



# 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

## 2023 Interim Report



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

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## **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 49, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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  
30 August 2023

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

For the six months ended 30 June 2023

	NOTES	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Revenue</b>	4	<b>1,933,895</b>	1,917,823
Cost of sales		<b>(1,766,278)</b>	(1,742,636)
Gross profit		<b>167,617</b>	175,187
Other income		<b>129,954</b>	154,273
Other expenses		<b>(4,325)</b>	(4,785)
Other gains and losses, net		<b>(4,759)</b>	3,975
Distribution and selling expenses		<b>(105,006)</b>	(95,794)
Administrative expenses		<b>(95,288)</b>	(95,672)
Research expenses		<b>(83,632)</b>	(99,457)
Finance costs		<b>(806)</b>	(3,435)
Share of results of associates		<b>(468)</b>	(3,159)
Share of results of joint ventures		<b>1,646</b>	(3,764)
<b>Profit before tax</b>	5	<b>4,933</b>	27,369
Income tax credit	6	<b>7,091</b>	7,215
<b>Profit and total comprehensive income for the period</b>		<b>12,024</b>	34,584
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>6,915</b>	28,947
Non-controlling interests		<b>5,109</b>	5,637
		<b>12,024</b>	34,584
		<b>RMB cents</b>	RMB cents
Basic earnings per share	8	<b>0.28</b>	1.17

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At 30 June 2023 <b>RMB'000</b> (unaudited)	At 31 December 2022 <b>RMB'000</b> (audited)
	<i>NOTES</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>1,196,885</b>	1,153,221
Right-of-use assets		<b>52,096</b>	61,126
Investment properties		<b>18,816</b>	18,956
Intangible assets		<b>136,970</b>	154,997
Interests in associates		<b>43,324</b>	43,792
Interests in joint ventures		<b>485,380</b>	486,526
Finance lease receivables		<b>3,030</b>	–
Deferred tax assets		<b>64,139</b>	53,779
Time deposits	11	<b>3,092,158</b>	1,499,018
Deposit paid for property, plant and equipment		<b>364</b>	186
		<b>5,093,162</b>	3,471,601
<b>Current assets</b>			
Inventories		<b>1,292,177</b>	1,418,835
Finance lease receivables		<b>477</b>	–
Trade, bills and other receivables and prepayments	10	<b>1,817,829</b>	1,557,481
Tax recoverable		<b>12,448</b>	12,448
Time deposits	11	<b>957,943</b>	2,915,887
Cash and cash equivalents		<b>750,112</b>	972,924
		<b>4,830,986</b>	6,877,575

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023

		At 30 June 2023 <b>RMB'000</b> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
<b>Current liabilities</b>			
Trade, bills and other payables	12	<b>1,813,305</b>	1,973,545
Tax liabilities		<b>2,712</b>	4,263
Contract liabilities		<b>195,352</b>	478,958
Refund liabilities		<b>73,420</b>	59,115
Lease liabilities		<b>13,146</b>	14,812
		<b>2,097,935</b>	2,530,693
<b>Net current assets</b>		<b>2,733,051</b>	4,346,882
<b>Total assets less current liabilities</b>		<b>7,826,213</b>	7,818,483
<b>Capital and reserves</b>			
Share capital		<b>2,482,268</b>	2,482,268
Share premium and reserves		<b>4,976,719</b>	4,969,804
Equity attributable to owners of the Company		<b>7,458,987</b>	7,452,072
Non-controlling interests		<b>339,034</b>	333,925
<b>Total equity</b>		<b>7,798,021</b>	7,785,997
<b>Non-current liabilities</b>			
Lease liabilities		<b>23,542</b>	27,361
Deferred income – government grants		<b>4,650</b>	5,125
		<b>28,192</b>	32,486
		<b>7,826,213</b>	7,818,483

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2023 (audited)</b>	<b>2,482,268</b>	<b>1,764,905</b>	<b>571,200</b>	<b>1,236,497</b>	<b>2,347</b>	<b>1,394,855</b>	<b>7,452,072</b>	<b>333,925</b>	<b>7,785,997</b>
Profit and total comprehensive income for the period	-	-	-	-	-	6,915	6,915	5,109	12,024
<b>At 30 June 2023 (unaudited)</b>	<b>2,482,268</b>	<b>1,764,905</b>	<b>571,200</b>	<b>1,236,497</b>	<b>2,347</b>	<b>1,401,770</b>	<b>7,458,987</b>	<b>339,034</b>	<b>7,798,021</b>
<b>At 1 January 2022 (audited)</b>	<b>2,482,268</b>	<b>1,764,905</b>	<b>571,200</b>	<b>1,236,497</b>	<b>2,347</b>	<b>1,682,480</b>	<b>7,739,697</b>	<b>327,525</b>	<b>8,067,222</b>
Profit and total comprehensive income for the period	-	-	-	-	-	28,947	28,947	5,637	34,584
2021 final dividends declared (Note 7)	-	-	-	-	-	(273,050)	(273,050)	-	(273,050)
<b>At 30 June 2022 (unaudited)</b>	<b>2,482,268</b>	<b>1,764,905</b>	<b>571,200</b>	<b>1,236,497</b>	<b>2,347</b>	<b>1,438,377</b>	<b>7,495,594</b>	<b>333,162</b>	<b>7,828,756</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	<b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited) (restated)
<b>Operating activities</b>		
Operating cash flows before movements in working capital	<b>(21,713)</b>	22,623
Decrease (increase) in inventories	<b>126,658</b>	(264,517)
(Increase) decrease in trade, bills and other receivables and prepayments	<b>(295,757)</b>	1,068,580
Decrease in trade, bills and other payables	<b>(131,203)</b>	(5,689)
Decrease in contract liabilities	<b>(283,606)</b>	(316,894)
Increase (decrease) in refund liabilities	<b>14,305</b>	(18,580)
Other operating activities	<b>(8,320)</b>	672
<b>Net cash (used in) from operating activities</b>	<b>(599,636)</b>	486,195
<b>Investing activities</b>		
Purchases of property, plant and equipment	<b>(60,398)</b>	(109,179)
Purchases of intangible assets	<b>(41,851)</b>	–
Withdrawal of time deposits	<b>2,570,000</b>	326,000
Placement of time deposits	<b>(2,242,000)</b>	(840,000)
Interest received	<b>110,712</b>	70,904
Proceeds on disposal of property, plant and equipment	–	5
Advances to Qingling Group (as defined in <i>Note 10</i> )	<b>(179,338)</b>	–
Repayments of advance to Qingling Group	<b>231,129</b>	–
<b>Net cash from (used in) investing activities</b>	<b>388,254</b>	(552,270)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2023



