慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD

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

**(Stock Code: 1122)**

# Announcement of 2019 Unaudited Results

In view of the travel restrictions and quarantine requirements imposed in some areas of the People's Republic of China (the "**PRC**") against the outbreak of COVID-19, the annual audit procedure in respect of the consolidated annual results of Qingling Motors Co. Ltd (the "**Company**") and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Unaudited 2019 Results**") have not been completed as of the date of this announcement. The Unaudited 2019 Results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). Following the completion of the audit, the Company will issue further announcement in relation to the audited results for the year ended 31 December 2019 as agreed with the Company's auditors and the material differences (if any) as compared with the Unaudited 2019 Results contained herein. The Company expects the audit to be completed before mid-April 2020. The Unaudited 2019 Results have been prepared by our management in accordance with the Hong Kong Financial Reporting Standards, and the audit committee of the Company ("**Audit Committee**") has reviewed and discussed the Unaudited 2019 Results.

Accordingly, the board of directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated annual results of the Group for the year ended 31 December 2019 annual as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*FOR THE YEAR ENDED 31 DECEMBER 2019*

| | NOTES | **Year ended 31 December 2019 RMB'000 (unaudited)** | Year ended 31 December 2018 RMB'000 (audited) |
|---|---|---|---|
| **Revenue** | 2, 3 | **4,723,287** | 5,253,252 |
| Cost of sales | | **(3,874,794)** | (4,253,332) |
| Gross profit | | **848,493** | 999,920 |
| Other income | | **258,572** | 285,060 |
| Impairment losses under expected credit loss model, net of reversal | | **(2,952)** | (1,210) |
| Other gains and losses, net | | **(2,848)** | (12,973) |
| Distribution and selling expenses | | **(229,820)** | (236,649) |
| Administrative expenses | | **(201,713)** | (262,824) |
| Research expenses | | **(212,829)** | (187,923) |
| Finance costs | | **(498)** | – |
| Provision for litigation | 11 | **(57,633)** | (80,000) |
| Share of result of an associate | | **384** | 539 |
| Share of results of joint ventures | | **4,838** | 26,229 |
| **Profit before tax** | 5 | **403,994** | 530,169 |
| Income tax expense | 4 | **(47,712)** | (68,654) |
| **Profit and total comprehensive income for the year** | | **356,282** | 461,515 |
| **Profit and total comprehensive income attributable to:** | | | |
| Owners of the Company | | **345,308** | 453,772 |
| Non-controlling interests | | **10,974** | 7,743 |
| | | **356,282** | 461,515 |
| Basic earnings per share | 6 | **RMB0.14** | RMB0.18 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AT 31 DECEMBER 2019*

| | *NOTES* | **At 31 December 2019 *RMB'000* (unaudited)** | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **811,797** | 750,856 |
| Right-of-use assets | | **109,882** | – |
| Prepaid lease payments | | **–** | 36,677 |
| Investment properties | | **41,848** | 28,901 |
| Intangible assets | | **261,299** | 265,574 |
| Interest in an associate | | **8,185** | 7,801 |
| Interests in joint ventures | | **492,071** | 501,768 |
| Deferred tax assets | | **21,991** | 23,384 |
| Time deposits | | **101,454** | – |
| Deposit paid for property, plant and equipment | | **11,803** | – |
| | | **1,860,330** | 1,614,961 |
| **Current assets** | | | |
| Inventories | | **631,478** | 652,059 |
| Trade, bills and other receivables and prepayments | *8* | **2,299,901** | 2,756,258 |
| Prepaid lease payments | | **–** | 1,383 |
| Time deposits | | **4,152,983** | 1,134,314 |
| Restricted bank balances | | **137,633** | 79,999 |
| Bank deposits, bank balances and cash | | **1,909,323** | 4,654,277 |
| Tax recoverable | | **3,966** | – |
| | | **9,135,284** | 9,278,290 |
| **Current liabilities** | | | |
| Trade, bills and other payables | *9* | **2,155,273** | 2,169,853 |
| Lease liabilities | | **29,359** | – |
| Tax liabilities | | **3,188** | 9,848 |
| Contract liabilities | | **438,023** | 418,380 |
| Refund liabilities | | **83,611** | 84,316 |
| Provision for litigation | *11* | **137,633** | – |
| | | **2,847,087** | 2,682,397 |
| **Net current assets** | | **6,288,197** | 6,595,893 |
| **Total assets less current liabilities** | | **8,148,527** | 8,210,854 |

| | NOTES | At 31 December 2019 RMB'000 (unaudited) | At 31 December 2018 RMB'000 (audited) |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *10* | **2,482,268** | 2,482,268 |
| Share premium and reserves | | **5,279,750** | 5,331,605 |
| Equity attributable to owners of the Company | | **7,762,018** | 7,813,873 |
| Non-controlling interests | | **318,832** | 310,241 |
| **Total equity** | | **8,080,850** | 8,124,114 |
| **Non-current liabilities** | | | |
| Deferred income – governments grants | | **8,694** | 6,740 |
| Lease liabilities | | **58,983** | – |
| Provision for litigation | | **–** | 80,000 |
| | | **67,677** | 86,740 |
| | | **8,148,527** | 8,210,854 |

## 1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and Amendments to HKFRSs that are mandatorily effect for the current year**

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

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

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

***HKFRS 16 Leases***

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

*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.

