 years	13,872	9,761
Over 2 years	1,614	447
	<u>517,447</u>	<u>842,324</u>

An accumulated allowance has been made for estimated irrecoverable amount from sales of goods amounting to RMB963,000 as at 30 June 2017 (31 December 2016: (audited) RMB2,594,000).

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

	<b>At</b> <b>30 June 2017</b> <i>RMB'000</i> <b>(unaudited)</b>	<b>At</b> <b>31 December 2016</b> <i>RMB'000</i> <b>(audited)</b>
The ultimate holding company of the Company — 慶鈴汽車(集團)有限公司 (“Qingling Group”)	423,264	598,869
Fellow subsidiaries	17,753	20,850
Joint venture of the Group — 慶鈴五十鈴(重慶)汽車銷售服務有限公司 (“Qingling Isuzu Sales”)	28,774	18,317
Associate of Qingling Group — 五十鈴慶鈴(重慶)汽車零部件有限公司 (“Isuzu Qingling Autoparts”)	8,651	14,234
	<u>478,442</u>	<u>652,270</u>

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

## 10. BILLS RECEIVABLE

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Within 1 month	455,308	434,349
Between 1 to 2 months	279,326	295,117
Between 2 to 3 months	248,662	202,930
Between 3 to 6 months	718,693	650,151
	<hr/>	<hr/>
	1,701,989	1,582,547
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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 3 to 24 months (31 December 2016: (audited) from 3 to 24 months) and carried interest rates ranging from 0.80% to 3.72% (31 December 2016: (audited) from 1.55% to 3.60%) per annum. Included in these fixed bank deposits are deposits with a carrying amount of approximately RMB794,879,000 (31 December 2016: (audited) RMB786,882,000) which have embedded derivatives relating to future gold prices. In the opinion of directors of the Company, these embedded derivatives are not closely related to the economic risks and characteristics of the fixed bank deposits contracts and have immaterial fair value.

## 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 1.065% to 4.35% (31 December 2016 (audited): from 1.150% to 3.30%) per annum. Included in these bank deposits and bank balances are bank deposits with original maturity within three months with a carrying amount of approximately RMB1,557,916,000 (31 December 2016: (audited) RMB962,175,000) which have embedded derivatives relating to future gold prices. In the opinion of directors of the Company, these embedded derivatives are not closely related to the economic risks and characteristics of the fixed bank deposits contracts and have immaterial fair value.

### Restricted bank balances

The balances have been frozen since 16 August 2015 according to the civil ruling issued by a court in relation to a dispute in respect of a financial credit agreement entered into between the Company's customer and a bank. Details of which are set out in note 17(a).

### 13. TRADE, BILLS AND OTHER PAYABLES

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

	<b>At</b> <b>30 June 2017</b> <i>RMB'000</i> <b>(unaudited)</b>	<b>At</b> <b>31 December 2016</b> <i>RMB'000</i> <b>(audited)</b>
Trade and bills payables	1,729,877	1,361,835
Advance from customers	203,553	399,157
Selling expenses payables	233,015	239,964
Other payables	177,658	196,456
Value added tax payables	7,641	32,549
	<hr/>	<hr/>
	2,351,744	2,229,961
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>At</b> <b>30 June 2017</b> <i>RMB'000</i> <b>(unaudited)</b>	<b>At</b> <b>31 December 2016</b> <i>RMB'000</i> <b>(audited)</b>
Within 3 months	1,649,443	1,210,083
Between 3 to 6 months	72,230	144,729
Between 7 to 12 months	2,529	635
Over 1 year	5,675	6,388
	<hr/>	<hr/>
	1,729,877	1,361,835
	<hr/> <hr/>	<hr/> <hr/>

### 13. TRADE, BILLS AND OTHER PAYABLES (Cont'd)

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

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Substantial shareholder of the Company		
— 五十鈴自動車株式會社 ("Isuzu Motors Limited") ("Isuzu")*	102,717	103,320
Fellow subsidiaries	52,997	46,153
Joint venture of the Group		
— 慶鈴五十鈴(重慶)發動機有限公司 ("Qingling Isuzu Engine")	46,040	—
The ultimate holding company of the Company		
— Qingling Group	10,295	673
	<u>212,049</u>	<u>150,146</u>

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

The amounts due to Isuzu, fellow subsidiaries, joint venture of the Group, Qingling Group, which are trade in nature, are unsecured, interest-free and under credit period granted on purchases of materials from 3 to 6 months.

