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慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD

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

(Stock Code: 1122)

ANNOUNCEMENT OF INTERIM RESULTS 2020

The board of directors (the “**Board**”) of Qingling Motors Co. Ltd (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2020, together with comparative figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	2,247,765	2,414,401
Cost of sales		(1,972,790)	(1,974,535)
Gross profit		274,975	439,866
Other income		135,704	119,613
Impairment losses under expected credit loss model, net of reversal	10	(560)	(116)
Other gains and losses, net		(1,807)	(730)
Distribution and selling expenses		(126,527)	(117,757)
Administrative expenses		(81,805)	(109,740)
Research expenses		(91,043)	(85,307)
Finance costs		(1,850)	(2,059)
Share of profit of an associate		168	319
Share of profit of joint ventures		809	1,279
Profit before tax	4	108,064	245,368
Income tax expense	5	(9,059)	(29,066)
Profit and total comprehensive income for the period		99,005	216,302
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		94,593	212,579
Non-controlling interests		4,412	3,723
		99,005	216,302
Earnings per share			
Basic	7	RMB0.04	RMB0.09

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	816,889	811,797
Right-of-use assets		93,720	109,882
Investment properties		40,615	41,848
Intangible assets		248,316	261,299
Interest in an associate		8,353	8,185
Interests in joint ventures		492,880	492,071
Deferred tax assets		17,344	21,991
Time deposits	11	2,329,761	101,454
Deposit paid for property plant and equipment		20,502	11,803
		4,068,380	1,860,330
Current assets			
Inventories		632,228	631,478
Trade, bills and other receivables and prepayments	9	2,144,740	2,299,901
Time deposits	11	2,170,536	4,152,983
Tax recoverable		5,958	3,966
Restricted bank balances	12	137,633	137,633
Bank deposits, bank balances and cash	12	1,608,940	1,909,323
		6,700,035	9,135,284
Current liabilities			
Trade, bills and other payables	13	2,415,830	2,155,273
Provision for litigation	14	137,633	137,633
Lease liabilities		28,649	29,359
Tax liabilities		1,832	3,188
Contract liabilities		251,100	438,023
Refund liabilities		97,521	83,611
		2,932,565	2,847,087
Net current assets		3,767,470	6,288,197
Total assets less current liabilities		7,835,850	8,148,527
Capital and reserves			
Share capital		2,482,268	2,482,268
Share premium and reserves		4,977,180	5,279,750
Equity attributable to owners of the Company		7,459,448	7,762,018
Non-controlling interests		323,244	318,832
Total equity		7,782,692	8,080,850
Non-current liabilities			
Deferred income – government grants		8,430	8,694
Lease liabilities		44,728	58,983
		53,158	67,677
		7,835,850	8,148,527