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. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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.

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

| | **At 1 January 2019**<br>*RMB'000*<br>(unaudited) |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | **40,094** |
| Lease liabilities discounted at relevant incremental borrowing rate | **34,975** |
| Less: Recognition exemption – short-term leases | **(29,309)** |
| Practical expedient – leases with lease term ending within 12 months from the date of initial application | **(1,311)** |
| Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019 | **4,355** |
| Analysed as | |
| Current | **2,570** |
| Non-current | **1,785** |
| | **4,355** |

The carrying amount of right-of-use assets held for own use and to earn rentals as at 1 January 2019 comprises the following:

| | Note | **Right-of-use assets** *RMB'000* (unaudited) |
|---|---|---|
| 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 | *(a)* | (15,412) |
| | | 27,003 |

*Note:*

(a) Upfront payments for leasehold land in 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 and investment properties of RMB22,648,000 and RMB15,412,000 respectively.

*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 consolidated statement of financial position as at 1 January 2019 and 31 December 2019 and its consolidated statement profit or loss and other comprehensive income and cash flow for the current year.

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 consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

| | *Notes* | **Carrying amounts previously reported at 31 December 2018** *RMB'000* | **Adjustments** *RMB'000* | **Carrying amounts under HKFRS 16 report 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.

*New and amendments to HKFRSs in issue but not yet effective*

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts[1] |
| Amendments to HKFRS 3 | Definition of a Busines[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[4] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform[4] |

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

## 2. REVENUE

### (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:

| | **Year ended 31 December 2019** ***RMB'000*** **(unaudited)** | Year ended 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| **Types of goods** | | |
| Sales of light-duty trucks | **1,020,294** | 1,160,920 |
| Sales of multi-purposes vehicles | **73** | 374 |
| Sales of pick-up trucks | **907,465** | 1,179,536 |
| Sales of medium and heavy-duty trucks | **949,044** | 1,114,977 |
| Sales of chassis | **1,543,369** | 1,475,612 |
| Sales of automobile parts, accessories and others | **303,042** | 321,833 |
| Total | **4,723,287** | 5,253,252 |

Except for export sales to countries outside the PRC amounting to RMB71,833,000 (2018: RMB29,515,000), all other sales of the Group are made to customers located in the PRC.

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

| | Light-duty trucks and chassis *RMB'000* | Multi-purposes vehicles *RMB'000* | Pick-up trucks and chassis *RMB'000* | Medium and heavy-duty trucks and chassis *RMB'000* | Automobile parts, accessories and others *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2019 (unaudited)** | | | | | | |
| Sales of light-duty trucks | **1,020,294** | **–** | **–** | **–** | **–** | **1,020,294** |
| Sales of multi-purposes vehicles | **–** | **73** | **–** | **–** | **–** | **73** |
| Sales of pick-up trucks | **–** | **–** | **907,465** | **–** | **–** | **907,465** |
| Sales of medium and heavy-duty trucks | **–** | **–** | **–** | **949,044** | **–** | **949,044** |
| Sales of chassis | **1,404,496** | **–** | **43,344** | **95,529** | **–** | **1,543,369** |
| Sales of automobile parts, accessories and others | **–** | **–** | **–** | **–** | **303,042** | **303,042** |
| Revenue | **2,424,790** | **73** | **950,809** | **1,044,573** | **303,042** | **4,723,287** |
| **For the year ended 31 December 2018 (audited)** | | | | | | |
| Sales of light-duty trucks | 1,160,920 | – | – | – | – | 1,160,920 |
| Sales of multi-purposes vehicles | – | 374 | – | – | – | 374 |
| Sales of pick-up trucks | – | – | 1,179,536 | – | – | 1,179,536 |
| Sales of medium and heavy-duty trucks | – | – | – | 1,114,977 | – | 1,114,977 |
| Sales of chassis | 1,237,877 | – | 43,324 | 194,411 | – | 1,475,612 |
| Sales of automobile parts, accessories and others | – | – | – | – | 321,833 | 321,833 |
| Revenue | 2,398,797 | 374 | 1,222,860 | 1,309,388 | 321,833 | 5,253,252 |

## 3. SEGMENT INFORMATION

The Group is engaged in the manufacture and sales of five categories of products – light-duty trucks, multi-purposes vehicles, pick-up trucks, medium and heavy-duty trucks and automobile parts and accessories and the chief operating decision makers (i.e. the Company's executive directors) 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 |

**(i) Segment revenue and results**

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

***For the year ended 31 December 2019 (unaudited)***

| | Light-duty trucks *RMB'000* | Multi-purposes vehicles *RMB'000* | Pick-up trucks *RMB'000* | Medium and heavy-duty trucks *RMB'000* | Automobile parts and accessories *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| Segment revenue | 2,424,790 | 73 | 950,809 | 1,044,573 | 303,042 | 4,723,287 |
| Result | | | | | | |
| Segment profit (loss) | 302,966 | (12) | 81,967 | 28,268 | 46,090 | 459,279 |
| Central administration costs | | | | | | (42,319) |
| Impairment losses under ECL model, net of reversal | | | | | | (2,952) |
| Finance costs | | | | | | (498) |
| Research expenses | | | | | | (212,829) |
| Other income: | | | | | | |
| Interest income | | | | | | 192,206 |
| Rental income *(note)* | | | | | | 44,286 |
| Government grants | | | | | | 19,779 |
| Others | | | | | | 2,301 |
| Other gains and losses, net | | | | | | (2,848) |
| Provision for litigation | | | | | | (57,633) |
| Share of result of an associate | | | | | | 384 |
| Share of results of joint ventures | | | | | | 4,838 |
| Group's profit before tax | | | | | | 403,994 |