## 14. RELATED PARTY TRANSACTIONS AND BALANCES

Apart from the amounts due from and to related companies as disclosed in notes 9 and 13, during the current interim period, the Group entered into the following transactions with related parties that are conducted in accordance with the terms of the relevant agreements:

### (1) Transactions with Qingling Group and fellow subsidiaries

Type of transactions	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Sales of chassis to		
Qingling Group	687,706	621,303
Sales of automobile parts and others to:		
— 重慶慶鈴鑄造有限公司 ("Qingling Casting")	12,087	23,017
— 重慶慶鈴車橋有限公司 ("Qingling Axle")	5,459	8,879
— 重慶慶鈴日發座椅有限公司 ("Qingling Chair")	4,449	5,476
— 重慶慶鈴鍛造有限公司 ("Qingling Forging")	1,891	4,217
— 重慶慶鈴汽車底盤部品有限公司 ("Qingling Chassis")	1,359	2,098
— 重慶慶鈴專用汽車有限公司 ("Qingling Zhuanyong")	1,082	4,816
— 重慶慶鈴汽車機加部品製造有限公司 ("Qingling Jijia")	510	555
— 重慶慶鈴鑄鋁有限公司 ("Qingling Cast Aluminium")	503	593
— 重慶慶鈴塑料有限公司 ("Qingling Plastics")	317	512
— Qingling Group	2	1
Purchases of automobile parts from:		
— Qingling Axle	179,899	179,929
— Qingling Plastics	27,222	28,665
— Qingling Chair	23,814	24,619
— Qingling Forging	15,710	15,368
— Qingling Casting	8,577	9,619
— Qingling Cast Aluminium	4,407	4,174
— Qingling Chassis	1,855	1,680
— Qingling Zhuanyong	1,757	2,028
— Qingling Jijia	1,407	3,097

## 14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

### (1) Transactions with Qingling Group and fellow subsidiaries (Cont'd)

Type of transactions	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Rental expenses for renting warehouse:		
— Qingling Group	4,057	3,192
Rental expenses for renting equipment:		
— Qingling Forging	9,987	9,987
— Qingling Group	434	445
Rental income from leasing equipment:		
— Qingling Axle	261	—
	<u>261</u>	<u>—</u>

### (2) Transactions with Isuzu

Type of transactions	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Purchase of automobile parts and components	231,719	444,532
Royalties and licence fee paid on sales of trucks and other vehicles	8,349	9,738
Sales of accessory sets and other automobile parts and components	—	1,062
Marketing fee received	2,858	14,353
	<u>2,858</u>	<u>14,353</u>

### (3) Transactions with Qingling Isuzu Engine

Type of transactions	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Purchases of automobile parts and raw materials	537,590	514,631
Sales of automobile parts and raw materials	244,179	336,340
Rental income from leasing equipment	19,538	18,769
Rental income for investment properties	2,108	1,868
Miscellaneous service income	525	829
	<u>525</u>	<u>829</u>

#### 14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

##### (4) Transactions with Qingling Isuzu Sales

Type of transactions	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of trucks and automobile parts	17,080	7,040
Rental income for investment properties	770	777
Miscellaneous service income	—	246
	<u>17,850</u>	<u>8,063</u>

##### (5) Transactions with 五十鈴慶鈴(重慶)汽車技術開發有限公司 (“Isuzu Qingling Engineering”), the associate of the Group

Type of transactions	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Rental income for investment properties	438	441
Miscellaneous service income	602	—
	<u>1,040</u>	<u>441</u>

##### (6) Transactions with Isuzu Qingling Autoparts

Type of transactions	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of automobile parts and raw materials	27,564	26,659
Miscellaneous service income	1,032	1,846
	<u>28,596</u>	<u>28,505</u>

The above transactions with related parties also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are conducted in accordance with the terms of the relevant agreements.