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Equity attributable to owners of the Company								Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve fund RMB'000	Discretionary surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
For the six months ended 30 June 2020 (unaudited)									
At 1 January 2020 (audited)	2,482,268	1,764,905	571,200	1,176,896	2,347	1,764,402	7,762,018	318,832	8,080,850
Profit and total comprehensive income for the period	-	-	-	-	-	94,593	94,593	4,412	99,005
2019 final dividend declared (Note 6)	-	-	-	-	-	(397,163)	(397,163)	-	(397,163)
At 30 June 2020 (unaudited)	<u>2,482,268</u>	<u>1,764,905</u>	<u>571,200</u>	<u>1,176,896</u>	<u>2,347</u>	<u>1,461,832</u>	<u>7,459,448</u>	<u>323,244</u>	<u>7,782,692</u>
For the six months ended 30 June 2019 (unaudited)									
At 1 January 2019 (audited)	2,482,268	1,764,905	571,200	1,143,180	2,347	1,849,973	7,813,873	310,241	8,124,114
Profit and total comprehensive income for the period	-	-	-	-	-	212,579	212,579	3,723	216,302
2018 final dividend declared (Note 6)	-	-	-	-	-	(397,163)	(397,163)	-	(397,163)
At 30 June 2019 (unaudited)	<u>2,482,268</u>	<u>1,764,905</u>	<u>571,200</u>	<u>1,143,180</u>	<u>2,347</u>	<u>1,665,389</u>	<u>7,629,289</u>	<u>313,964</u>	<u>7,943,253</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	49,973	179,797
Decrease (increase) in inventories	4,290	(67,572)
Decrease in trade, bills and other receivables and prepayments	155,184	555,607
Increase in trade, bills and other payables	278,749	216,395
Decrease in contract liabilities	(186,923)	(235,018)
Other operating activities	5,572	(33,868)
NET CASH FROM OPERATING ACTIVITIES	306,845	615,341
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(58,287)	(48,557)
Acquisition of intangible assets	–	(1,811)
Withdrawal of time deposits	3,721,000	425,834
Placement of time deposits	(3,971,000)	(3,711,035)
Interest received	114,628	55,558
Proceeds from disposal of property, plant and equipment	121	575
NET CASH USED IN INVESTING ACTIVITIES	(193,538)	(3,279,436)
FINANCING ACTIVITIES		
Dividends paid	(397,163)	(397,163)
Payments of interest expenses of lease liabilities	(1,850)	(99)
Repayments of lease liabilities	(14,965)	(1,270)
CASH USED IN FINANCING ACTIVITIES	(413,978)	(398,532)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(300,671)	(3,062,627)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,909,323	4,654,277
Effect of exchange rate changes on the balance of cash held in foreign currencies	288	61
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank deposits, bank balances and cash	1,608,940	1,591,711

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group stopped its manufacturing activities from late January 2020 to 14 February 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. On the other hand, the PRC government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic to the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and production in the current period.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis and certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

Except as described below, the application the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of “material” that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. REVENUE/SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2020	2019
	RMB’000 (unaudited)	RMB’000 (unaudited)
Types of goods		
Sales of light-duty trucks	570,349	653,725
Sales of multi-purposes vehicles	–	76
Sales of pick-up trucks	412,733	569,071
Sales of medium and heavy-duty trucks	531,655	477,419
Sales of chassis	641,076	606,956
Sales of automobile parts, accessories and others	91,952	107,154
Total	2,247,765	2,414,401

Except for export sales to countries outside the PRC amounting to approximately RMB18,001,000 (2019: RMB12,305,000) (unaudited), 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 <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Six months ended 30 June 2020						
Sales of light-duty trucks	570,349	–	–	–	–	570,349
Sales of multi-purposes vehicles	–	–	–	–	–	–
Sales of pick-up trucks	–	–	412,733	–	–	412,733
Sales of medium and heavy-duty trucks	–	–	–	531,655	–	531,655
Sales of chassis	590,383	–	6,040	44,653	–	641,076
Sales of automobile parts, accessories and others	–	–	–	–	91,952	91,952
Revenue	<u>1,160,732</u>	<u>–</u>	<u>418,773</u>	<u>576,308</u>	<u>91,952</u>	<u>2,247,765</u>
Six months ended 30 June 2019						
Sales of light-duty trucks	653,725	–	–	–	–	653,725
Sales of multi-purposes vehicles	–	76	–	–	–	76
Sales of pick-up trucks	–	–	569,071	–	–	569,071
Sales of medium and heavy-duty trucks	–	–	–	477,419	–	477,419
Sales of chassis	546,358	–	27,064	33,534	–	606,956
Sales of automobile parts, accessories and others	–	–	–	–	107,154	107,154
Revenue	<u>1,200,083</u>	<u>76</u>	<u>596,135</u>	<u>510,953</u>	<u>107,154</u>	<u>2,414,401</u>

(ii) **Segment information**

The Group is engaged in the manufacture and sales of five categories of products-light-duty trucks, multi-purposes vehicles, pick-up trucks, medium and heavy-duty trucks and automobile parts and accessories and the chief operating decision makers (i.e. the Company's executive directors) review the segment information by these categories to allocate resources to segments and to assess their performance.