	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited) (restated)
<hr/>		
<b>Financing activities</b>		
Dividends paid	–	(273,050)
Repayments of lease liabilities	<b>(5,485)</b>	(11,340)
Payments of interest expense	<b>(806)</b>	(3,435)
<hr/>		
<b>Net cash used in financing activities</b>	<b>(6,291)</b>	(287,825)
<hr/>		
<b>Net decrease in cash and cash equivalents</b>	<b>(217,673)</b>	(353,900)
<b>Cash and cash equivalents at 1 January</b>	<b>972,924</b>	1,673,977
<b>Effect of foreign exchange rate changes</b>	<b>(5,139)</b>	(25,409)
<hr/>		
<b>Cash and cash equivalents at 30 June, represented by cash and cash equivalents</b>	<b>750,112</b>	1,294,668

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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 change in accounting policies resulting from application of 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 2023 are the same as those presented in 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 2022.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, the application of the new and amendments to HKFRSs in the current interim 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 2023

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### 2.1 Impacts on application of HKFRS 17 (including the October 2020 and February 2022 Amendments) Insurance Contracts

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 defines an insurance contract as a contract under which the Group accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Certain contracts entered into by the Group, which is assurance type warranty to customers, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current period had no material impact on the condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

##### 2.2.1 Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

##### 2.2.1 Accounting policies (Continued)

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- i the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- ii the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of RMB6,326,000 and deferred tax liabilities of RMB6,318,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 3. PRIOR PERIOD ADJUSTMENT

In preparing the condensed consolidated financial statements for the six months ended 30 June 2023, certain cash flows for proceeds from discounting bank acceptance bills without recourse that should be recorded in operating activities have been recorded in financing activities in condensed consolidated statement of cash flows for the six months ended 30 June 2022.

Prior period adjustment is made. The effect of the above prior period adjustment and reclassification on the condensed consolidated financial statements for the six months ended 30 June 2022 by line items are summarised as follows:

#### Impact on condensed consolidated statement of cash flow for the six months ended 30 June 2022

	2022 <i>RMB'000</i> (Previously stated)	Adjustment <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Operating activities			
Net cash (used in) from operating activities	(40,551)	526,746	486,195
Investing activities			
Net cash used in investing activities	(552,270)	–	(552,270)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 3. PRIOR PERIOD ADJUSTMENT (CONTINUED)

	2022 RMB'000 (Previously stated)	Adjustment RMB'000	2022 RMB'000 (Restated)
Financing activities			
Dividends paid	(273,050)	–	(273,050)
Repayments of lease liabilities	(11,340)	–	(11,340)
Proceeds from discounting bank acceptance bills without recourse	526,746	(526,746)	–
Payments of interest expense	(3,435)	–	(3,435)
Net cash from (used in) financing activities	238,921	(526,746)	(287,825)
Net decrease in cash and cash equivalents	(353,900)	–	(353,900)
Cash and cash equivalents at 1 January	1,673,977	–	1,673,977
Effect of foreign exchange rate changes	(25,409)	–	(25,409)
Cash and cash equivalents at 30 June, represented by cash and cash equivalents	1,294,668	–	1,294,668

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 4. REVENUE/SEGMENT INFORMATION

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

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Types of goods</b>		
Sales of light-duty trucks	<b>807,520</b>	807,647
Sales of pick-up trucks	<b>368,470</b>	257,992
Sales of medium and heavy-duty trucks	<b>381,095</b>	274,339
Sales of chassis	<b>247,090</b>	449,542
Sales of automobile parts, accessories and others	<b>129,720</b>	128,303
<b>Total</b>	<b>1,933,895</b>	1,917,823

Except for export sales to countries outside the People's Republic of China (the "PRC") amounting to RMB51,974,000 (six months ended 30 June 2022: RMB31,080,000 (unaudited)), 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 2023

### 4. 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 and chassis	Pick-up trucks and chassis	Medium and heavy-duty trucks and chassis	Automobile parts, accessories and others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Six months ended 30 June 2023</b>					
Sales of light-duty trucks	807,520	-	-	-	807,520
Sales of pick-up trucks	-	368,470	-	-	368,470
Sales of medium and heavy-duty trucks	-	-	381,095	-	381,095
Sales of chassis	235,859	2,982	8,249	-	247,090
Sales of automobile parts, accessories and others	-	-	-	129,720	129,720
Revenue	1,043,379	371,452	389,344	129,720	1,933,895