***For the year ended 31 December 2018 (audited)***

| | Light-duty trucks *RMB'000* | Multi-purposes vehicles *RMB'000* | Pick-up trucks *RMB'000* | Medium and heavy-duty trucks *RMB'000* | Automobile parts and accessories *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| Segment revenue | 2,398,797 | 374 | 1,222,860 | 1,309,388 | 321,833 | 5,253,252 |
| Result | | | | | | |
| Segment profit (loss) | 336,402 | (499) | 108,109 | 46,785 | 59,544 | 550,341 |
| Central administration costs | | | | | | (49,894) |
| Impairment losses under ECL model, net of reversal | | | | | | (1,210) |
| Research expenses | | | | | | (187,923) |
| Other income: | | | | | | |
| Interest income | | | | | | 191,996 |
| Rental income *(note)* | | | | | | 45,714 |
| Government grants | | | | | | 45,685 |
| Others | | | | | | 1,665 |
| Other gains and losses, net | | | | | | (12,973) |
| Provision for litigation | | | | | | (80,000) |
| Share of result of an associate | | | | | | 539 |
| Share of results of joint ventures | | | | | | 26,229 |
| Group's profit before tax | | | | | | 530,169 |

*Note:* Rental income represented fixed lease payments under operating leases.

There have been no inter-segment sales during the years ended 31 December 2019 and 2018.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss incurred from) each segment without allocation of central administration costs, impairment losses, under ECL model (net of reversal), finance costs, research expenses, other income, other net gains and losses, provision for litigation, share of result of an associate and share of results of joint ventures. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

### (ii) Segment assets and liabilities

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

***At 31 December 2019 (unaudited)***

| | Light-duty trucks *RMB'000* | Multi-purposes vehicles *RMB'000* | Pick-up trucks *RMB'000* | Medium and heavy-duty trucks *RMB'000* | Automobile parts and accessories *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Segment assets | **1,424,010** | **–** | **596,442** | **1,171,626** | **249,911** | **3,441,989** |
| Interchangeably used assets between segments | | | | | | |
| – property, plant and equipment | | | | | | **257,185** |
| – right of use asset | | | | | | **109,882** |
| – inventories | | | | | | **159,560** |
| Investment properties | | | | | | **41,848** |
| Interest in an associate | | | | | | **8,185** |
| Interests in joint ventures | | | | | | **492,071** |
| Time deposits, restricted bank balances, bank deposits, bank balances and cash | | | | | | **6,301,393** |
| Other unallocated assets | | | | | | **183,501** |
| Consolidated total assets | | | | | | **10,995,614** |
| Liabilities | | | | | | |
| Segment liabilities | **485,126** | **–** | **195,368** | **221,211** | **–** | **901,705** |
| Unallocated trade, bills and other payables | | | | | | **1,775,202** |
| Unallocated provision for litigation | | | | | | **137,633** |
| Unallocated lease liabilities | | | | | | **88,342** |
| Other unallocated liabilities | | | | | | **11,882** |
| Consolidated total liabilities | | | | | | **2,914,764** |

***At 31 December 2018 (audited)***

| | Light-duty trucks *RMB'000* | Multi-purposes vehicles *RMB'000* | Pick-up trucks *RMB'000* | Medium and heavy-duty trucks *RMB'000* | Automobile parts and accessories *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Segment assets | 1,455,922 | – | 753,808 | 1,318,500 | 286,841 | 3,815,071 |
| Interchangeably used assets between segments | | | | | | |
| – property, plant and equipment | | | | | | 208,446 |
| – prepaid lease payments | | | | | | 38,060 |
| – inventories | | | | | | 181,421 |
| Investment properties | | | | | | 28,901 |
| Interest in an associate | | | | | | 7,801 |
| Interests in joint ventures | | | | | | 501,768 |
| Time deposits, 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 |

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

- All assets are allocated to operating and reportable segments other than interchangeably used assets between segments, investment properties, interest in an associate, interests in joint ventures, time deposits, 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 and reportable segments other than unallocated trade, bills and other payables, unallocated provision for litigation, unallocated lease liabilities and other unallocated liabilities of the head office.

