



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 ("PRC") with limited liability)

Stock Code: 1122



2019

Interim Report

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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

(a Sino-foreign joint venture joint stock limited company established 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 59, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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
29 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	3	2,414,401	2,571,050
Cost of sales		(1,974,535)	(2,093,041)
Gross profit		439,866	478,009
Other income		119,613	116,480
Impairment losses, net of reversal	10	(116)	30
Other gains and losses, net		(730)	(12,161)
Distribution and selling expenses		(117,757)	(81,974)
Administrative expenses		(109,740)	(113,027)
Research costs		(85,307)	(86,754)
Provision for litigation	16	–	(80,000)
Finance costs		(2,059)	–
Share of profit of an associate		319	257
Share of profit of joint ventures		1,279	17,162
Profit before tax	4	245,368	238,022
Income tax expense	5	(29,066)	(40,413)
Profit and total comprehensive income for the period		216,302	197,609
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		212,579	195,366
Non-controlling interests		3,723	2,243
		216,302	197,609
Earnings per share			
Basic	7	RMB0.09	RMB0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	757,563	750,856
Right-of-use assets		25,242	–
Prepaid lease payments		–	36,677
Investment properties		43,080	28,901
Intangible assets		251,505	265,574
Interest in an associate		8,120	7,801
Interests in joint ventures		503,047	501,768
Deferred tax assets		15,099	23,384
		1,603,656	1,614,961
Current assets			
Inventories		726,218	652,059
Trade, bills and other receivables and prepayments	9	2,200,279	2,756,258
Prepaid lease payments		–	1,383
Tax recoverable		5,948	–
Bank deposits with original maturity more than three months	11	4,461,042	1,134,314
Restricted bank balances	12	79,999	79,999
Bank deposits, bank balances and cash	12	1,591,711	4,654,277
		9,065,197	9,278,290
Current liabilities			
Trade, bills and other payables	13	2,363,428	2,169,853
Provision for litigation	16	81,960	–
Lease liabilities		2,633	–
Tax liabilities		1,346	9,848
Contract liabilities		183,362	418,380
Refund liabilities		83,279	84,316
		2,716,008	2,682,397

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2019

	<i>NOTES</i>	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Net current assets		6,349,189	6,595,893
Total assets less current liabilities		7,952,845	8,210,854
Capital and reserves			
Share capital		2,482,268	2,482,268
Share premium and reserves		5,147,021	5,331,605
Equity attributable to owners of the Company		7,629,289	7,813,873
Non-controlling interests		313,964	310,241
Total equity		7,943,253	8,124,114
Non-current liabilities			
Deferred income – government grants		9,140	6,740
Provision for litigation	16	–	80,000
Lease liabilities		452	–
		9,592	86,740
		7,952,845	8,210,854

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Equity attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	Statutory surplus		Discretionary surplus	Retained profits	Total	Non-controlling interests	Total equity
				reserve fund	reserve fund					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
For the six months ended										
30 June 2019 (unaudited)										
At 1 January 2019 (audited)	2,482,268	1,764,905	571,200	1,143,180	2,347	1,849,973	7,813,873	310,241	8,124,114	
Profit and total comprehensive income for the period	-	-	-	-	-	212,579	212,579	3,723	216,302	
2018 final dividend declared (Note 6)	-	-	-	-	-	(397,163)	(397,163)	-	(397,163)	
At 30 June 2019 (unaudited)	2,482,268	1,764,905	571,200	1,143,180	2,347	1,665,389	7,629,289	313,964	7,943,253	
For the six months ended										
30 June 2018 (unaudited)										
At 1 January 2018 (audited)	2,482,268	1,764,905	572,239	1,098,315	2,347	1,838,229	7,758,303	304,544	8,062,847	
Profit and total comprehensive income for the period	-	-	-	-	-	195,366	195,366	2,243	197,609	
2017 final dividend declared (Note 6)	-	-	-	-	-	(397,163)	(397,163)	-	(397,163)	
Dividend declared by a subsidiary to a non-controlling shareholder	-	-	-	-	-	-	-	(2,046)	(2,046)	
At 30 June 2018 (unaudited)	2,482,268	1,764,905	572,239	1,098,315	2,347	1,636,432	7,556,506	304,741	7,861,247	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 <i>RMB'000</i> (unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	179,797	232,156
Increase in inventories	(67,572)	(134,859)
Decrease in trade, bills and other receivables and prepayments	555,607	440,444
Increase in trade, bills and other payables	216,395	67,242
Decrease in contract liabilities	(235,018)	(135,822)
Other operating activities	(33,868)	(95,323)
NET CASH FROM OPERATING ACTIVITIES	615,341	373,838
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(48,557)	(23,376)
Acquisition of intangible assets	(1,811)	(64,679)
Withdrawal of bank deposits with original maturity more than three months	425,834	625,554
Placement of bank deposits with original maturity more than three months	(3,711,035)	(1,026,345)
Interest received	55,558	105,218
Proceeds from disposal of property, plant and equipment	575	515
NET CASH USED IN INVESTING ACTIVITIES	(3,279,436)	(383,113)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
FINANCING ACTIVITIES		
Dividends paid	(397,163)	(397,163)
Dividends paid to a non-controlling shareholder of a subsidiary	–	(2,046)
Payments of interest expense	(99)	–
Repayments of lease liabilities	(1,270)	–
CASH USED IN FINANCING ACTIVITIES	(398,532)	(399,209)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,062,627)	(408,484)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	4,654,277	4,250,191
Effect of exchange rate changes on the balance of cash held in foreign currencies	61	128
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank deposits, bank balances and cash	1,591,711	3,841,835