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

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

Segment revenue and results

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

Six months ended 30 June 2020

	Light-duty trucks <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Segment revenue	<u>1,160,732</u>	<u>–</u>	<u>418,773</u>	<u>576,308</u>	<u>91,952</u>	<u>2,247,765</u>
Result						
Segment profit	<u>75,710</u>	<u>–</u>	<u>(7,352)</u>	<u>6,660</u>	<u>12,888</u>	87,906
Central administration costs						(21,263)
Research expenses						(91,043)
Impairment losses, net of reversal						(560)
Interest income						110,488
Other income						25,216
Other gains and losses, net						(1,807)
Finance costs						(1,850)
Share of profit of an associate						168
Share of profit of joint ventures						<u>809</u>
Group's profit before tax						<u>108,064</u>

Six months ended 30 June 2019

	Light-duty trucks <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Segment revenue	<u>1,200,083</u>	<u>76</u>	<u>596,135</u>	<u>510,953</u>	<u>107,154</u>	<u>2,414,401</u>
Result						
Segment profit	<u>156,583</u>	<u>(13)</u>	<u>43,113</u>	<u>20,861</u>	<u>9,693</u>	230,237
Central administration costs						(17,868)
Research expenses						(85,307)
Impairment losses, net of reversal						(116)
Interest income						97,085
Other income						22,528
Other gains and losses, net						(730)
Finance costs						(2,059)
Share of profit of an associate						319
Share of profit of joint ventures						<u>1,279</u>
Group's profit before tax						<u>245,368</u>

There have been no inter-segment sales during the six months ended 30 June 2020 (2019: Nil) (unaudited).

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

Segment assets and liabilities

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

As at 30 June 2020

	Light-duty trucks <i>RMB'000</i> (unaudited)	Multi- purposes vehicles <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Assets						
Segment assets	<u>1,267,593</u>	<u>–</u>	<u>487,199</u>	<u>1,154,183</u>	<u>274,321</u>	3,183,296
Interchangeably used assets between segments						
– property, plant and equipment						275,891
– right-of-use assets						93,720
– inventories						170,129
Investment properties						40,615
Interest in an associate						8,353
Interests in joint ventures						492,880
Time deposits, restricted bank balances, bank deposits, bank balances and cash						6,246,870
Other unallocated assets						<u>256,661</u>
Consolidated total assets						<u>10,768,415</u>
Liabilities						
Segment liabilities	<u>348,219</u>	<u>–</u>	<u>111,067</u>	<u>181,704</u>	<u>12,326</u>	653,316
Unallocated trade, bills and other payables						2,111,135
Unallocated provision for litigation						137,633
Unallocated lease liabilities						73,377
Other unallocated liabilities						<u>10,262</u>
Consolidated total liabilities						<u>2,985,723</u>

As at 31 December 2019

	Light-duty trucks <i>RMB'000</i> (audited)	Multi- purposes vehicles <i>RMB'000</i> (audited)	Pick-up trucks <i>RMB'000</i> (audited)	Medium and heavy-duty trucks <i>RMB'000</i> (audited)	Automobile parts and accessories <i>RMB'000</i> (audited)	Consolidated <i>RMB'000</i> (audited)
Assets						
Segment assets	<u>1,424,010</u>	<u>–</u>	<u>596,442</u>	<u>1,171,626</u>	<u>249,911</u>	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						<u>183,501</u>
Consolidated total assets						<u>10,995,614</u>
Liabilities						
Segment liabilities	<u>485,126</u>	<u>–</u>	<u>195,368</u>	<u>221,211</u>	<u>–</u>	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						<u>11,882</u>
Consolidated total liabilities						<u>2,914,764</u>

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

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

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	134,703	134,509
Retirement benefits scheme contributions (<i>note a</i>)	7,213	20,875
Total staff costs (including directors' and supervisors' remuneration)	141,916	155,384
Staff costs capitalised in inventories	(58,836)	(63,653)
	83,080	91,731
Loss (gain) on disposal of property, plant and equipment, net	26	(336)
Amortisation of intangible assets (included in administrative expenses and research expenses)	18,912	17,687
Depreciation of property, plant and equipment	20,228	19,630
Depreciation of right-of-use assets	16,162	1,761
Total depreciation	36,390	21,391
Capitalised in inventories	(19,738)	(6,329)
	16,652	15,062
Finance cost of lease liabilities	1,850	99
Depreciation of investment properties	1,233	1,233
Expenses relating to short-term leases	1,436	17,140
Net foreign exchange losses	1,782	3,548
Cost of inventories recognised as cost of sales	1,972,790	1,974,535
Reversals of write-down of inventories (included in cost of sales)	(5,040)	(6,587)
Interest income from bank deposits and balances	(110,488)	(97,085)
Income from renting investment properties	(2,912)	(2,913)
Less: Direct operating expenses from investment properties that generated rental income during the period	1,341	1,350
	(1,571)	(1,563)
Income from renting equipment	(21,296)	(19,055)
Government grants (<i>note b</i>)	(602)	(192)