## 14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Trade sales	288,661	256,549
Trade purchases	202,867	134,956
	<b>At</b>	<b>At</b>
	<b>30 June 2017</b>	<b>31 December 2016</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade and other balances due to other government-related entities	150,244	53,741
Trade and other balances due from other government-related entities	271,612	150,789

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

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



## 14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

### (8) Compensation of directors and key management personnel

The short term benefits paid or payable by the Group to directors of the Company and other members of key management personnel during the six months ended 30 June 2017 amounted to approximately RMB1,885,000 (six months ended 30 June 2016: (unaudited) RMB1,873,000).

## 15. COMMITMENTS

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

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	63,445	13,268

## 16. OPERATING LEASE

### The Group as lessee

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

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Within one year	32,261	35,640
In the second to fifth year, inclusive	49,828	66,782
	82,089	102,422

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

## 16. OPERATING LEASE (Cont'd)

### The Group as lessor

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

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Within one year	53,830	53,392
In the second to fifth year, inclusive	80,644	104,855
	<hr/>	<hr/>
	134,474	158,248
	<hr/> <hr/>	<hr/> <hr/>

At the end of the reporting period, the amounts represent rentals receivable from Qingling Isuzu Engine, Qingling Isuzu Sales, Isuzu Qingling Engineering and Qingling Axle for certain of its land and buildings and production facilities.

## 17. MATERIAL LITIGATIONS

As at 30 June 2017, the Company has involved in two material legal proceedings as follows:

- (a) According to the civil ruling issued by 深圳市福田区人民法院 (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 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 were RMB80 million in aggregate.

## 17. MATERIAL LITIGATIONS (Cont'd)

### (a) (Cont'd)

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 February 2017, the Shenzhen Court organised the defendants and Bank A for exchange of evidence which has yet to be completed and the 2015 Litigation has not yet been formally heard up to the approval date of the condensed 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 condensed 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 response 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.

## 17. MATERIAL LITIGATIONS (Cont'd)

### (b) (Cont'd)

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 Xiamen Court heard the 2016 Litigation and examined the evidence, and has still been in the course of being provided with supplemental evidence. Therefore the 2016 Litigation has not yet been decided up to the approval date of the condensed consolidated financial statements.

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. Accordingly, no provision has been made in respect of the claims under the 2016 Litigation in the condensed consolidated financial statements.

## 2017 FIRST HALF-YEARLY RESULTS

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As at 30 June 2017, the Group sold 25,505 vehicles, representing an increase of 0.33% over the corresponding period of the previous year. Sales revenue amounted to RMB2.44 billion, representing an increase of 0.90% over the corresponding period of the previous year. Profit after tax was RMB277 million, representing a year-on-year increase of 0.77%.

## MANAGEMENT DISCUSSION AND ANALYSIS

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### REVIEW OF OPERATION

During the first half of the year, the growth of the domestic macro-economy continued its trend of stabilization and improvement since the second half of last year. With the minor increase of the growth rate of GDP, the continuing moderate growth of Consumer Price Index and the general recovery of Manufacturing Purchasing Managers' Index, our macro-economy maintained stably growing under a positive trend. The domestic sales turnover of commodity trucks for the first half of the year amounted to 2.10 million units, representing an increase of 17.4% over the corresponding period. Facing the environment of macroeconomic where we produced and operated, our Company had implemented tasks that were deployed at the beginning of the year, which won initial success in all aspects.