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the annual consolidated financial statements of Qingling Motors Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

<i>HKFRS 16</i>	<i>Leases</i>
<i>HK(IFRIC)-Int 23</i>	<i>Uncertainty over Income Tax Treatments</i>
<i>Amendments to HKAS 19</i>	<i>Plan Amendment, Curtailment or Settlement</i>
<i>Amendments to HKAS 28</i>	<i>Long-term Interests in Associates and Joint Ventures</i>
<i>Amendments to HKFRSs</i>	<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2.1 *Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of warehouse, building and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review; and
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entity at the date of initial application. The lessee's incremental borrowing rate applied is 4.9%.

	At 1 January 2019
	<i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	40,094
Lease liabilities discounted at relevant incremental borrowing rates	34,975
Less: Recognition exemption – short-term leases	(30,620)
Lease liabilities as at 1 January 2019	4,355
Analysed as	
Current	2,570
Non-current	1,785
	4,355

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Note</i>	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		4,355
Reclassified from prepaid lease payments	(a)	38,060
Less: Right-of-use assets included in investment properties		(15,412)
		<hr/> 27,003
By class:		
Leasehold lands		22,648
Warehouse		4,355
		<hr/> 27,003

Note: (a) Upfront payments for leasehold land in the People's Republic of China (the "PRC") were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,383,000 and RMB36,677,000, respectively, were reclassified to right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Application of HKFRS 16 as a lessor has had no material impact on the Group's condensed consolidated statement of financial position as at 1 January 2019 and 30 June 2019 and its condensed consolidated statement profit or loss and other comprehensive income and cash flow for the current interim period.

There was no significant impact of transition to HKFRS 16 on retained profits at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

	Note	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current Assets				
Prepaid lease payments	a	36,677	(36,677)	-
Investment properties	c	28,901	15,412	44,313
Right-of-use assets	a, b, c	-	27,003	27,003
Current Assets				
Prepaid lease payments	a	1,383	(1,383)	-
Current Liabilities				
Lease liabilities	b	-	2,570	2,570
Non-current Liabilities				
Lease liabilities	b	-	1,785	1,785

Notes:

- (a) The adjustments are made to reclassify the non-current and current portion of prepaid lease payments to right-of-use assets upon adoption of HKFRS 16.
- (b) The adjustments are made to recognise right-of-use assets and lease liabilities relating to operating leases upon the adoption of HKFRS 16.
- (c) The adjustments are made to reclassify the right-of-use assets that meet the definition of investment property to investment properties upon the adoption of HKFRS 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

The Group's revenue represents sales of trucks, vehicles, chassis, automobile parts, accessories and others to external customers, net of discounts and sales related tax, that are recognised at a point in time. The following is an analysis of the Group's revenue from its major products:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 <i>RMB'000</i> (unaudited)
Types of goods		
Sales of light-duty trucks	653,725	685,197
Sales of multi-purposes vehicles	76	314
Sales of pick-up trucks	569,071	717,457
Sales of medium and heavy-duty trucks	477,419	462,665
Sales of chassis	606,956	574,212
Sales of automobile parts, accessories and others	107,154	131,205
Total	2,414,401	2,571,050

Except for export sales to countries outside the PRC amounting to approximately RMB12,305,000 (2018: RMB860,000), all other sales of the Group are made to customers located in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION (CONTINUED)

(i) Disaggregation of revenue from contracts with customers (Continued)

Set out below is the reconciliation of the revenue from contracts with customers disclosed in the segment information:

	Light-duty trucks RMB'000 (unaudited)	Multi-purposes vehicles RMB'000 (unaudited)	Pick-up trucks RMB'000 (unaudited)	Medium and heavy-duty trucks RMB'000 (unaudited)	Automobile parts and accessories RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Six months ended 30 June 2019						
Sales of light-duty trucks	653,725	-	-	-	-	653,725
Sales of multi-purposes vehicles	-	76	-	-	-	76
Sales of pick-up trucks	-	-	569,071	-	-	569,071
Sales of medium and heavy-duty trucks	-	-	-	477,419	-	477,419
Sales of chassis	546,358	-	27,064	33,534	-	606,956
Sales of automobile parts, accessories and others	-	-	-	-	107,154	107,154
Revenue	1,200,083	76	596,135	510,953	107,154	2,414,401
Six months ended 30 June 2018						
Sales of light-duty trucks	685,197	-	-	-	-	685,197
Sales of multi-purposes vehicles	-	314	-	-	-	314
Sales of pick-up trucks	-	-	717,457	-	-	717,457
Sales of medium and heavy-duty trucks	-	-	-	462,665	-	462,665
Sales of chassis	486,768	-	25,098	62,346	-	574,212
Sales of automobile parts, accessories and others	-	-	-	-	131,205	131,205
Revenue	1,171,965	314	742,555	525,011	131,205	2,571,050