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 4. REVENUE/SEGMENT INFORMATION (CONTINUED)

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

	Light-duty trucks and chassis	Pick-up trucks and chassis	Medium and heavy-duty trucks and chassis	Automobile parts, accessories and others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Six months ended 30 June 2022</b>					
Sales of light-duty trucks	807,647	-	-	-	807,647
Sales of pick-up trucks	-	257,992	-	-	257,992
Sales of medium and heavy-duty trucks	-	-	274,339	-	274,339
Sales of chassis	429,369	943	19,230	-	449,542
Sales of automobile parts, accessories and others	-	-	-	128,303	128,303
Revenue	1,237,016	258,935	293,569	128,303	1,917,823

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 4. REVENUE/SEGMENT INFORMATION (CONTINUED)

#### (ii) Segment information

The Group is engaged in the manufacture and sales of four categories of products, light-duty trucks and chassis, pick-up trucks and chassis, medium and heavy-duty trucks and chassis and automobile parts, accessories and others, 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 operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 4. 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 operating and reportable segments:

Six months ended 30 June 2023

	Light-duty trucks and chassis RMB'000 (unaudited)	Pick-up trucks and chassis RMB'000 (unaudited)	Medium and heavy-duty trucks and chassis RMB'000 (unaudited)	Automobile parts, accessories and others RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Segment revenue	1,043,379	371,452	389,344	129,720	1,933,895
Result					
Segment profit (loss)	8,284	(11,218)	6,160	437	3,663
Central administration costs					(36,340)
Other income					129,954
Other expenses					(4,325)
Other gains and losses, net					(4,759)
Research expenses					(83,632)
Finance costs					(806)
Share of results of associates					(468)
Share of results of joint ventures					1,646
Profit before tax					4,933

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 4. REVENUE/SEGMENT INFORMATION (CONTINUED)

#### (ii) Segment information (Continued)

##### **Segment revenue and results (Continued)**

Six months ended 30 June 2022

	Light-duty trucks and chassis <i>RMB '000</i> (unaudited)	Pick-up trucks and chassis <i>RMB '000</i> (unaudited)	Medium and heavy-duty trucks and chassis <i>RMB '000</i> (unaudited)	Automobile parts, accessories and others <i>RMB '000</i> (unaudited)	Consolidated <i>RMB '000</i> (unaudited)
Segment revenue	1,237,016	258,935	293,569	128,303	1,917,823
Result					
Segment profit (loss)	5,854	(15,570)	(1,502)	9,946	(1,272)
Central administration costs					(15,007)
Other income					154,273
Other expenses					(4,785)
Other gains and losses, net					3,975
Research expenses					(99,457)
Finance costs					(3,435)
Share of results of associates					(3,159)
Share of results of joint ventures					(3,764)
Profit before tax					27,369

There have been no inter-segment sales during the six months ended 30 June 2023 and 2022 (unaudited).

Segment profit (loss) represents the profit earned by (loss incurred from) each segment without allocation of central administration costs, other income, other expenses, other gains and losses, net, research expenses, finance costs, share of results of associates 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 4. 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 and reportable segment:

As at 30 June 2023

	Light-duty trucks and chassis RMB'000 (unaudited)	Pick-up trucks and chassis RMB'000 (unaudited)	Medium and heavy-duty trucks and chassis RMB'000 (unaudited)	Automobile parts, accessories and others RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
<b>Assets</b>					
Segment assets	1,392,943	562,800	767,470	368,283	3,091,496
Interchangeably used assets between segments					
– property, plant and equipment					418,746
– right-of-use assets					52,096
– inventories					477,311
Investment properties					18,816
Interests in associates					43,324
Interests in joint ventures					485,380
Cash and cash equivalents and time deposits					4,800,213
Other unallocated assets					536,766
Consolidated total assets					9,924,148
<b>Liabilities</b>					
Segment liabilities	253,491	84,430	87,676	-	425,597
Unallocated trade, bills and other payables					1,656,480
Unallocated lease liabilities					36,688
Other unallocated liabilities					7,362
Consolidated total liabilities					2,126,127

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 4. REVENUE/SEGMENT INFORMATION (CONTINUED)

#### (ii) Segment information (Continued)

##### *Segment assets and liabilities (Continued)*

As at 31 December 2022

	Light-duty trucks and chassis <i>RMB '000</i> (audited)	Pick-up trucks and chassis <i>RMB '000</i> (audited)	Medium and heavy-duty trucks and chassis <i>RMB '000</i> (audited)	Automobile parts, accessories and others <i>RMB '000</i> (audited)	Consolidated <i>RMB '000</i> (audited)
<b>Assets</b>					
Segment assets	1,247,884	491,460	804,351	288,174	2,831,869
Interchangeably used assets between segments					
– property, plant and equipment					426,996
– right-of-use assets					61,126
– inventories					376,669
Investment properties					18,956
Interests in associates					43,792
Interests in joint ventures					486,526
Cash and cash equivalents and time deposits					5,387,829
Other unallocated assets					715,413
Consolidated total assets					10,349,176
<b>Liabilities</b>					
Segment liabilities	451,127	114,037	164,402	–	729,566
Unallocated trade, bills and other payables					
Unallocated lease liabilities					1,782,052
Other unallocated liabilities					42,173
Consolidated total liabilities					9,388
Consolidated total liabilities					2,563,179