#### **1. Improved the marketing ability of enterprise and enhanced the overall operation situation.**

Firstly, ensured a smooth transition of National IV to National V, and achieved sale volume goal of National V products; secondly, systematically planned the launching of new product, GIGA to market as well as strived to attain a sizeable sales volume at the initial stage; lastly, focused on the initial circulating of VC61 and the strengthening after-sales support.

#### **2. Strengthened product development with rapid introduction of new products, creating conditions of “turning risk into opportunity to outperform the competitors” for National VI period.**

Firstly, speedily completed the development project “1+5”, which have been activated soon and achieved mass production; secondly, accelerated the promotion of medium-term product planning projects and promptly captured opportunities arising from National VI; lastly, emphasized marketing consciousness, consolidated the managing foundation and improved the market satisfaction.

### **3. Emphasized marketing consciousness, consolidated the managing foundation and improved the market satisfaction.**

Firstly, maintained the dedicated implementation of delivery time of our production system; secondly, dedicatedly focused on quality inspection, rectification and assessment and gradually enhanced product quality; lastly, implemented construction of information technology and improved our management efficiency.

## **OUTLOOK**

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It is expected that in the second half of the year, the external environment remains grim given the ever severer competition. The Company will firmly promote reform and innovation and conscientiously implement its key tasks. Accordingly, the Company will continue putting high emphasis on the following six aspects:

1. To optimize the executive ability of the team. By making use the existing resources efficiently and effectively, to promptly and quickly delegate work and duties to specific departments and entity in charge. Adhering clear division of labor and teamwork spirit, staffs are encouraged to collaborate with each other and to make progress together, creating synergistic effect to facilitate each task under centered effort while complying with orders and restrictions.
2. To improve marketing competitiveness. Firstly, to improve our marketing-based management capacity through information technology; secondly, to endeavour to facilitate the work of marketing, with an aim to create wider and greater benefits through market research, product marketing and marketing strategy; thirdly, to put efforts on solving the imbalance between “regional” and “commercial” marketing capacity; lastly, to accelerate the construction of marketing and service system of heavy vehicles.
3. To enhance the competitiveness of products. Adopting market demand oriented approach and complying with regulations, to proactively develop and launch more products situation to the market; to place emphasis on stable quality of our new product and improve product quality; to conduct cost actuarial, ensuring a cost control during the whole process.

4. To continue to deepen its key reform and innovation projects. To procure technical innovation and cultivation of innovative personnel, to facilitate reform of performance-based salary distribution system and to accelerate the development of New Energy Vehicles and Modified Vehicles industry.
5. To strengthen the supervision and management of risk, enhance executive ability and avoid operational risk. To establish “Mass Supervision” working system, legal review and risk alarm mechanism, to upgrade the internal control mechanism and to strengthen the implementation of inspection.
6. To adhere work safety as the top priority, to seriously fulfill responsibilities as an entity of safety production and to facilitate safe production; to strengthen ideological education guidance of employees, ensuring stable workforce; to procure the work progress on environmental protection such as waste gas treatment, targeting at safe constructions and meeting standards.

The Company will keep focus on the established “13th Five-year” development strategy and our medium-term products plan, and through implementation of its business plans, to strive to achieve our annual production and development goals.

## **FINANCIAL REVIEW**

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### **FINANCIAL PERFORMANCE**

For the six months ended 30 June 2017, the revenue of the Group was RMB2,444,316,000, representing an increase of 0.90% as compared to the corresponding period last year due to the expansion of the scale of commodity cars businesses.

Gross profit for the period was RMB510,542,000, representing an increase of 5.62% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 20.89%, approximating to 19.95% for the corresponding period last year. Profit of the Group for the period attributable to owners of the Company was RMB276,186,000, representing an increase of 0.72% as compared to the corresponding period last year.

For the six months ended 30 June 2017, other income mainly included bank interest income and rental income, totaling RMB106,989,000, representing an increase of 45.69% as compared to the corresponding period last year. Both bank interest income and rental income for the period increased.