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION (CONTINUED)

(ii) 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) review the segment information by these categories to allocate resources to segments and to assess their performance.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION (CONTINUED)

(ii) Segment information (Continued)

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 2019

	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	1,200,083	76	596,135	510,953	107,154	2,414,401
Result						
Segment profit	156,583	(13)	43,113	20,861	9,693	230,237
Central administration costs						(17,868)
Research costs						(85,307)
Impairment losses, net of reversal						(116)
Interest income						97,085
Other income						22,528
Other gains and losses, net						(730)
Finance costs						(2,059)
Share of profit of an associate						319
Share of profit of joint ventures						1,279
Group's profit before tax						245,368

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION (CONTINUED)

(ii) Segment information (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2018

	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	1,171,965	314	742,555	525,011	131,205	2,571,050
Result						
Segment profit	169,336	19	77,003	38,979	11,456	296,793
Central administration costs						(13,785)
Research costs						(86,754)
Impairment losses, net of reversal						30
Interest income						93,152
Other income						23,328
Other gains and losses, net						(12,161)
Provision for litigation						(80,000)
Share of profit of an associate						257
Share of profit of joint ventures						17,162
Group's profit before tax						238,022

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION (CONTINUED)

(ii) Segment information (Continued)

Segment revenue and results (Continued)

There have been no inter-segment sales during the six months ended 30 June 2019 (2018: Nil).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION (CONTINUED)

(ii) Segment information (Continued)

Segment assets and liabilities

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

As at 30 June 2019

	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	1,308,530	-	689,374	1,118,740	223,375	3,340,019
Interchangeably used assets between segments						
- inventories						264,915
- property, plant and equipment						139,039
- right-of-use assets						25,242
Investment properties						43,080
Interest in an associate						8,120
Interests in joint ventures						503,047
Restricted bank balances, bank deposits, bank balances and cash						6,132,752
Other unallocated assets						212,639
Consolidated total assets						10,668,853
Liabilities						
Segment liabilities	239,610	-	118,988	156,827	-	515,425
Unallocated trade, bills and other payables						2,114,644
Unallocated provision for litigation						81,960
Other unallocated liabilities						13,571
Consolidated total liabilities						2,725,600

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION (CONTINUED)

(ii) Segment information (Continued)

Segment assets and liabilities (Continued)

As at 31 December 2018

	Light-duty trucks RMB'000 (unaudited)	Multi- purposes vehicles RMB'000 (unaudited)	Pick-up trucks RMB'000 (unaudited)	Medium and heavy-duty trucks RMB'000 (unaudited)	Automobile parts and accessories RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Assets						
Segment assets	1,455,922	-	753,808	1,318,500	286,841	3,815,071
Interchangeably used assets between segments						
- inventories						181,421
- property, plant and equipment						208,446
- prepaid lease payments						38,060
Investment properties						28,901
Interest in an associate						7,801
Interests in joint ventures						501,768
Restricted bank balances, bank deposits, bank balances, and cash						5,868,590
Other unallocated assets						243,193
Consolidated total assets						10,893,251
Liabilities						
Segment liabilities	365,257	-	187,546	152,283	-	705,086
Unallocated trade, bills and other payables						1,967,463
Unallocated provision for litigation						80,000
Other unallocated liabilities						16,588
Consolidated total liabilities						2,769,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

3. REVENUE/SEGMENT INFORMATION (CONTINUED)

(ii) Segment information (Continued)

Segment assets and liabilities (Continued)

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, bank balances and cash 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, unallocated provision for litigation and other unallocated liabilities of the head office.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 <i>RMB'000</i> (unaudited)
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	134,509	127,378
Retirement benefits scheme contributions	20,875	17,752
Total staff costs (including directors' and supervisors' remuneration)	155,384	145,130
Staff costs capitalised in inventories	(47,227)	(38,203)
	108,157	106,927
(Gain) loss on disposal of property, plant and equipment, net	(336)	3,237
Amortisation of intangible assets (included in administrative expenses and research costs)	17,687	13,218
Depreciation of property, plant and equipment	19,630	24,807
Less: Capitalised in inventories	(6,329)	(12,281)
	13,301	12,526

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

4. PROFIT BEFORE TAX (CONTINUED)

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 <i>RMB'000</i> (unaudited)
Depreciation of investment properties	1,233	1,008
Depreciation of right-of-use assets	1,761	–
Release of prepaid lease payments	–	691
Minimum lease payments under operating lease in respect of rented premises and production facilities	–	17,353
Expenses relating to short-term leases	17,140	–
Net foreign exchange losses	3,548	8,844
Cost of inventories recognised as cost of sales	1,974,535	2,093,041
Interest income from bank deposits and balances	(97,085)	(93,152)
Income from renting investment properties	(2,913)	(2,948)
Less: Direct operating expenses from investment properties that generated rental income during the period	1,350	1,362
	(1,563)	(1,586)
Income from renting equipment	(19,055)	(19,748)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current tax	19,631	31,201
Under provision in respect of prior year	1,150	2,133
Deferred tax	8,285	7,079
Total income tax expense charged for the period	29,066	40,413

According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the State Administration of Taxation No. 12 [2012]) and the Catalogue of Industries Encouraged to Develop in the Western Region (Order of the National Development and Reform Commission No. 15), companies located in the western region of the PRC and engaged in the businesses encouraged by the PRC government are entitled to the preferential enterprise income tax ("EIT") rate of 15% if 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 2019, and therefore continue to enjoy the preferential EIT rate of 15% for the current period.