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 4. 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 and reportable segments other than interchangeably used assets between segments, investment properties, interests in associates, interests in joint ventures, cash and cash equivalents and time deposits and other unallocated assets held by the head office; and
- All liabilities are allocated to operating and reportable segments other than unallocated trade, bills and other payables, unallocated lease liabilities and other unallocated liabilities of the head office.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 5. PROFIT BEFORE TAX

	<b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	2022 RMB'000 (unaudited)
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	<b>134,988</b>	138,854
Retirement benefits scheme contributions	<b>19,936</b>	21,225
Total staff costs (including directors' and supervisors' remuneration)	<b>154,924</b>	160,079
Staff costs capitalised in inventories	<b>(71,060)</b>	(72,247)
	<b>83,864</b>	87,832
Loss on disposal of property, plant and equipment, net	<b>766</b>	–
Amortisation of intangible assets	<b>19,193</b>	19,407
Depreciation of property, plant and equipment	<b>27,438</b>	25,575
Depreciation of right-of-use assets	<b>9,030</b>	11,913
Total depreciation	<b>36,468</b>	37,488
Capitalised in inventories	<b>(16,940)</b>	(13,824)
	<b>19,528</b>	23,664

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 5. PROFIT BEFORE TAX (CONTINUED)

	<b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
Finance costs of lease liabilities	<b>806</b>	436
Finance costs of discounted bank acceptance bills	–	2,999
Depreciation of investment properties	<b>140</b>	140
Expenses relating to short-term leases	<b>2,664</b>	–
Net foreign exchange loss (gain)	<b>4,132</b>	(3,700)
Cost of inventories recognised as an expense (including write-down of inventories: nil (six months ended 30 June 2022: nil))	<b>1,766,278</b>	1,742,636
Subsequent sales of written-down inventories	<b>(4,724)</b>	(5,299)
Interest income from time deposits and bank balances	<b>(73,908)</b>	(91,836)
Receipt from other guarantors from 2015 Litigation (as defined in <i>Note (a)</i> )	–	(29,000)
Rental income from renting of investment properties	<b>(2,126)</b>	(2,126)
Less: Direct operating expenses from investment properties that generated rental income during the period	<b>255</b>	255
	<b>(1,871)</b>	(1,871)
Rental income from renting of equipment	<b>(11,051)</b>	(21,295)
Miscellaneous service income	<b>(5,464)</b>	(5,458)
Miscellaneous service expenses	<b>4,325</b>	4,785
Government grants, including release from deferred income ( <i>Note (b)</i> )	<b>(37,398)</b>	(4,558)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 5. PROFIT BEFORE TAX (CONTINUED)

Notes:

- (a) In respect of the litigation brought forward from 2015 (the "2015 Litigation"), which was fully disclosed in Note 38 to the 2020 annual report of the Company, on 26 March 2021, the Company entered into a formal agreement (the "Agreement") with Qingling Zhuan Yong (as defined in Note 13), a related company which acquired the right of the plaintiff in the 2015 Litigation for a consideration of RMB89,000,000. Pursuant to the Agreement, the Company had paid Qingling Zhuan Yong RMB89,000,000 regarding the judgments, representing the amount Qingling Zhuan Yong paid to the plaintiff, to settle the 2015 Litigation. Under the Agreement, in return, Qingling Zhuan Yong agreed to transfer to the Company the amount it recovers, if any, from other guarantors involved in the 2015 Litigation.

During the six months ended 30 June 2023, Qingling Zhuan Yong recovered nil (unaudited) (six months ended 30 June 2022: RMB29,000,000 (unaudited)) from other guarantors from the 2015 Litigation, and any recovered amount after deducting its costs incurred, was transferred to the Company.

- (b) The government grants mainly comprise the special funds for innovative development projects, which is compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

During the six months ended 30 June 2023, the Group recognised grants of RMB13,590,000 (unaudited) (six months ended 30 June 2022: nil (unaudited)) related to special funds for innovative development projects.

During the six months ended 30 June 2023, RMB475,000 (unaudited) (six months ended 30 June 2022: RMB413,000 (unaudited)) was released to profit or loss from deferred income.

The remaining balances of grants are incentives received upon fulfilling the conditions for compensation of research expenses already incurred or as immediate financial support with no future related costs nor related to any assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 6. INCOME TAX CREDIT

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Current tax	<b>3,273</b>	2,879
Over provision in respect of prior year	<b>(4)</b>	(2,052)
Deferred tax	<b>(10,360)</b>	(8,042)
	<b>(7,091)</b>	(7,215)

According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]) and the Catalogue of Industries Encouraged to Develop in the Western Region (Order of the National Development and Reform Commission No. 40), 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% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The Company and 重慶慶鈴模具有限公司("Qingling Moulds"), a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the total revenue of their major businesses for the period accounted for 60% of their respective total revenue, and therefore continue to enjoy the preferential EIT rate of 15% for both periods.

重慶慶鈴技術中心有限責任公司("Qingling Technical Center") and 慶鈴(深圳)新能源汽車銷售服務有限公司("Shenzhen New Energy"), subsidiaries of the Company, are subject to EIT rate of 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2022: RMB273,050,000 or RMB0.11 per share in respect of the year ended 31 December 2021).

The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2022: nil).