**(iii) Other segment information**

***For the year ended 31 December 2019 (unaudited)***

| | Light-duty trucks *RMB'000* | Multi-purposes vehicles *RMB'000* | Pick-up trucks *RMB'000* | Medium and heavy-duty trucks *RMB'000* | Automobile parts and accessories *RMB'000* | Unallocated *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | |
| Additions to property, plant and equipment | 4,115 | – | 108 | 33,135 | – | 69,075 | 106,433 |
| Additions to intangible assets | – | – | – | 37,574 | – | 3,619 | 41,193 |
| Additions to right-of-use assets | – | – | – | – | – | 88,802 | 88,802 |
| Amortisation of intangible assets | – | – | – | 31,549 | – | 3,813 | 35,362 |
| Depreciation of property, plant and equipment | 7,601 | – | 4,300 | 12,252 | – | 15,620 | 39,773 |
| Depreciation of right-of-use assets | – | – | – | – | – | 5,923 | 5,923 |
| Depreciation of investment properties | – | – | – | – | – | 2,465 | 2,465 |

*For the year ended 31 December 2018 (audited)*

| | Light-duty trucks *RMB'000* | Multi-purposes vehicles *RMB'000* | Pick-up trucks *RMB'000* | Medium and heavy-duty trucks *RMB'000* | Automobile parts and accessories *RMB'000* | Unallocated *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | |
| Additions to property, plant and equipment | 3,496 | – | 1,855 | 1,833 | – | 39,000 | 46,184 |
| Additions to intangible assets | – | – | – | 77,327 | – | – | 77,327 |
| Amortisation of intangible assets | – | – | – | 23,971 | – | 3,109 | 27,080 |
| Depreciation of property, plant and equipment | 11,525 | 148 | 6,968 | 13,691 | – | 13,675 | 46,007 |
| Depreciation of investment properties | – | – | – | – | – | 2,016 | 2,016 |
| Release of prepaid lease payments | – | – | – | – | – | 1,383 | 1,383 |

**(iv) Geographical information**

Excluding deferred tax assets and time deposits, the Group's non-current assets amounting to RMB1,736,885,000 (2018: RMB1,591,577,000) are located in the PRC. Except for export sales to countries outside the PRC amounting to RMB71,833,000 (2018: RMB29,515,000), all other sales of the Group are made to customers located in the PRC.

## 4. INCOME TAX EXPENSE

| | Year ended 31 December 2019 *RMB'000* (unaudited) | Year ended 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| Current tax | **45,168** | 58,153 |
| Under provision in prior years | **1,151** | 2,133 |
| Deferred tax | **1,393** | 8,368 |
| | **47,712** | 68,654 |

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

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% (2018: 25%) for the years ended 31 December 2019 and 2018.

## 5. PROFIT BEFORE TAX

| | **Year ended 31 December 2019** *RMB'000* **(unaudited)** | Year ended 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| Profit before tax has been arrived at after charging: | | |
| Salaries and other payments and benefits | **260,538** | 259,491 |
| Retirement benefits scheme contributions | **55,981** | 50,736 |
| Total staff costs (including directors' and supervisors' remuneration) | **316,519** | 310,227 |
| Staff costs capitalised in inventories | **(139,193)** | (88,323) |
| | **177,326** | 221,904 |
| (Gain) loss on disposal of property, plant and equipment, net | **(738)** | 3,779 |
| Amortisation of intangible assets | **35,362** | 27,080 |
| Depreciation of property, plant and equipment | **39,773** | 46,007 |
| Capitalised in inventories | **(13,286)** | (19,227) |
| | **26,487** | 26,780 |
| Finance cost of lease liability | **498** | – |
| Depreciation of investment properties | **2,465** | 2,016 |
| Depreciation of right-of-use assets | **5,923** | – |
| Amortisation of prepaid lease payments | **–** | 1,383 |
| Minimum lease payments under operating leases | **–** | 38,929 |
| Expense relating to short-term leases | **32,217** | – |
| Auditor's remuneration | **2,849** | 2,703 |
| Net foreign exchange loss | **3,586** | 9,194 |
| Cost of inventories recognised as cost of sales | **3,874,794** | 4,253,332 |

| | **Year ended 31 December 2019** | Year ended 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| and after crediting: | | |
| Sales of scrap materials | **1,942** | 1,123 |
| Interest income from bank deposits and balances | **192,206** | 191,996 |
| Income from renting of investment properties | **5,951** | 5,810 |
| Less: Direct operating expenses from investment properties that generated rental income during the year | **(2,272)** | (2,295) |
| | **3,679** | 3,515 |
| Income from renting of moulds and tooling equipment | **38,335** | 39,904 |
| Government grants *(note)* | **19,779** | 45,685 |

*Note:* The amounts mainly represent government grants subsidising the Group's research expenses on innovation projects and major new products previously incurred, and the amortisation of deferred income related to the relevant assets.

## 6. EARNINGS PER SHARE

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

### Earnings

| | **Year ended 31 December 2019** | Year ended 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company) | **345,308** | 453,772 |

### Number of shares

| | **Year ended 31 December 2019** | Year ended 31 December 2018 |
|---|---|---|
| | ***'000*** | *'000* |
| | **(unaudited)** | (audited) |
| Number of shares for the purpose of basic earnings per share | **2,482,268** | 2,482,268 |

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

## 7. DIVIDENDS

| | **Year ended 31 December 2019** *RMB'000* **(unaudited)** | Year ended 31 December 2018 *RMB'000* (audit) |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| 2018 Final, paid – RMB0.16 (2018: 2017 Final, paid – RMB0.16) per share | **397,163** | 397,163 |