重慶慶鈴技術中心, a subsidiary of the Company, is subject to EIT rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25% (unaudited)).

慶鈴(深圳)新能源汽車銷售服務有限公司, a new subsidiary of the Company established in August 2018, is subject to EIT rate of 25% for the six months ended 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

6. DIVIDEND

During the current interim period, a final dividend of RMB0.16 per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: RMB0.16 per share (unaudited) in respect of the year ended 31 December 2017) 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 2018: RMB397,163,000 (unaudited)).

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil (unaudited)).

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	
	2019 RMB'000 (unaudited)	2018 <i>RMB'000</i> (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	212,579	195,366

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

7. EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2019 '000 (unaudited)	2018 '000 (unaudited)
Number of shares		
Number of shares for the purpose of basic earnings per share	2,482,268	2,482,268

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB26,576,000 (six months ended 30 June 2018: RMB23,521,000 (unaudited)) and disposed of property, plant and equipment with net carrying amount of RMB239,000 (six months ended 30 June 2018: RMB3,752,000 (unaudited)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade receivables, less allowance for credit losses	154,164	194,480
Bills receivable	1,921,526	2,425,588
Dividends receivable from 慶鈴五十鈴(重慶)發動機有限公司 ("Qingling Isuzu Engine")	22,203	22,203
Other receivables, less allowance for credit losses	15,143	11,906
Prepayments for raw materials	87,243	102,081
	2,200,279	2,756,258

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 3 months	95,205	174,530
Between 3 to 6 months	10,922	3,029
Between 7 to 12 months	34,539	2,945
Over 1 years	13,498	13,976
	154,164	194,480

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 month	476,937	608,013
Between 1 to 2 months	253,649	541,558
Between 2 to 3 months	278,309	315,727
Between 3 to 6 months	749,641	960,290
Between 6 to 12 months	162,990	–
	1,921,526	2,425,588

All the above bills receivable are guaranteed by banks and their maturity dates are within 12 months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
The ultimate holding company of the Company – 慶鈴汽車(集團)有限公司 ("Qingling Group")	13,455	95,410
Subsidiaries of Qingling Group	11,074	11,069
Associate of the Group – 五十鈴慶鈴(重慶)技術開發有限公司 ("Isuzu Qingling Engineering")	117	48
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")	16,375	10,370
Qingling Isuzu Engine	22,300	57,403
	63,321	174,300

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

Details of the impairment assessment are set out in note 10.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

10. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	Six months ended 30 June	
	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)
Impairment loss recognised (reversed) in respect of		
Trade receivables	95	(26)
Other receivables	21	(4)
	116	(30)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

11. BANK DEPOSITS WITH ORIGINAL MATURITY MORE THAN THREE MONTHS

The fixed bank deposits are with a term of 3 to 12 months (31 December 2018: 3 to 12 months (audited)) and carry interest rates ranging from 2.175% to 4.650% (31 December 2018: from 0.80% to 5.10% (audited)) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

Bank deposits, bank balances and cash

Bank deposits, bank balances carry interest at market rates which range from 0.0001% to 0.385% (31 December 2018: from 0.0001% to 4.5% (audited)) per annum.

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 16.

13. TRADE, BILLS AND OTHER PAYABLES

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Trade and bills payables	1,935,940	1,751,638
Selling expenses payables	197,333	200,954
Other payables	209,840	189,099
Value added tax payables	20,315	28,162
	2,363,428	2,169,853

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

13. TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

At the end of the reporting period, the age analysis of trade and bills payables of the Group based on purchase date/bills issue date is as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 3 months	1,781,815	1,529,723
Between 3 to 6 months	138,715	214,380
Between 7 to 12 months	8,410	1,255
Over 1 year	7,000	6,280
	1,935,940	1,751,638

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

13. TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Substantial shareholder of the Company – 五十鈴自動車株式会社 ("Isuzu Motors Limited") ("Isuzu")*	87,023	84,142
Subsidiaries of Qingling Group	49,879	65,870
Qingling Isuzu Engine	23,613	65,698
Qingling Group	31,849	5
Qingling Isuzu Sales	783	–
	193,147	215,715

* 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 related parties are trade in nature, unsecured, interest-free and the credit period granted on purchases of materials is 3 to 6 months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 its subsidiaries