### 8. EARNINGS PER SHARE

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (Profit and total comprehensive income for the period attributable to owners of the Company)	<b>6,915</b>	28,947

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 8. EARNINGS PER SHARE (CONTINUED)

	2023 '000 (unaudited)	2022 '000 (unaudited)
<b>Number of shares</b>		
Number of shares for the purpose of basic earnings per share	<b>2,482,268</b>	2,482,268

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

### 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of RMB71,868,000 (six months ended 30 June 2022: RMB100,671,000 (unaudited)) mainly for constructions in progress, and disposed of property, plant and equipment with an aggregate carrying amount of RMB766,000 (six months ended 30 June 2022: RMB5,000 (unaudited)).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 10. 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:

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Trade receivables, less allowance for credit losses	<b>263,303</b>	116,900
Bills receivables	<b>1,161,421</b>	845,821
Other receivables, less allowance for credit losses	<b>69,519</b>	203,831
Prepayments for raw materials	<b>138,362</b>	170,935
Value-added tax recoverable	<b>1,694</b>	50,054
Grants receivable, less allowance for credit losses ( <i>Note</i> )	<b>183,530</b>	169,940
	<b>1,817,829</b>	1,557,481

*Note:*

As at 30 June 2023 and 31 December 2022, there was reasonable assurance that the Group will comply with the conditions attached and the grants under the hydrogen fuel cell vehicles subsidies and special funds for innovative development projects. Hence a grant receivable was recognised as at 30 June 2023 and 31 December 2022.

The credit period granted on sales of goods is mainly from 3 to 6 months except for the subsidiaries of 慶鈴汽車(集團)有限公司("Qingling Group", the ultimate holding company of the Company), to which a credit period of 1 year is granted.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 10. 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:

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Within 3 months	<b>208,607</b>	97,960
Between 3 to 6 months	<b>25,054</b>	4,593
Between 7 to 12 months	<b>16,907</b>	6,356
Over 1 year	<b>12,735</b>	7,991
	<b>263,303</b>	116,900

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 10. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

At the end of the reporting period, the aged analysis of bills receivables of the Group based on issue date is as follows:

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Within 1 month	<b>324,215</b>	315,809
Between 1 to 2 months	<b>137,690</b>	137,857
Between 2 to 3 months	<b>175,707</b>	120,004
Between 3 to 6 months	<b>500,296</b>	263,904
Between 6 to 12 months	<b>23,513</b>	8,247
	<b>1,161,421</b>	845,821

All the above bills receivables 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 2023



### 10. 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 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Substantial shareholder of the Company		
– 五十鈴汽車有限公司 (“Isuzu Motors Limited”) (“Isuzu”) (Note a)	–	100,000
Subsidiaries of Qingling Group	<b>59,695</b>	56,573
Joint venture of the Group		
– 五十鈴(中國)發動機有限公司 (“Isuzu Engine”)	–	15,437
– 慶鈴五十鈴(重慶)汽車銷售服務有限公司 (“Qingling Isuzu Sales”)	<b>68,619</b>	–
Associate of the Group		
– 五十鈴慶鈴(重慶)汽車技術開發有限公司 (“Isuzu Qingling Engineering”)	<b>10</b>	8
博世氫動力系統(重慶)有限公司 (“Bosch”) (Note b)	<b>10,628</b>	–
	<b>138,952</b>	172,018

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 10. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Notes:

- a. As at 30 June 2023, 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.
- b. 40% equity interest of which is owned by Qingling Group.

The above amounts due from related parties are trade in nature, unsecured and interest-free.

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Qingling Group	<b>32,169</b>	83,960

The above amount was non-trade related, unsecured, charged interest at 1.6% and repayable on demand.

### 11. TIME DEPOSITS

The time deposits are with a term from more than 3 months to 36 months (unaudited) (31 December 2022: from more than 3 months to 36 months (audited)) and carry interest at rates ranging from 1.90% to 3.99% (unaudited) (31 December 2022: from 2.15% to 4.18% (audited)) per annum.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 12. TRADE, BILLS AND OTHER PAYABLES

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Trade and bills payables	<b>1,494,626</b>	1,570,470
Selling expenses payables	<b>162,706</b>	171,483
Other tax payables	<b>1,146</b>	2,375
Other payables	<b>154,827</b>	229,217
	<b>1,813,305</b>	1,973,545

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 12. 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:

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Within 3 months	<b>1,310,426</b>	1,458,571
Between 3 to 6 months	<b>170,137</b>	99,921
Between 7 to 12 months	<b>3,407</b>	1,110
Over 12 months	<b>10,656</b>	10,868
	<b>1,494,626</b>	1,570,470

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 12. 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:

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Qingling Group and its subsidiaries	<b>45,130</b>	67,201
Isuzu	<b>28,403</b>	68,682
Joint ventures of the Group		
– Isuzu Engine	<b>31,614</b>	242,098
– Qingling Isuzu Sales	<b>305</b>	1,642
Bosch	–	28,797
	<b>105,452</b>	408,420

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 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES

Apart from the amounts due from and to related companies as disclosed in Notes 10 and 12, during the current interim period, the Group entered into the following transactions with related parties that are conducted in accordance with the terms of the relevant agreements.