Note:

- During the current interim period, the Group are entitled a reduction of retirement benefit scheme contributions of RMB13,766,000 in respect of Covid-19-related subsidies, which relates to employment support scheme provided by the PRC government.
- 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.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax	2,333	19,631
Under provision in respect of prior year	2,079	1,150
Deferred tax	4,647	8,285
Total income tax expense charged for the period	9,059	29,066

According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the State Administration of Taxation No. 12 [2012]) and the Catalogue of Industries Encouraged to Develop in the Western Region (Order of the National Development and Reform Commission No. 15), companies located in the western region of the PRC and engaged in the businesses encouraged by the PRC government are entitled to the preferential enterprise income tax (“EIT”) rate of 15% if their revenue from encouraged businesses in a year accounts for more than 70% of total revenue. The Company and 重慶慶鈴模具有限公司, a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the revenue from these encouraged businesses is expected to account for more than 70% of their respective total revenue for the year ending 31 December 2020, and therefore continue to enjoy the preferential EIT rate of 15% for the current period.

In addition, 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]), 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% 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.

重慶慶鈴技術中心 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 2020 (six months ended 30 June 2019: 25% (unaudited)).

6. DIVIDEND

During the current interim period, a final dividend of RMB397,163,000 or RMB0.16 per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: RMB397,163,000 or RMB0.16 per share (unaudited) in respect of the year ended 31 December 2018) was declared to the owners of the Company.

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil (unaudited)).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share		
(Profit for the period attributable to owners of the Company)	<u>94,593</u>	<u>212,579</u>
	Six months ended 30 June	
	2020	2019
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Number of shares for the purpose of basic earnings per share	<u>2,482,268</u>	<u>2,482,268</u>

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

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately RMB31,396,000 (six months ended 30 June 2019: RMB26,576,000 (unaudited)) and disposed of property, plant and equipment with net carrying amount of RMB147,000 (six months ended 30 June 2019: RMB239,000 (unaudited)).

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

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

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Trade receivables, less allowance for credit losses	109,261	92,729
Bills receivable	1,891,320	2,136,756
Other receivables, less allowance for credit losses	32,817	18,333
Prepayments for raw materials	110,758	45,439
Value-added tax recoverable	584	6,644
	<u>2,144,740</u>	<u>2,299,901</u>

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

The 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"–ultimate holding company of the Group), to which a credit period of 1 year were granted.

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

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Within 3 months	24,244	57,726
Between 3 to 6 months	22,525	10,202
Between 6 to 12 months	39,435	4,515
Over 1 years	23,057	20,286
	<u>109,261</u>	<u>92,729</u>

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

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Within 1 month	515,108	552,800
Between 1 to 2 months	315,113	367,129
Between 2 to 3 months	409,844	293,328
Between 3 to 6 months	471,695	909,593
Between 6 to 12 months	179,560	13,906
	1,891,320	2,136,756

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

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

10. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Impairment loss recognised in respect of		
Trade receivables	560	95
Other receivables	—	21
	560	116

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

11. TIME DEPOSITS

The bank deposits are with a term from more than 3 months to 36 months (31 December 2019: from more than 3 months to 36 months (audited)) and carry interest rates ranging from 2.18% to 4.18% (31 December 2019: from 2.18% to 4.5% (audited)) per annum. Included in these bank deposits are deposits with carrying amount of RMB500,000,000 (31 December 2019: Nil) with the 6 months original maturity, the final interest payment of which is determined by the interest rate of future London Interbank US Dollar One Month Offered Rate on the maturity date with target interest rate ranging from 1.65% to 3.90% per annum.