Type of transactions	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Sales of chassis to Qingling Group	606,956	574,212
Sales of automobile parts and others to:		
– 重慶慶鈴鑄造有限公司 ("Qingling Casting")	10,612	11,836
– 重慶慶鈴車橋有限公司 ("Qingling Axle")	4,820	7,143
– 重慶慶鈴日發座椅有限公司 ("Qingling Chair")	3,803	4,978
– 重慶慶鈴汽車底盤部品有限公司 ("Qingling Chassis")	1,025	1,598
– 重慶慶鈴汽車機加部品製造有限公司 ("Qingling Jijia")	1,020	1,145
– 重慶慶鈴鍛造有限公司 ("Qingling Forging")	953	1,154
– 重慶慶鈴專用汽車有限公司 ("Qingling Zhuanyong")	753	2,224
– 重慶慶鈴鑄鋁有限公司 ("Qingling Cast Aluminium")	759	611
– 重慶慶鈴塑料有限公司 ("Qingling Plastics")	574	814
– Qingling Group	13	709

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(1) Transactions with Qingling Group and its subsidiaries (Continued)

Type of transactions	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Purchases of automobile parts and other from:		
– Qingling Axle	179,370	230,664
– Qingling Chair	26,376	34,668
– Qingling Plastics	25,933	32,781
– Qingling Forging	16,566	19,587
– Qingling Casting	12,405	13,858
– Qingling Cast Aluminium	4,312	5,373
– Qingling Jijia	2,888	4,564
– Qingling Chassis	2,017	2,354
– Qingling Zhuanyong	1,655	2,423

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(1) Transactions with Qingling Group and its subsidiaries (Continued)

Type of transactions	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Rental expenses for renting warehouse to <i>(Note)</i> :		
– Qingling Group	4,094	4,074
Rental expenses for renting building to <i>(Note)</i> :		
– Qingling Group	415	415
Rental expenses for renting equipment to <i>(Note)</i> :		
– Qingling Forging	10,073	10,016
– Qingling Group	437	435
Rental income for leasing equipment from:		
– Qingling Axle	129	219
Service fee income:		
– Qingling Group	624	925

Note: As at 1 January 2019, the remaining lease terms of these leases were within 12 months and the Group has applied practical expedient not to recognise right-of-use assets and lease liabilities, and the lease payments are recognised as expense on a straight-line basis during the current interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(2) Transactions with Isuzu

Type of transactions	Six months ended 30 June	
	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)
Purchase of automobile parts and components	166,600	265,655
Royalties and licence fee paid on sales of trucks and other vehicles	8,854	8,251
Sales of accessory sets and other automobile parts and components	2,161	–
Research expenses	1,989	–
Marketing fee received	1,239	6,064
Sales of trucks	760	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(3) Transactions with Qingling Isuzu Engine

Type of transactions	Six months ended 30 June	
	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)
Purchases of automobile parts and raw materials	493,910	643,139
Sales of automobile parts and raw materials	352,348	389,901
Rental income from leasing equipment	18,926	19,586
Rental income for investment properties	2,136	2,124
Miscellaneous service income	1,165	496
Collaborative processing income	11	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(4) Transactions with Qingling Isuzu Sales

Type of transactions	Six months ended 30 June	
	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)
Sales of trucks and automobile parts	8,181	12,333
Rental income for investment properties	777	771
Miscellaneous service income	1	5

(5) Transactions with Isuzu Qingling Engineering

Type of transactions	Six months ended 30 June	
	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (unaudited)
Miscellaneous service income	713	1,100
Sales of automobile parts and raw materials	28	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(6) Transactions with 五十鈴慶鈴(重慶)汽車零部件有限公司("Isuzu Qingling Autoparts") (Note)

Type of transactions	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Miscellaneous service income	–	999
Sales of automobile parts and raw materials	–	19,064
Miscellaneous service income	–	999
Purchases of automobile parts and raw materials	–	220

Note: The Group's joint venture (Qingling Isuzu Engine) merged with Isuzu Qingling Autoparts in December 2018.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

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

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 <i>RMB'000</i> (unaudited)
Trade sales	170,477	296,803
Trade purchases	242,289	205,333

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Trade and other balances due to other government-related entities	77,240	88,214
Trade and other balances due from other government-related entities	171,477	224,361

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(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 2019 amounted to approximately RMB1,972,000 (six months ended 30 June 2018: RMB1,875,000 (unaudited)).

15. COMMITMENTS

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	58,575	23,438

16. PROVISION FOR LITIGATION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

16. PROVISION FOR LITIGATION (CONTINUED)

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

The Company received the judgment (the “Judgment”) dated 14 May 2018 from the 深圳市中級人民法院 (transliterated as Shenzhen Intermediate People’s Court, “Shenzhen Court”) on 25 May 2018 (“First Hearing”). Summary of the Judgment is as follows:

- (1) the Customer shall pay Company Y the principal amount of approximately RMB80 million and the interest of the loans;
- (2) related guarantors (guarantor A, guarantor B, guarantee company A and guarantee company B) shall be jointly and severally liable to compensate Company Y in respect of the abovementioned indebtedness of the Customer; and
- (3) the Company shall assume the supplementary compensation liability for the abovementioned indebtedness of the Customer and the aforesaid guarantors. Upon the supplementary repayment, the Company is entitled to recover it from the Customer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

16. PROVISION FOR LITIGATION (CONTINUED)

The Company appealed the Judgment to the 廣東省高級人民法院 (transliterated as Guangdong Province Higher People's Court, "Guangdong Court") ("First Appeal"), and made a provision of RMB80,000,000 for the 2015 Litigation in June 2018.