Subsequent to the end of the reporting period, a final dividend of RMB397,163,000 or RMB0.16 per share in respect of the year ended 31 December 2019 (2018: final dividend of RMB397,163,000 or RMB0.16 per share in respect of the year ended 31 December 2018) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 8. TRADE, 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 31 December 2019** *RMB'000* **(unaudited)** | At 31 December 2018 *RMB'000* (audit) |
|---|---|---|
| Trade receivables, less allowance for credit losses | **92,729** | 194,480 |
| Bills receivable | **2,136,756** | 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 |
| Other receivables, less allowance for credit losses | **18,333** | 11,906 |
| Prepayments for raw materials | **45,440** | 102,081 |
| Value added tax | **6,643** | – |
| | **2,299,901** | 2,756,258 |

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

At the end of the reporting period, the aged analysis of the Group's trade receivables, net of allowance for 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 31 December 2019** *RMB'000* **(unaudited)** | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| Within 3 months | **57,726** | 174,530 |
| Between 3 to 6 months | **10,202** | 3,029 |
| Between 7 to 12 months | **4,515** | 2,945 |
| Over 1 year | **20,286** | 13,976 |
| | **92,729** | 194,480 |

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

| | **At 31 December 2019** *RMB'000* **(unaudited)** | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| Within 1 month | **552,800** | 608,013 |
| Between 1 to 2 months | **367,129** | 541,558 |
| Between 2 to 3 months | **293,328** | 315,727 |
| Between 3 to 6 months | **909,593** | 960,290 |
| Between 6 to 12 months | **13,906** | – |
| | **2,136,756** | 2,425,588 |

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

## 9. TRADE, BILLS AND OTHER PAYABLES

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

| | **At 31 December 2019** ***RMB'000*** **(unaudited)** | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| Trade and bills payables | **1,730,270** | 1,751,638 |
| Selling expenses payables | **231,289** | 200,954 |
| Other tax payable | **3,816** | 28,162 |
| Other payables *(note)* | **189,898** | 189,099 |
| | **2,155,273** | 2,169,853 |

*Note:* As at 31 December 2019, other payables amounted to RMB189,898,000 (2018: RMB189,099,000) mainly including accrual royalties and license fee of RMB95,201,000 (2018: RMB84,142,000) and payroll payable of RMB18,386,000 (2018: RMB20,265,000).

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 31 December 2019** ***RMB'000*** **(unaudited)** | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| Within 3 months | **1,523,453** | 1,529,723 |
| Between 3 to 6 months | **200,206** | 214,380 |
| Between 7 to 12 months | **408** | 1,255 |
| Over 12 months | **6,203** | 6,280 |
| | **1,730,270** | 1,751,638 |

## 10. SHARE CAPITAL

| | At 1 January 2018, 31 December 2018 and 31 December 2019 |
|---|---|
| | *RMB'000* |
| | (unaudited) |
| Registered, issued and fully paid | 2,482,268 |

| | Number of shares At 1 January 2018, 31 December 2018 and 31 December 2019 |
|---|---|
| | *'000* |
| | (unaudited) |
| Shares of RMB1 each | |
| – Domestic shares | 1,243,616 |
| – H shares | 1,238,652 |
| | 2,482,268 |

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

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

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

## 11. PROVISION FOR LITIGATION

According to the civil ruling issued by 深圳市福田區人民法院 (transliterated as People's Court of Futian District, Shenzhen) 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**").

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 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 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 accretion on the principal amount based on the interest rate of 18% per annum until settlement date;

(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.

The Company appealed against the Judgment to 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 appeal judgment (the "**Appeal Judgement**") from the Guangdong Court dated 2 August 2019. 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. The Guangdong Court ruled 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 PRC legal adviser, the Board is of the view that the facts are not clearly ascertained in the Appeal Judgment and the application of the law is incorrect, and thus have decided to apply to 中華人民共和國最高人民法院 (transliterated as Supreme People's Court of the PRC, "**Supreme People's Court**") for retrial (the "**Retrial Application**").

Meanwhile, after the Appeal Judgment came into effect, Company Y applied to the Shenzhen Court for enforcement of the Appeal Judgment. On 12 December 2019, the Company received the enforcement order dated 4 November 2019 (the "**Enforcement Order**") from the Shenzhen Court. According to the Enforcement Order, the properties of the Customer, relevant guarantors (guarantor A, guarantor B, guarantee company A and guarantee company B) and the Company in the aggregate amount approximately of RMB138 million shall be seized, frozen or transferred and in particular, the Company shall assume the supplementary compensation liability. The Group's bank balances of RMB79,999,000 previously frozen has been unfrozen and bank balances of RMB137,633,000 has been frozen according to the Enforcement Order.

On 25 February 2020, the PRC legal adviser of the Company received a notice from the Supreme People's Court regarding the acceptance of the Retrial Application. The Retrial Application has been formally filed and the results will be reached within the three-month trial period. If the Retrial Application is approved, the Retrial Application will proceed to the retrial process.

However, up to the date of this announcement, taking into consideration of the result of the First Appeal and the Appeal Judgment, the opinion of the PRC legal adviser and the information currently available to the Company, the Board has made a provision for the litigation amounting to RMB137,633,000 as at 31 December 2019 including the interest accretion and do not expect the 2015 Litigation to have any material impact on the overall financial position or operating results of the Group.

## 12. EVENT AFTER THE REPORTING PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had a negative impact on the operations of the Group, as most of the Group's operations are located in Chongqing in mainland China. The Group had to suspend its manufacturing activities since late January 2020 in an effort to constrain the spread of the epidemic and gradually resumed on 14 February 2020.