For the six months ended 30 June 2017, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB159,670,000, representing an increase of 36.95% as compared to the corresponding period last year, mainly due to the increase in sales causing the increase in business promotion expenses for the period as compared to the corresponding period last year.

For the six months ended 30 June 2017, the total administrative expenses of the Group mainly including staff's salaries and allowance, insurance premium, maintenance fees and other administrative expenses, were RMB109,995,000, which is comparable with RMB109,817,000 of the corresponding period last year.

For the six months ended 30 June 2017, the share of results of an associate and joint ventures to the Group was RMB10,267,000, representing an increase of 52.65% as compared to the corresponding period last year, principally due to the increase in profit of joint ventures during the period.

For the six months ended 30 June 2017, 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 2017, the total assets and total liabilities of the Group were RMB10,199,749,000 and RMB2,362,184,000 respectively.

The non-current assets were RMB1,534,350,000, mainly including property, plant and equipment, interests in joint ventures and intangible assets.

The total current assets amounted to RMB8,665,399,000, mainly including RMB659,241,000 of inventories, RMB600,923,000 of trade and other receivables and prepayments, RMB1,701,989,000 of bills receivables, RMB876,150,000 of bank deposits with original maturity more than three months and RMB4,825,713,000 of bank deposits and bank balances (including restricted bank balances of RMB79,999,000) and cash.

The total current liabilities amounted to RMB2,362,184,000, mainly including RMB2,351,744,000 of total trade, bills and other payables and RMB10,440,000 of tax payable.

Net current assets fell from RMB6,397,874,000 as at 31 December 2016 to RMB6,303,215,000 as at 30 June 2017, representing a decrease of 1.48%.



## **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 2017 was 30.14% (as at 31 December 2016: 28.12%).

Issued share capital as at 30 June 2017 maintained at RMB2,482,268,000 and no share was issued during this period of six months.

For the six months ended 30 June 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 30 June 2017 was RMB7,537,563,000. The net asset per share (calculated by dividing the total equity attributable to owners of the Company by the number of ordinary shares in issue) as at 30 June 2017 was RMB3.04.

## **SIGNIFICANT INVESTMENT**

As at 30 June 2017, the Group's interests in joint ventures were RMB493,469,000 and interest in an associate was RMB7,197,000 which mainly included the interest in Qingling Isuzu Engine, a joint venture, of RMB433,520,000. For the six months ended 30 June 2017, 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 2017 from the corresponding period last year that was mainly attributable to increase in market demand.

During the period ended 30 June 2017, there were no significant acquisition and disposal of the Group.

## **SEGMENT INFORMATION**

The revenue contributed by light-duty trucks and pick-up trucks were RMB1,348,729,000 and RMB622,231,000 respectively, representing 80.63% of the total revenue and 87.03% 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 and heavy-duty trucks was RMB415,570,000, representing 17.00% of the total revenue. The profit from operation attributable to them was RMB28,839,000, accounting for 11.17% of the segment profit.

## **PLEDGE OF ASSETS**

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During the period ended 30 June 2017, no asset of the Group was pledged for financial facilities (during the period ended 30 June 2016: Nil).

## **EFFECTS OF FOREIGN EXCHANGE RATE CHANGES**

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As at 30 June 2017, the Group had bank balances of foreign currency including Hong Kong dollars of RMB3,742,000 and foreign currency payables and other payables of RMB102,198,000.

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**

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As at 30 June 2017, the Group had capital commitments of RMB63,445,000 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**

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The Board did not recommend to declare an interim dividend for the six months ended 30 June 2017 (for the period ended 30 June 2016: nil).

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

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During the six months ended 30 June 2017, 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

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As at 30 June 2017, the Group had 2,871 employees. For the six months ended 30 June 2017, labour cost was RMB123,377,000. 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

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For the six months ended 30 June 2017, the Group has not sold any staff quarters to its employees.