On 16 August 2019, the Company received the judgment from the Guangdong Court dated 2 August 2019 (the "Appeal Judgment"). The Guangdong Court confirmed the facts as ascertained by the Shenzhen Court in the First Hearing, dismissed the appeal of the Company and upheld the Judgment. As such, the Appeal Judgment rules that (1) the Credit Agreement is valid and effective; (2) the Company shall assume the corresponding supplementary compensation liability; and (3) the litigation fee of approximately RMB490,000 shall be borne by the Company.

After reviewing all documents and contracts related to the 2015 Litigation and taking into account the opinion of the Company's PRC legal adviser, the directors of the Company are of the view that in the Appeal Judgment the facts are not clearly ascertained and the application of the law is incorrect, and thus have decided to appeal to the 中華人民共和國最高人民法院 (transliterated as Supreme People's Court of the PRC).

However, up to the date of issuance of these condensed consolidated financial statements, taking into consideration of the result of the First Appeal, the opinion of the PRC legal adviser and the information currently available to the Company, the directors of the Company have made a provision for the litigation including the interest accretion for the current interim period amounting to RMB81,960,000 as at 30 June 2019 and do not expect that the 2015 Litigation will have any material impact on the overall financial or trading position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

17. EVENT AFTER THE REPORTING PERIOD

On 2 August 2019, the Company and Isuzu entered into the 700P3X (with 4JZ1 150 horsepower National VIb) Technology Development Agreement, pursuant to which the Company engages Isuzu to carry out design alteration related development business for certain vehicles so as to allow equipping such vehicles with 4JZ1 diesel engines and ensure compliance with the relevant National VIb emission regulations and relevant regulations required for certification as well as CAN (Control Area Network) communication specifications and the design alteration related development business for basic vehicles to achieve the CAN communication function, carry out design alteration related development business for NPR sample vehicles and provide technical guidance or research services for a total consideration of Japanese Yen 580,370,000 (equivalent to approximately RMB37,248,000), which is a connected transaction. Up to the date of issuance of these condensed consolidated financial statements, the agreement has not been carried out. Further details of the above transaction were set out in the Company's announcements dated 2 August 2019 and 20 August 2019.

2019 FIRST HALF-YEARLY RESULTS

For the six months ended 30 June 2019, the Group sold 23,107 vehicles, representing a decrease of 4.81% over the corresponding period of the previous year. Sales revenue amounted to RMB2.41 billion, representing a decrease of 6.09% over the corresponding period of the previous year. Profit after tax was RMB216 million, representing an increase of 9.46% over the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

In the first half of the year, the economic environments at home and broad remained complicated and grim. Global economy slowed down amid rising instability and uncertainty, while China's economy faced downward pressure, with acute problems caused by unbalanced and inadequate development still awaiting solutions. In addition, a series of new policies and regulations were introduced to regulate the automobile industry, and automobile sales registered a year-on-year decline for 12 consecutive months under the impact of the macro-economic downturn and new policies and regulations.

In the first half of the year, sales of commercial vehicles in China amounted to 2,196,000, representing a year-on-year decrease of 4.1%. In the face of the complicated external environment, the Company accurately sized up the situation, earnestly implemented the work plan laid down at the beginning of the year, and achieved initial results in all our work thanks to the hard work and concerted efforts of all employees.

1. **Development and mass-production preparation of vehicles that meet National VI emission standards ("National VI vehicles" or "National VI products").** Product development and mass-production preparation have entered the last phase; a normal cost system was set up and implemented to control costs; solid measures were taken to enhance quality management; well-planned efforts were made to capture the market of National VI vehicles.

2. **Progress of 4JZ engine and MYY gearbox projects.** For the 4JZ engine project, the production process plan was drawn up, a team was formed to take charge of the implementation of the project, stroke/cylinder diameter (S/D) ratios were determined and the selection and nomination of suppliers of D parts and components were underway; for the MYY gearbox localization project, the domestically-made prototype are being tested and evaluated, ready for pilot run production.
3. **Development of new energy vehicle business.** The development, trial manufacturing, and application for registration and approval of new models of light, medium and heavyduty trucks were completed; the pre-research of automated driving and other technologies for new energy vehicles was kicked off; the overall performance of the prototype of 700P hydrogen fuel-cell trucks was further improved.
4. **Enhancement of marketing competitiveness.** The Company adjusted its marketing organization by setting up separate marketing teams for heavy-duty and light-duty vehicles, establishing six support offices with well-defined responsibilities and coordinating mechanisms, and beefing up marketing forces. The new organizational system has begun to operate in an orderly manner.