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

Type of transactions	2023 <i>RMB'000</i> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
Sales of chassis to 重慶慶鈴專用汽車有限公司 ("Qingling Zhuan Yong")	<b>58,656</b>	119,171
Sales of automobile parts and others to:		
– 重慶慶鈴鑄造有限公司 ("Qingling Casting")	<b>6,824</b>	6,788
– 重慶慶鈴日發座椅有限公司 ("Qingling Chair")	<b>2,432</b>	2,849
– 重慶慶鈴車橋有限公司 ("Qingling Axle")	<b>2,075</b>	2,418
– Qingling Zhuan Yong	<b>1,144</b>	846
– 重慶慶鈴汽車機加部品製造有限公司("Qingling Jijia")	<b>662</b>	648
– 重慶慶鈴鍛造有限公司 ("Qingling Forging")	<b>419</b>	373
– 重慶慶鈴汽車底盤部品有限公司 ("Qingling Chassis")	<b>327</b>	354
– 重慶慶鈴鑄鋁有限公司 ("Qingling Cast Aluminium")	<b>163</b>	211

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

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

Type of transactions	2023 <i>RMB'000</i> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
– 重慶慶鈴塑料有限公司 (“Qingling Plastics”)	<b>111</b>	145
– 重慶慶鈴汽車配件製造有限公司 (“Qingling Parts”)	<b>104</b>	996
– Qingling Group	<b>51</b>	80
Purchases of automobile parts and others from:		
– Qingling Axle	<b>136,045</b>	134,071
– Qingling Zhuan Yong	<b>64,170</b>	44,501
– Qingling Plastics	<b>26,433</b>	24,430
– Qingling Chair	<b>20,384</b>	20,050
– Qingling Forging	<b>9,310</b>	9,115
– Qingling Jijia	<b>5,730</b>	4,789
– Qingling Casting	<b>5,271</b>	5,262
– Qingling Parts	<b>2,741</b>	2,412
– Qingling Cast Aluminium	<b>2,465</b>	2,499
– Qingling Chassis	<b>1,471</b>	1,226

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

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

Nature of balances	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Lease liabilities for renting warehouse <i>(Note)</i> :		
– Qingling Group	<b>22,091</b>	22,817
– 重慶慶鈴科渝汽車配件有限公司 ("Qingling Keyu")	<b>2,437</b>	2,896
Lease liabilities for renting buildings <i>(Note)</i> :		
– Qingling Group	<b>1,966</b>	2,336
– Qingling Keyu	<b>276</b>	414
Lease liabilities for renting equipment <i>(Note)</i> :		
– Qingling Forging	<b>4,737</b>	5,630
– Qingling Group	<b>2,085</b>	2,477

*Note:*

During the six months ended 30 June 2023 and 2022, the Group did not enter into new lease agreements with the related parties. Except for short-term lease in which the Group applied recognition exemption for right-of-use assets, all lease agreements for the use of warehouse, buildings and equipment with the related parties are for 3 years.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

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

Type of transactions	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Interest on lease liabilities for renting warehouse:		
– Qingling Group	447	143
– Qingling Keyu	55	20
Interest on lease liabilities for renting buildings:		
– Qingling Group	45	16
– Qingling Keyu	6	–
Interest on lease liabilities for renting equipment:		
– Qingling Forging	107	34
– Qingling Group	48	17
Rental income from renting of equipment:		
– Qingling Axle	191	191
Rental income from renting of investment properties:		
– Qingling Keyu	21	21
Miscellaneous service income:		
– Qingling Group and its subsidiaries	1,095	1,021

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

#### (2) Transactions with Isuzu

Type of transactions	2023 <i>RMB'000</i> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
Purchases of automobile parts and components	<b>19,761</b>	22,940
Sales of automobile parts, accessories and others	<b>1,417</b>	947
Royalties and licence fee paid on sales of trucks and other vehicles	<b>5,142</b>	4,814
Compensation for software upgrades	<b>828</b>	–

#### (3) Transactions with Isuzu Engine

Type of transactions	2023 <i>RMB'000</i> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
Purchases of automobile parts and raw materials	<b>326,428</b>	301,721
Sales of automobile parts, accessories and others	<b>170,512</b>	93,284
Rental income from renting of equipment	<b>10,860</b>	21,104
Rental income from renting of investment properties	<b>2,105</b>	2,105
Miscellaneous service income	<b>1,407</b>	946

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

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

Type of transactions	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Sales of trucks and automobile parts, accessories and others	<b>77,457</b>	2,853
Interest on lease liabilities for renting warehouse	<b>39</b>	12
Interest on lease liabilities for renting equipment	<b>30</b>	9
Miscellaneous service income	–	2
	<b>At 30 June 2023 <i>RMB'000</i> (unaudited)</b>	<b>At 31 December 2022 <i>RMB'000</i> (audited)</b>
Lease liabilities for renting warehouse	<b>1,746</b>	2,075
Lease liabilities for renting equipment	<b>1,350</b>	1,605

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

#### (5) Transactions with Isuzu Qingling Engineering

Type of transactions	<b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
Miscellaneous service income	<b>63</b>	61
Sales of automobile parts, accessories and others	<b>45</b>	39

#### (6) Transactions with Bosch

Type of transactions	<b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
Sales of automobile parts, accessories and others	<b>406</b>	–
Purchases of automobile parts	<b>91,149</b>	26,607

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

#### (7) Transactions with 慶鈴鑫源汽車有限公司 (“Qingling Shinerary”)

Type of transactions	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Sales of trucks and automobile parts	<b>39,636</b>	101,580

Except for the transactions with Qingling Shinerary, all the above transactions with related parties also constitute connected transactions or continuing connected transactions (as respectively defined in Chapter 14A of the Listing Rules) and were conducted in accordance with the terms of the relevant agreements.