In light of the reduction in scale of the Group's manufacturing activates after the reporting date, as the operations of most of the Group's customers, suppliers, associates, joint ventures, are located in mainland China, the outbreak of the COVID-19 is expected to have a negative impact on these entities. This may in turn negatively affect the recoverability of the Group's financial assets and other assets due from these parties e.g. debtors, prepayments and advances to suppliers which are subject to impairment analysis or ECL assessments as appropriate. The possibility of impairment of the Group's inventories is also expected to be negatively affected.

The outbreak of COVID-19 has led to substantial travel bans and lockdowns across China. Increased global travel restrictions amid virus infections locally and overseas also substantially reduced China's manufacturing capability, resulting in significant disruption to global supply chains and worldwide trade, posing a significant threat to the global economy. Therefore, the management expects that the performance of the Group will be negatively impacted in 2020. Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

## 2019 RESULTS

For the year ended 31 December 2019, the Company sold 43,284 vehicles, representing a decrease of 9.21% over 47,677 vehicles sold last year. Revenue was RMB4,723 million, representing a decrease of 10.09% over RMB5,253 million as recorded last year. Profit after tax was RMB356 million, representing a decrease of 22.80% over RMB462 million as recorded last year.

## REVIEW OF RESULTS

In 2019, the macro economy was still in a crucial phase of transforming development mode, optimizing economic structure, and changing growth motivation. The domestic automobile market was under the inventory competition in an all-around way due to influences of a lack of demand, the implementation of National VI in advance in some provinces and cities, the decline of new energy subsidies, and the frequent issuance of new policies.

In response to the challenges, the Company attached great importance to deploying various work. On one hand, we focused on internal management and external market, quality improvement and costs control to stabilize operations; on the other hand, we adhered to product innovation, technology upgrade, team building, and mechanism reform to store reserve forces. As a result, the enterprise developed steadily.

1. **Joint efforts were made to tackle tough tasks and accelerate the debut of National VI products.** Firstly, we focused on development of all products of light, medium and heavy-duty trucks, pick-up trucks and internet of vehicles and succeeded in tackling National VI technical problems; secondly, we basically completed the preparation for mass production of National VI products; thirdly, we reviewed, inspected and evaluated each problem arising from the development test of National VI products, and established the initial mobile group of National VI products to carry out adjustment, and the technical quality has been effectively controlled and rectified; fourthly, we focused on the marketing and development, provided sample refitted vehicles and refitted plants, and cooperated with refitted plants to issue announcements in advance. We continued to focus on cities in which National VI emission standards were implemented in advance and key industries that require National VI products in advance, such as postal service and municipal administration, to captured the market of National VI vehicles.

2. **Great achievements were seen in the research and development of new energy vehicle products and the training of technical capabilities.** Firstly, the entire series of products were electrified, and the platforms for light, medium, heavy-duty trucks and pickup trucks were also electrified. Announcements of various models were received by the Company. Light and heavy-duty trucks were put into the market in batches, and the technology and quality standards of product R&D were recognized by the industry; secondly, we built a forward R&D system covering seven major products including the entire vehicle, battery, motor and electronic control, and achieved breakthroughs in the training of core technical capabilities.

3. **Great efforts were made to produce intellectual products.** Intelligent application of products were increased, and the R&D of networked and intelligent vehicles were promoted. Firstly, we advanced vehicle networking projects in three phases of foundation platform construction, comprehensive services providing, and in-depth big data application in sequence. The first phase of foundation platform construction has been completed and it can provide basic vehicle networking services for National VI products; secondly, the pre-research on intelligent vehicles was started. We cooperated with scientific research institutes and universities to carry out V2X project (vehicle-road collaboration technology) and the research and development of intelligent vehicles such as full electric special vehicles with Level 3 automated driving system. Among which, the special vehicle automated driving project, which was approved as a special key project of technology innovation and application and development in the city, has completed the trial production of a special automated-driving transport vehicle with laptop products applied in the Airport Logistics Park, which is under demonstration operations.

4. **External cooperation was enhanced and expanded, and the construction of key projects were accelerated.** Firstly, trial production and verification of prototypes were made in 4JZ engine project; secondly, as for the MYY gearbox project, the mechanized production line upgraded by existing production capacity already equipped with production capacity in small batches; thirdly, the introduction of new Isuzu models was promoted.

## OUTLOOK AND PROSPECTS

At present, as there are more sources of global unrest and risk points, the Company will strengthen the awareness of risk, adhere to the general principle of seeking progress while working to keep performance stable, adhere to the new development philosophy, center on the supply-side structural reform, adhere to the drive of reform and opening up, and promote high-quality development. To this end, the Company has set the following major tasks:

1. **The Company will give full play to its current advantages and strengthen the confidence in career development.** Firstly, it will for long focus on the main business of commercial vehicles, forming a complete industrial chain. The five assemblies are produced in-house, with a high starting point and a solid foundation, which can effectively support quality control of the product and research and development of new product; secondly, it will continuously introduce the leading products and technologies of Isuzu, forming a complete product spectrum, wide market coverage and strong capacity for specification expansion; thirdly, it will for long adhere to the sound business philosophy to stay a healthy financial position; fourthly, it will for long adhere to the Isuzu's technical quality standards, which enjoy a high quality reputation, continuing to improve the cost performance.