OUTLOOK AND PROSPECTS

In the second half of the year, facing more severe challenges and the problems unresolved in the first half of the year, the Company will focus on the following tasks:

1. **Making an all-out effort to accelerate the pilot run and roll-out of National VI vehicles.** The Company will speed up its efforts in the development, mass-production preparation, quality improvement and cost control for new products, and get everything ready for product launch.
2. **Working out effective countermeasures based on study and analysis of the market and new policies and regulations.** The Company will systematically study and analyze the “11” new policies and regulations, and strengthen survey and research on competing products, markets and users.
3. **Endeavoring to create hot products.** The Company will identify the existing and future demand for major vehicle models; make comparison against competing products and the needs of users, and pool resources to create products that meet the needs of users; keep a close on every tiny aspect of product manufacturing so as to turn hot products into “premium products”; strictly control the costs of hot products, with marketing and business policies tilted in favour of hot products; make great efforts to solve chassis-refitting issues and provide customized chassis according to specific requirements.
4. **Emphasizing product quality.** The Company will close attention to product design and quality, strive to manufacture premium products, and adopt strict quality inspection measures.
5. **Focusing on marketing priorities.** The Company will ensure strict implementation from the “six aspects”, earnestly apply the new marketing policy introduced in the first half of the year, ensure the success of the marketing and promotion and batch sales of National VI products as well the marketing of electric vehicles, and develop an integrated collaborative mechanism, so as to rapidly expand the sales of National VI vehicles and electric vehicles.

6. **Propelling the industrialization of new energy vehicles.** The Company will push forward with the development and trial production of new products. Meanwhile, it will further increase its efforts in business negotiations and cost reduction via technology to boost the competitiveness of electric vehicles in terms of market cost and price and speed up the construction of production, delivery, sales and service capabilities.
7. **Further enhancing cooperation with business partners.** The Company will work closely with Isuzu to accelerate the progress of 4JZ engine, MYY gearbox and other projects.
8. **Ensuring safe, eco-friendly and stable production.** The Company will earnestly perform our responsibilities, and carry out thorough investigation and rectification of safety hazards. It will ensure that effective measures are adopted for fire prevention, flood control and heatstroke prevention, and that environmental protection facilities are in stable and up-to-standard operation, thereby ensuring safety and stability during major events and festivals.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE

For the six months ended 30 June 2019, the revenue of the Group was RMB2,414,401,000, representing a decrease of 6.09% as compared to the corresponding period last year due to the decrease in sales volume and unit price.

Gross profit for the period was RMB439,866,000, representing a decrease of 7.98% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 18.22%, and it was 18.59% for the corresponding period last year. Profit of the Group for the period attributable to owners of the Company was RMB212,579,000, representing an increase of 8.81% as compared to the corresponding period last year.

For the six months ended 30 June 2019, other income mainly included bank interest income and rental income, totaling RMB119,613,000, representing an increase of 2.69% as compared to the corresponding period last year. Bank interest income for the period has been increased comparing with that for previous period.

For the six months ended 30 June 2019, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB117,757,000, representing an increase of 43.65% as compared to the corresponding period last year, mainly due to the increase in business promotion expenses for the period as compared to the corresponding period last year.

For the six months ended 30 June 2019, the total administrative expenses of the Group mainly including staff's salaries and allowance, insurance premium, maintenance fees and other administrative expenses, were RMB109,740,000, which is comparable with the corresponding period last year.

For the six months ended 30 June 2019, the share of results of an associate and joint ventures to the Group was RMB1,598,000, representing a decrease of 90.83% as compared to the corresponding period last year, principally due to the absorption and merger of 五十鈴慶鈴(重慶)汽車零部件有限公司(transliterated as Isuzu QingLing Autoparts) by Qingling Isuzu Engine on 29 December 2018, which resulting in: a. the Company's shareholding in the Qingling Isuzu Engine decreased from 50% to 19.33%; b. the fixed costs increased and the acquisition synergies have not come into play in the short term.

For the six months ended 30 June 2019, basic earnings per share was RMB0.09. The Company did not issue any new shares during the period.

FINANCIAL POSITION

As at 30 June 2019, the total assets and total liabilities of the Group were RMB10,668,853,000 and RMB2,725,600,000 respectively.

The non-current assets were RMB1,603,656,000, mainly including property, plant and equipment, interests in joint ventures and intangible assets.

The total current assets amounted to RMB9,065,197,000, mainly including RMB726,218,000 of inventories, RMB2,200,279,000 of trade, bills and other receivables and prepayments, RMB4,461,042,000 of bank deposits with original maturity more than three months and RMB1,671,710,000 of bank deposits and bank balances (including restricted bank balances of RMB79,999,000) and cash.

The total current liabilities amounted to RMB2,716,008,000, mainly including trade, bills and other payables of RMB2,363,428,000, provision of litigation of RMB81,960,000, contract liabilities of RMB183,362,000 and refund liabilities of RMB83,279,000.

As at 30 June 2019, the group's non-current liability amount to RMB9,592,000 which mainly includes the government grants subsidising the Group's equipment for the environmental protection.

Net current assets fell from RMB6,595,893,000 as at 31 December 2018 to RMB6,349,189,000 as at 30 June 2019, representing a decrease of 3.74%.

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 2019 was 34.31% (as at 31 December 2018: 34.09%).

Issued share capital as at 30 June 2019 maintained at RMB2,482,268,000 and no share was issued during this period of six months.

For the six months ended 30 June 2019, 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 2019 was RMB7,629,289,000. 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 2019 was RMB3.07.