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

As at 30 June 2020, the final interest payment of bank deposits with original maturity less than 3 months of RMB310,000,000 is determined by the future gold price on the maturity date with target interest rate ranging from 1.35% to 4.10% per annum. As at 31 December 2019, bank deposits with original maturity less than 3 months of RMB500,000,000 carry fixed interest rate of 3.90% per annum.

Restricted bank balances and bank balances of RMB137,633,000 (2019: RMB137,633,000) and RMB1,293,859,000 (2019: RMB1,408,273,000) respectively carry interest at market rates, which ranging from 0.0001% to 0.30% (2019: 0.0001% to 0.39%) per annum.

As at 30 June 2020, RMB137,633,000 have been frozen according to the civil ruling issued by a court in relation to a dispute in respect of a financial credit agreement entered into between the Company's customer and a bank. Details of which are set out in note 14.

13. TRADE, BILLS AND OTHER PAYABLES

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

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Trade and bills payables	1,923,370	1,730,270
Selling expenses payables	225,825	231,289
Other tax payable	3,500	3,816
Other payables	263,135	189,898
	<u>2,415,830</u>	<u>2,155,273</u>

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

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Within 3 months	1,818,842	1,523,453
Between 3 to 6 months	73,354	200,206
Between 6 to 12 months	25,557	408
Over 1 year	5,617	6,203
	<u>1,923,370</u>	<u>1,730,270</u>

14. 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 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 Judgment**”) 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 directors of the Company are 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, the “**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 of approximately 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 as at 30 June 2020.

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.

On 13 June 2020, the Company received the ruling for enforcement dated 25 May 2020 (the “**Enforcement Ruling**”) from the Shenzhen Court. The Enforcement Ruling states that the enforcement procedures for the 2015 Litigation shall be suspended and the application for enforcement shall be accepted again when the conditions for resumption of enforcement are fulfilled. On 26 July 2020, the PRC legal adviser of the Company received the civil ruling dated 25 May 2020 regarding the Retrial Application (the “**Civil Ruling**”) from the Supreme People's Court. The Retrial Application was dismissed according to the Civil Ruling.

The Company is striving to negotiate with Company Y under court mediation in order to reach a settlement. The negotiation is still in progress. Up to the date of the issuance of these condensed consolidated financial statements, taking into consideration of the result of the Enforcement Ruling and Civil Ruling, the opinion of the PRC legal adviser and the information currently available to the Company, the Board has assessed the possible future outcome of the litigation and has made a provision for the litigation amounting to RMB137,633,000 as at 30 June 2020 including the interest accretion. The Board believes that an adequate provision has been made based on the available information and do not expect the 2015 Litigation to have any material impact on the overall financial or operating position of the Group.

2020 FIRST HALF-YEARLY RESULTS

For the six months ended 30 June 2020, the Group sold 20,755 vehicles, representing a decrease of 10.18 % over the corresponding period of the previous year. Sales revenue amounted to RMB2.25 billion, representing a decrease of 6.90% over the corresponding period of the previous year. Profit after tax was RMB99 million, representing a decrease of 54.23% over the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

In the first half of the year, the sudden Covid-19 outbreak has made an unprecedented impact on the economic and social development of China. In the entire automobile industry, various automobile enterprises cut prices for sales promotion, and various OEMs were in a challenging operating environment. The Company has been focusing on pandemic prevention and control, while resuming work and achieving production goals, and at the same time also concentrating on reform and development, which was extremely challenging for the Company. As a result, it has not only achieved the goal of ensuring sufficient supply and stable turnover in a period, but also solidly promoted various key tasks, with stable production and operation.