2. **The Company will strengthen innovation-driven model, and enhance new momentum for corporate development.** Firstly, it will prioritize according to sales volume, regulations and corresponding response time, and prioritize the creation of main products; secondly, it will speed up the completion of the development of full-series China-VI products; thirdly, it will comply with regulations in advance and collect regulatory information in time to quickly respond to regulatory requirements.

3. **The Company will promote the marketing effectively, and lead its sustainable development.** It will build a market-oriented marketing organization, use practical skills to promote the nurturing of dealers, not only to expand new dealers but also to stabilize old dealers, strengthen market research, research and judgment and corresponding speed. It will continue to strengthen the development of major customers and promote the marketing, promotion and sales expansion of the new China-VI products and new energy vehicle products.

4. **The Company will strengthen basic management and support its high-quality development.** It will strengthen production management by promoting on-site management, quality management and improving production efficiency, continue to deepen the consciousness of "competitive bidding and manufacture of high-quality products", in accordance with the requirements of "legal and compliant, reliable and durable, exquisite and good-looking", pay close attention to the steady improvement of quality and reduce product costs.

5. **The Company will further promote key projects and save its development potential.** It will vigorously promote VL17 project equipped with 4JZ, T+ upgrading and replacement project and hydrogen fuel truck project, etc.

In the new year, the Company will still take a stubborn and hard-working attitude, guided by the market, stabilize the fundamentals of development, cultivate new growth points, and firmly and steadily follow the road of high-quality development, bringing returns to our investors.

## FINANCIAL RESOURCES AND LIQUID FUNDS SITUATION

### Financial Performance

For the year ended 31 December 2019, the revenue of the Group was RMB4,723,287,000, representing a decrease of 10.09% as compared to last year, which is mainly caused by the impact of the overall economic downturn in the market this year, the market demand for the vehicle has shrunk and sales revenue has declined.

Gross profit for the year was RMB848,493,000, representing a decrease of 15.14% as compared to last year. Gross profit margin of the Group for the year was 17.96% as compared with 19.03% last year. Profit of the Group for the year was RMB356,282,000 representing a decrease of 22.80% as compared to last year.

For the year ended 31 December 2019, other income mainly included interest income, government grants and rental income, totaling RMB258,572,000, representing a decrease of 9.29% as compared to last year.

For the year ended 31 December 2019, the Group's expenses, including distribution and selling costs, administrative expenses and research and development expenses, decreased by 6.26% as compared to last year, principally due to a decline in transportation costs and travel expenses in the tight market conditions this year.

For the year ended 31 December 2019, the share of results of joint ventures of the Group was RMB4,838,000, representing a decrease of 81.55% as compared to last year, principally due to the absorption and merger of Isuzu Qingling (Chong Qing) Autoparts Co., Ltd 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. Additionally, the recession led to the decrease of the profits of the joint ventures.

For the year ended 31 December 2019, basic earnings per share was RMB0.14. The Company did not issue any new shares and the basic earnings per share is comparable with last year.

**Financial Position**

As at 31 December 2019, the total assets and total liabilities of the Group were RMB10,995,614,000 and RMB2,914,764,000 respectively.

As at 31 December 2019, the Group's non-current assets amounted to RMB1,860,330,000 which mainly includes property, plant and equipment, right-of-use assets, investment properties, intangible assets, interests in an associate and joint ventures, deferred tax assets, time deposits and deposit paid for property plant and equipment.

As at 31 December 2019, the Group's current assets amounted to RMB9,135,284,000 which mainly includes inventories, trade, bills and other receivables and prepayments, time deposits, restricted bank balances, bank deposits, bank balances and cash.

As at 31 December 2019, the Group's current liabilities amounted to RMB2,847,087,000 which mainly includes trade, bills and other payables, contract liabilities and provision for litigation.

As at 31 December 2019, the Group's non-current liability amounted to RMB67,677,000 which mainly includes deferred income - governments grants and lease liabilities.

As at 31 December 2019, the Group's net current assets was RMB6,288,197,000 (2018: RMB6,595,893,000) and remained stable from last year.

**Liquidity and Capital Structure**

As at 31 December 2019, the time deposits, restricted bank balances, bank deposits and bank balances and cash retained by the Group were RMB6,301,393,000 and remained stable from the balances reported on 31 December 2018.

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

Gearing ratio represented the percentage of total liabilities over total equity as per consolidated statement of financial position. The gearing ratio of the Group as at 31 December 2019 was 36.07% (as at 31 December 2018: 34.09%).

Issued share capital as at 31 December 2019 maintained at the level of RMB2,482,268,000 as no share was issued during this year.

For the year ended 31 December 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 31 December 2019 was RMB7,762,018,000. The net assets value per share (representing total equity attributable to owners of the Company divided by number of shares of the Company as at 31 December 2019) as at 31 December 2019 was RMB3.13.

**Significant Investment**

As at 31 December 2019, the Group's interests in joint ventures were RMB492,071,000 and interest in an associate was RMB8,185,000 which mainly included the interest in Qingling Isuzu Engine, a joint venture, of RMB434,903,000. For the year ended 31 December 2019, the joint ventures and associate of the Group were under normal operation.

During the year ended 31 December 2019, there were no significant acquisition and disposal of the Group.