SIGNIFICANT INVESTMENT

As at 30 June 2019, the Group's interests in joint ventures were RMB503,047,000 and interest in an associate was RMB8,120,000 which mainly included the interest in Qingling Isuzu Engine, a joint venture, of RMB444,995,000. For the six months ended 30 June 2019, the joint ventures and associate of the Group were under normal operation. The revenue of Qingling Isuzu Engine decreased for the six months ended 30 June 2019 from the corresponding period last year that was mainly attributable to decrease in market demand.

During the period ended 30 June 2019, there were no significant acquisition and disposal of the Group.

SEGMENT INFORMATION

The revenue contributed by light-duty trucks and pick-up trucks were RMB1,200,083,000 and RMB596,135,000 respectively, representing 74.40% of the total revenue and 86.73% 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 RMB510,953,000, representing 21.16% of the total revenue. The profit from operation attributable to them was RMB20,861,000, accounting for 9.06% of the segment profit.

PLEDGE OF ASSETS

During the period ended 30 June 2019, no asset of the Group was pledged for financial facilities (during the period ended 30 June 2018: Nil).

EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

As at 30 June 2019, the Group had bank balances of foreign currency of RMB62,851,000 and foreign currency payables and other payables of RMB86,988,000.

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 2019, the Group had capital commitments of RMB58,575,000 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 has resolved not to declare an interim dividend for the six months ended 30 June 2019 (for the period ended 30 June 2018: nil).

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

During the six months ended 30 June 2019, 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 2019, the Group had 3,000 employees. For the six months ended 30 June 2019, labour cost was RMB155,384,000. 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 2019, the Group has not sold any staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

- (1) As at 30 June 2019, the entire share capital of the Company comprised 2,482,268,268 shares, including:

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

(2) SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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	90,002,000 shares <i>(Note)</i>	Interest of controlled corporation	7.27%	3.63%
Edeboston 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 GmbH	Allianz SE	100%	-	90,002,000
Allianz Global Investors GmbH	Allianz Asset Management GmbH	100%	-	90,002,000
Allianz Global Investors Asia Pacific Limited	Allianz Global Investors GmbH	100%	90,002,000	-

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 2019.

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

As at 30 June 2019, 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 2019, 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 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 2019, 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

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 2019.

EVENTS AFTER THE LATEST ANNUAL REPORT

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

The interim results for the six months ended 30 June 2019 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 Accountants. The interim results have also been reviewed by the audit committee of the Company.

CHANGE IN DIRECTOR’S INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, during the period from 27 March 2019 (as the date of approval of the 2018 Annual Report of the Company) to 29 August 2019 (as the date of approval of the 2019 Interim Report of the Company), changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are as follows:

1. Mr. OTA Masanori resigned as an executive director of the Company with effect from 30 May 2019.
2. Mr. LI Xiaodong was appointed as an executive director of the Company with effect from 30 May 2019.
3. Mr. ADACHI Katsumi was appointed as an executive director of the Company with effect from 26 July 2019.

PUBLICATION OF FINANCIAL INFORMATION

The Company’s 2019 interim report containing all the financial information required by the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qingling.com.cn) in due course.

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

Chongqing, the PRC, 29 August 2019

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

LUO Yuguang (*Chairman*)

HAYASHI Shuichi (*Vice Chairman and General Manager*)

MAEGAKI Keiichiro

OTA Masanori (resigned on 30 May 2019)

ADACHI Katsumi (appointed on 26 July 2019)

LI Juxing

XU Song

LI Xiaodong (appointed on 30 May 2019)

Independent Non-executive Directors:

LONG Tao

SONG Xiaojiang

LIU Tianni

LIU Erh Fei

SUPERVISORS

MIN Qing

LEI Bin (resigned on 30 May 2019)

ZHANG Yongning (appointed on 30 May 2019)

COMPANY SECRETARY

responsible for PRC affairs: ZOU Guanghua (resigned on 30 May 2019)

LEI Bin (appointed on 30 May 2019)

responsible for Hong Kong affairs: TUNG Tat Chiu Michael

AUDIT COMMITTEE

SONG Xiaojiang (*Committee Chairman*)

LONG Tao

LIU Erh Fei

LIU Tianni

REMUNERATION COMMITTEE

SONG Xiaojiang (*Committee Chairman*)

LUO Yuguang

LONG Tao

LIU Erh Fei

LIU Tianni

NOMINATION COMMITTEE

LUO Yuguang (*Committee Chairman*)

LONG Tao

SONG Xiaojiang

LIU Erh Fei

LIU Tianni

CORPORATE INFORMATION AVAILABLE AT

Qingling Motors Co. Ltd

LEGAL ADDRESS

1 Xiexing Cun

Zhongliangshan

Jiulongpo District

Chongqing

the People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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H SHARE LISTING PLACE

The Stock Exchange of Hong Kong Limited
Stock code: 1122

PRINCIPAL BANKERS

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Industrial and Commercial Bank of China, Huafu Road Branch
Industrial Bank, Business Department of Chongqing Branch
China CITIC Bank, Jiangbei Sub-branch

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** for identification purpose only*