1. **Focusing on normalised pandemic prevention and control on an early, solid and detailed manner.** In the first half of the year, the Company has established a leading group for pandemic prevention and control to carry out measures relating to pandemic prevention and control and production guarantees. Thus zero confirmed cases or suspected cases were reported among its staff and the staff of upstream supporting enterprises and downstream distributors. At the same time, it provided free maintenance and support services to all vehicles participating in pandemic prevention and control in Hubei.
2. **Striving to ensure sufficient supply and stable production, and basically achieve the goal of “guaranteeing stable turnover” in the first half of the year.** The Company has carried out a comprehensive inventory of parts and components to “ensure sufficient supply” and stabilize the supply chain; it has quickly resumed work, stabilized production and achieved production goals by overcoming difficulties, and finally completed the SPP preparation and production verification for multiple new products; the Company has basically achieved the goal of “guaranteeing stable turnover” in production and operation in the first half of the year.
3. **Steadily advancing key projects and storing reserve forces for enterprise development.** The research and development of new products has accelerated. The light, medium, and heavy-duty cell pick-up trucks were fully promoted, and the network of wide, large, heavy and light-trucks were overall improved; the investment in technological transformation was increased and the intelligent manufacturing was accelerated; and the development of the hydrogen fuel-cell vehicle industry was progressing smoothly.
4. **Marketing team overcoming the pandemic, combating difficulties, and creating growth.** Orderly operation was made in the new marketing system; the channel construction was strengthened; the promotion methods for new product were innovated; the entire vehicle exports were increased; and the after-sales service level was further improved.

5. **Stricter quality control measures were adopted.** Achievements were made in production consistency management and control; we strengthened the management of the circulation of new products in the market; made comparison against competing products and improved our products; identified and improved defective products, to prevent the occurrence of defective products in the market.

OUTLOOK AND PROSPECTS

In the second half of the year, for vehicle industry, on the one hand, favorable micro policies are expected to stimulate vehicle consumption, on the other hand, the acceleration of revolution and the work of “jungle law” in the industry will lead to more fierce competition for existing market shares and the increase of risks and challenges. The Company must continue to make great efforts to ensure sufficient product supply and increase in production, work more carefully and effectively to ensure stable operation. Priority will be given to the followings:

1. **Marketing.** To establish integration mechanism, promote our brand and products; to extend our marketing networks to cover low-tier cities and rural areas; to promptly launch new products to outlets, logistics markets and modification factories; to establish performance-based incentive and assessment system.
2. **Cost control.** To make comparison against competing products and the needs in the market, strengthen the control and accelerate the consumption of stock of raw materials, imported parts and components and vehicles, strengthen cost management and control.
3. **To accelerate the launch of key and new product projects.** To accelerate laws and regulations compliance, and to complete development, evaluation, mass production preparation as well as mass production and sales of new products on schedule.
4. **To improve worksite management and enhance production efficiency.** To improve production capacity of single shift; to promote cab welding automation, and coordinate project construction and production organization; to increase first time quality.
5. **Stricter quality management.** To ensure regular consistency management and control in production, attach high attention to unfavorable information feedback from the market, apply the concept of “high-quality, exquisite, sedan car’s experience” in quality management, adopt modern quality management and control means.
6. **To win policy support for the hydrogen fuel cell vehicle research and development and industrialization.** To try to complete the trial production of samples as early as possible, optimize and improve their performance in demonstration operation.

FINANCIAL REVIEW

Financial Performance

For the six months ended 30 June 2020, the revenue of the Group was RMB2,247,765,000 representing a decrease of 6.90% and the decrease in revenue was mainly attributable to the negative impact of the Covid-19 pandemic on the market sentiment and business environment, affecting the sales volume of vehicles of the Group.

Gross profit for the period was RMB274,975,000 representing a decrease of 37.49% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 12.23% and 18.22% for the corresponding period last year. Profit of the Group for the period attributable to owners of the Company was RMB94,593,000, representing a decrease of 55.50% as compared to the corresponding period last year.

For the six months ended 30 June 2020, the total of other income mainly including bank interest income and rental income, were RMB135,704,000, representing an increase of 13.45% as compared to the corresponding period last year, mainly due to the increase in bank interest income.

For the six months ended 30 June 2020, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB126,527,000, representing an increase of 7.45% as compared to the corresponding period last year, mainly due to the increase in transportation costs and business promotion expenses.