## STRUCTURE OF SHAREHOLDING

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- (1) As at 30 June 2017, 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 2017, shareholders other than a director, supervisor or chief executive of the Company having an interest and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the “SFO”) were 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 2017.

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

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As at 30 June 2017, 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 2017, 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**

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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 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.

During the six months ended 30 June 2017, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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**

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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 of the Company. Having made specific enquiry of all directors and supervisors of the Company, the Company confirmed all directors and supervisors of the Company have complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

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

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

## **INDEPENDENT REVIEW**

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The interim results for the six months ended 30 June 2017 are unaudited, but have been reviewed by the auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accounts. The interim results have also been reviewed by the audit committee of the Company.

## **PUBLICATION OF FINANCIAL INFORMATION**

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The Company’s 2017 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.

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

Chongqing, the PRC, 25 August 2017

# CORPORATE INFORMATION

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## DIRECTORS

*Executive Directors:*

LUO Yuguang (*Chairman*)

Keiichiro MAEGAKI (*Vice Chairman and General Manager*)

GAO Jianmin (resigned on 24 March 2017)

Masanori OTA

Yoshifumi KOMURA (resigned on 9 June 2017)

Etsuo YAMAMOTO (appointed on 9 June 2017)

LI Juxing

XU Song

*Independent Non-executive Directors:*

LONG Tao

SONG Xiaojiang

LIU Tianni

LIU Erh Fei

## SUPERVISORS

GUAN Jinming (*Chairman of the Supervisory Committee*)

MIN Qing

LEI Bin

## COMPANY SECRETARY

responsible for PRC affairs: ZOU Guanghai

responsible for Hong Kong affairs: TUNG Tat Chiu Michael

## AUDIT COMMITTEE

SONG Xiaojiang (*Committee Chairman*)

LONG Tao

LIU Tianni

LIU Erh Fei



## **REMUNERATION COMMITTEE**

SONG Xiaojiang (*Committee Chairman*)

LUO Yuguang

LONG Tao

LIU Tianni

LIU Erh Fei

## **NOMINATION COMMITTEE**

LUO Yuguang (*Committee Chairman*)

LONG Tao

SONG Xiaojiang

LIU Tianni

LIU Erh Fei

## **LEGAL ADDRESS**

1 Xiexing Cun

Zhongliangshan

Jiulongpo District

Chongqing

the People's Republic of China

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Suite 4901, 49th Floor

Office Tower, Convention Plaza

1 Harbour Road

Wan Chai, Hong Kong

## **COMPANY'S WEBSITE**

[www.qingling.com.cn](http://www.qingling.com.cn)

## **H SHARE REGISTRARS**

Hong Kong Registrars Limited

Shops 1712–1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

## **H SHARE LISTING PLACE**

The Stock Exchange of Hong Kong Limited

Stock code: 1122

## **PRINCIPAL BANKERS**

The Commercial and Industrial Bank of China, Huafu Road Branch

Bank of China, Huayu Road Branch

China Construction Bank, Zhongliangshan Sub-branch

China Merchants Bank, Chongqing Branch

## **AUDITORS**

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Chongqing Branch

36/F, Deloitte Tower

8 Corporate Avenue

10 Ruitian Road, Yuzhong District

Chongqing

the People's Republic of China

Deloitte Touche Tohmatsu

35/F, One Pacific Place

88 Queensway, Hong Kong

## **LEGAL ADVISERS**

*as to Hong Kong laws:*

Tung & Co.

Office 1601, 16/F

LHT Tower

31 Queen's Road Central

Central, Hong Kong

Woo, Kwan, Lee & Lo

26/F, Jardine House

1 Connaught Place Central,

Hong Kong

*as to PRC laws:*

Haiwen & Partners  
20/F, Fortune Financial Center  
5 Dong San Huan Central Road  
Chao Yang District  
Beijing 100020  
the People's Republic of China