#### (8) 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

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

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

	<b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
Trade sales	<b>33,012</b>	44,973
Trade purchases	<b>97,879</b>	104,377
	<b>At</b> <b>30 June</b> <b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	At 31 December 2022 <i>RMB'000</i> (audited)
Trade and other balances due from other government-related entities	<b>84,504</b>	108,761
Trade and other balances due to other government-related entities	<b>31,766</b>	33,346

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023



### 13. RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

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

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits with certain banks and financial institutions which are government-related entities in their 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.

#### (9) Compensation of directors, supervisors and key management personnel

The remuneration of directors, supervisors and other members of key management during the period was as follows:

	<b>2023</b> <b>RMB'000</b> <b>(unaudited)</b>	2022 <i>RMB'000</i> (unaudited)
Short-term employee benefits	<b>2,301</b>	2,289
Post-employment benefits	<b>643</b>	611
	<b>2,944</b>	2,900

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2023

### 14. COMMITMENTS

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	<b>260,483</b>	256,545
– acquisition of intangible assets	<b>1,268</b>	–
	<b>261,751</b>	256,545

### 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### **Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis**

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the condensed consolidated financial statements approximate their fair values.

## 2023 FIRST HALF-YEARLY RESULTS

For the six months ended 30 June 2023, the Group sold 17,762 vehicles, representing an increase of 1.06% over the corresponding period of the previous year. Sales revenue amounted to RMB1,934 million, representing an increase of 0.84% over the corresponding period of the previous year. Profit and total comprehensive income for the period was RMB12 million, representing a decrease of 65.23% over the corresponding period of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF RESULTS

In the first half of the year, with great pressure on macro-economy, the still weak market recovery and the accelerating switch of old driving force-to-new one, the rate of recovery of trucks industry was lower than expected. From January to June 2023, the sales volume of trucks was 1.97 million, representing a year-on-year increase of 15.8%, indicating recovery to some extent, however, mainly benefiting from the rapid growth of sales of new energy vehicles and the strong momentum of exports of automobiles, the freight market was still challenged by the fact that the number of vehicles was more than that of goods and the end market was weak. In the face of such challenges as downturn of traditional market, frequent price wars among automobile enterprises, intensified industrial changes and accelerating technological upgrading, the Company, on the one hand, enhanced the market awareness among the staff and integrated forces to fight for market share, with a year-on-year increase of 1.06% in the sales volume of vehicles and an increase of 0.84% in the sales revenue, resulting in the net profit of RMB12 million, during the period from January to June 2023; on the other hand, the Company focused on regulatory changes and the competitiveness of the main products and adhered to the innovation-driven development, while improving internal management and supporting marketing through integration.

The major projects deployed after the work conference at the beginning of the year are now advancing in an orderly manner, with an on-time completion rate of 94%. Phased target have been achieved in major projects including the 4.5T green-license plate hydrogen-powered light-duty truck development project, the project of building a brand new generation of electric light-duty trucks and the project of building the support capacity for vehicle export system which aim to promote the high-quality development of the Company, and such important tasks on extending the warranty period of vehicles, enhancing the First Time Quality (FTQ) of complete vehicle, and reducing the cost of procurement are being carried out in an orderly manner.

## OUTLOOK AND PROSPECTS

In the second half of the year, with the moderate recovery of macro-economy being gradually transmitted to the automotive market, the exports of new energy vehicles and automobile will continue to become a strong support for the growth of the automotive market in the second half of the year, and along with the continuous play of effect of policies, the consumption potential in the automotive market will be further released, which will be conducive to promoting the realization of stable growth in the market throughout the year. However, the current external environment remains complex, some structural problems are still prominent, and consumption demand still lacks sufficiency, exerting relatively great pressure on the operation of the industry.

On 24 July 2023, the Political Bureau of the CPC Central Committee held a meeting and pointed out that “we need to boost the consumption of automobiles, electronic products, household and other bulk consumption”, which delivered a positive signal. The Company will maintain its stance as an enterprising market player and continue to stimulate its innovation, laying emphasis on the advancing of the following tasks in the second half of the year:

1. to accelerate major projects;
2. to accelerate the advancing of projects of new pick-up trucks and two new types of light-duty trucks;
3. to secure domestic sales through focusing on dealers’ synergy, giving play to the advantage of dual brands, stabilizing the base of marketing relying on large customers and building a strong cooperative relationship with refitting factory;
4. to expand overseas markets through strengthening independent innovation, improving main products, seeking cooperation to promote the construction of localized CKD factory and improving its after-sales service capability;
5. to accelerate the increasing of the volume of new energy products.

## FINANCIAL REVIEW

### FINANCIAL PERFORMANCE

For the six months ended 30 June 2023, the revenue of the Group was RMB1,933,895,000 representing an increase of 0.84% as compared to the corresponding period last year mainly attributable to the improving domestic macroeconomic situation and increased demand in overseas commercial vehicle markets.

Gross profit for the period was RMB167,617,000 representing a decrease of 4.32% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 8.67%, and it was 9.13% for the corresponding period last year. Profit and total comprehensive income for the period attributable to owners of the Company was RMB6,915,000, representing a decrease of 76.11% as compared to the corresponding period last year.

For the six months ended 30 June 2023, other income was RMB129,954,000, which mainly included bank interest income and rental income, representing a decrease of 15.76% as compared to the corresponding period last year. The decrease was mainly due to no proceeds were recovered by Qingling Zhuan Yong from other guarantors from the 2015 Litigation.