**Segment Information**

The segment revenue contributed by light-duty trucks and pick-up trucks was RMB3,375,599,000, representing 71.47% of the total segment revenue and the segment profit of light-duty trucks and pick-up trucks accounted for 83.81% of the total segment profit. Light-duty trucks are currently the major products accounting for the highest contribution of the group.

The segment revenue contributed by the medium and heavy-duty trucks was RMB1,044,573,000, representing 22.12% of the total segment revenue. The segment profit from medium and heavy-duty trucks was RMB28,268,000, accounting for 6.15% of the total segment profit.

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

**Pledge of Assets**

As at 31 December 2019, no asset of the Group was pledged for financial facilities (for the year ended 31 December 2018: Nil).

**Effects of Foreign Exchange Rate Changes**

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

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.16 per share (the "**2019 Final Dividend**") (2018: RMB0.16 per share) in respect of the year ended 31 December 2019 to those shareholders whose names appear on the Company's register of shareholders on Wednesday, 17 June 2020 (the "**Record Date**"). Subject to the approval at the forthcoming annual general meeting of the Company, the 2019 Final Dividend will be payable on or before 30 June 2020.

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

As stated above, in respect of any non-resident enterprise holders of H Shares (including HKSCC Nominees Limited, other custodians, corporate nominees and trustees such as securities companies and banks, and other entities or organizations) whose names appear on the Company's register of shareholders on the Record Date, the Company will pay the 2019 Final Dividend payable to such shareholders after deducting all enterprise income tax payable from the 2019 Final Dividend.

In respect of any individual holders of H shares whose names appear on the Company's register of shareholders on the Record Date, the Company will not deduct the enterprise income tax from the 2019 Final Dividend which such shareholders have right to receive.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at New Conference Hall of the Company, 1st Floor, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China on Thursday, 4 June 2020 at 10:00 a.m. (the "**AGM**").

## CLOSURE OF REGISTER OF SHAREHOLDERS

To ascertain the H shareholders' entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Tuesday, 5 May 2020 to Thursday, 4 June 2020 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms relating to H shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 4 May 2020.

Subject to the approval of the shareholders at the AGM, the proposed final dividend will be payable to the shareholders whose names appear on the register of shareholders of the Company on Wednesday, 17 June 2020. To ascertain the H shareholders' entitlement to the proposal final dividend, the register of shareholders of the Company will be closed from Wednesday, 10 June 2020 to Wednesday, 17 June 2020 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms relating to H shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 9 June 2020.

## PREFERENTIAL TREATMENTS FOR CONSOLIDATED INCOME TAX AND LOCAL TAX

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

## DESIGNATED DEPOSITS

As at 31 December 2019, the Group did not hold any designated deposit or any time deposits that were overdue but could not be collected upon maturity.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group has 3,025 employees (2018: 3,008 employees). For the year ended 31 December 2019, labor cost was RMB316,519,000 (2018: RMB310,227,000). The Group determines the emoluments payable to its employees based on their performance, 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.

## DISPOSAL OF STAFF QUARTERS

For the year ended 31 December 2019, the Group has not sold any of its staff quarters to its employees.

## STRUCTURE OF SHAREHOLDING

**(1)** As at 31 December 2019, the entire share capital of the Company comprised 2,482,268,268 shares, including:

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

**(2) Substantial shareholders**

As at 31 December 2019, shareholders other than director, supervisor and chief executive of the Company having an interest and short positions in 5% or more of the relevant class of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the "**SFO**") were as follows:

Long positions in the shares of the Company:

| Name of shareholders | Class of shares | Number of shares | Capacity | Percentage of the relevant class of share capital | Percentage of entire share capital |
|---|---|---|---|---|---|
| Qingling Motors (Group) Company Limited | Domestic shares | 1,243,616,403 shares | Beneficial Owner | 100.00% | 50.10% |
| Isuzu Motors Ltd. | H shares | 496,453,654 shares | Beneficial Owner | 40.08% | 20.00% |
| Edgbaston Investment Partners LLP | H shares | 74,913,000 shares | Investment manager | 6.05% | 3.02% |

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2019.

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

As at 31 December 2019, none of the directors, supervisors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"). For the year ended 31 December 2019, none of directors, supervisors and chief executives of the Company, or their spouse or children under 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

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

There were no purchase, sale, redemption or cancellation of the Company's listed securities by the Company and its subsidiaries during the year ended 31 December 2019.

## 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 year ended 31 December 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. Having made specific enquiry of all directors and supervisors, the Company confirmed all directors and supervisors have complied with the required standard set out in the Model Code during the year ended 31 December 2019.

## REVIEW OF UNAUDITED ANNUAL RESULTS

The Audit Committee has reviewed with the management according to the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited financial statements for the year ended 31 December 2019. The Unaudited 2019 Results have been agreed with the Audit Committee.

## DIRECTORS

As at the date of this announcement, the Board comprises 11 directors, of which Mr. LUO Yuguang, Mr. HAYASHI Shuichi, Mr. MAEGAKI Keiichiro, Mr. ADACHI Katsumi, Mr. LI Juxing, Mr. XU Song and Mr. LI Xiaodong are executive directors and Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. LIU Tianni and Mr. LIU Erh Fei are independent non-executive directors.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board
**Qingling Motors Co. Ltd**
**LEI Bin**
*Company Secretary*

Chongqing, the PRC, 30 March 2020