For the six months ended 30 June 2023, a gain of RMB1,178,000 was recognised from the share of results of associates and joint ventures, representing an increase of 117.02% as compared to the corresponding period last year, principally due to the growth of sales amount of the commercial truck industry.

For the six months ended 30 June 2023, basic earnings per share was RMB0.28 cent. The Company did not issue any new shares during the period.

## FINANCIAL POSITION

As at 30 June 2023, the total assets and total liabilities of the Group were RMB9,924,148,000 and RMB2,126,127,000, respectively.

The non-current assets were RMB5,093,162,000, mainly including time deposits, property, plant and equipment, interests in joint ventures and intangible assets.

The current assets amounted to RMB4,830,986,000, mainly including RMB1,292,177,000 of inventories, RMB477,000 of finance lease receivables, RMB1,817,829,000 of trade, bills and other receivables and prepayments, RMB12,448,000 of tax recoverable, RMB957,943,000 of time deposits and RMB750,112,000 of cash and cash equivalents.

The current liabilities amounted to RMB2,097,935,000, mainly including trade, bills and other payables of RMB1,813,305,000, tax liabilities of RMB2,712,000, contract liabilities of RMB195,352,000, refund of liabilities of RMB73,420,000 and lease liabilities of RMB13,146,000.

As at 30 June 2023, the Group's non-current liabilities amounted to RMB28,192,000, mainly including lease liabilities.

Net current assets dropped from RMB4,346,882,000 as at 31 December 2022 to RMB2,733,051,000 as at 30 June 2023, representing a decrease of 37.13%.

## 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 2023 was 27.26% (as at 31 December 2022: 32.92%).

The issued share capital as at 30 June 2023 maintained at RMB2,482,268,000 as no share was issued during the six months ended 30 June 2023.

For the six months ended 30 June 2023, 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 2023 was RMB7,458,987,000. 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 2023 was RMB3.01.

## SIGNIFICANT INVESTMENT

As at 30 June 2023, the Group's interests in joint ventures were RMB485,380,000 which mainly included the interest in 五十鈴(中國)發動機有限公司 ("**Isuzu Engine**") of RMB425,515,000 and interests in associates were RMB43,324,000. For the six months ended 30 June 2023, the joint ventures and associates of the Group were under normal operation.

During the six months ended 30 June 2023, the Group had no significant acquisition or disposal.

## SEGMENT INFORMATION

The revenue contributed by light-duty trucks and chassis, medium and heavy-duty trucks and chassis were RMB1,043,379,000 and RMB389,344,000 respectively, representing 74.08% of the total revenue. The revenue contributed by pick-up trucks and chassis was RMB371,452,000, representing 19.21% of the total revenue.

Light-duty trucks and chassis, medium and heavy-duty trucks and chassis are currently the major products accounting for the highest contribution to the revenue of the Group.

## PLEDGE OF ASSETS

During the period ended 30 June 2023, no asset of the Group was pledged for financial facilities (during the period ended 30 June 2022: nil).

## EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

As at 30 June 2023, the Group had bank balances denominated in foreign currency of RMB115,989,000 and foreign currency-denominated trade, bills and other receivables and prepayments of RMB8,168,000.

The major foreign currency-denominated 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 2023, the Group had capital commitments of RMB261,751,000 that had been contracted for but not provided in the condensed consolidated financial statements, mainly including the outstanding consideration payable for acquisition of 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 2023 (for the period ended 30 June 2022: nil).

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had 2,856 employees. For the six months ended 30 June 2023, labour cost was RMB154,924,000. 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.

## STRUCTURE OF SHAREHOLDING

- (1) As at 30 June 2023, the entire share capital of the Company comprised 2,482,268,268 shares, including:

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

- (2) Substantial shareholders

As at 30 June 2023, shareholders other than directors, supervisors or chief executives of the Company having an interest and short positions in 5% or more of the relevant class of issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the “SFO”) were as follows:

Long positions in the shares of the Company:

Name of shareholders	Class of shares	Number of 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%

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 2023.

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



As at 30 June 2023, 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 2023, none of the 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 had any of them exercised such rights.

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

During the six months ended 30 June 2023, there were no purchase, redemption or sales of the Company's listed securities by the Company or any of its subsidiaries.

## 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 2023, 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**”) without deviation.

## **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 2023.

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

Save as disclosed in this report, there were no other significant events affecting the Company or 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 2023 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 28 March 2023 (as the date of approval of the 2022 Annual Report of the Company) to 30 August 2023 (as the date of approval of the 2023 Interim Report of the Company), there was no change in director's information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

## PUBLICATION OF FINANCIAL INFORMATION

The Company's 2023 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**  
**LEI Bin**  
*Company Secretary*

Chongqing, the People's Republic of China, 30 August 2023

## CORPORATE INFORMATION

### DIRECTORS

*Executive Directors:*

LUO Yuguang (*Chairman*)

YASUTA Tatsuya (*Vice Chairman and General Manager*)

NAKAMURA Osamu

KIJIMA Katsuya

LI Juxing

XU Song

LI Xiaodong

*Independent Non-executive Directors:*

LONG Tao

SONG Xiaojiang

LIU Erh Fei

LIU Tianni

### SUPERVISORS

MIN Qing

PU Qing

### COMPANY SECRETARIES

responsible for PRC affairs: LEI Bin

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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LHT Tower

31 Queen's Road Central

Central, Hong Kong

## COMPANY'S WEBSITE

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

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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**

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

## **AUDITORS**

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