For the six months ended 30 June 2020, the total administrative expenses of the Group mainly including staff's salaries and allowance, insurance premium, maintenance fees and other administrative expenses, were RMB81,805,000, representing a decrease of 25.46% as compared to the corresponding period last year, mainly due to the implementation of the periodic reduction and exemption of retirement benefits scheme contributions in respect of the impact of Covid-19.

For the six months ended 30 June 2020, the total share of profit of an associate and joint ventures to the Group was RMB977,000, representing a decrease of 38.86% as compared to the corresponding period last year, mainly due to the impact of Covid-19.

For the six months ended 30 June 2020, basic earnings per share was RMB0.04. The Company did not issue any new shares during the period.

Financial Position

As at 30 June 2020, the total assets and total liabilities of the Group were RMB10,768,415,000 and RMB2,985,723,000 respectively.

The non-current assets were RMB4,068,380,000, mainly including time deposit, property, plant and equipment, interests in joint ventures and intangible assets.

The total current assets amounted to RMB6,700,035,000, mainly including RMB632,228,000 of inventories, RMB2,144,740,000 of trade, bills and other receivables and prepayments, RMB2,170,536,000 of time deposits and RMB1,746,573,000 of bank deposits and bank balances (including restricted bank balances of RMB137,633,000) and cash.

The total current liabilities amounted to RMB2,932,565,000, mainly including trade, bills and other payables of RMB2,415,830,000, provision of litigation of RMB137,633,000, contract liabilities of RMB251,100,000 and refund liabilities of RMB97,521,000.

As at 30 June 2020, the Group's non-current liability amounted to RMB53,158,000 which included deferred income-government grants and lease liabilities.

Net current assets fell from RMB6,288,197,000 as at 31 December 2019 to RMB3,767,470,000 as at 30 June 2020, representing a decrease of 40.09%.

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 2020 was 38.36% (as at 31 December 2019: 36.07%).

Issued share capital as at 30 June 2020 maintained at RMB2,482,268,000 and no share was issued during this period of six months.

For the six months ended 30 June 2020, 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 except for deferred income and lease 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 2020 was RMB7,782,692,000. 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 2020 was RMB3.14.

Significant Investment

As at 30 June 2020, the Group's interests in joint ventures were RMB492,880,000 and interest in an associate was RMB8,353,000 which mainly included the interest in 五十鈴中國發動機有限公司 (“**Isuzu Engine**”) (The entity was formerly named 慶鈴五十鈴(重慶)發動機有限公司 (“**Qingling Isuzu Engine**”)), a joint venture, of RMB434,903,000. The revenue of Isuzu Engine decreased for the six months ended 30 June 2020 from the corresponding period last year that was mainly attributable to the reducing market demand due to the impact of Covid-19.

During the period ended 30 June 2020, there were no significant acquisition and disposal of the Group.

Segment Information

The revenue contributed by light-duty trucks and medium and heavy-duty trucks were RMB1,160,732,000 and RMB576,308,000 respectively, representing 77.28% of the total revenue and 93.70% of the total segment profit. The revenue contributed by pick-up trucks was RMB418,773,000, representing 18.63% of the total revenue.

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

Pledge of Assets

During the period ended 30 June 2020, no asset of the Group was pledged for financial facilities (during the period ended 30 June 2019: Nil).

Effects of Foreign Exchange Rate Changes

As at 30 June 2020, the Group had bank balances of foreign currency of RMB22,541,000 and foreign currency payables and other payables of RMB99,244,000.

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

Commitments

As at 30 June 2020, the Group had capital commitments of RMB90,714,000 that had been contracted for but not provided in the condensed consolidated financial statements, mainly including the outstanding consideration payable concerning property, plant and equipment. The Group expects to finance the above capital requirement by its own cash flows.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (for the period ended 30 June 2019: Nil).

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

During the six months ended 30 June 2020, there were no purchase, redemption or sales of the Company's listed securities by the Company or any of its subsidiaries.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 2,970 employees. For the six months ended 30 June 2020, labour cost was RMB141,916,000. The Group determines the emoluments payable to its employees based on their performances, experience and prevailing industry practices while the Group's remuneration policy and packages are reviewed on a regular basis so as to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. Depending on the assessment about their work performances, employees may be granted bonuses and rewards which in turn provide the motives and incentives for better individual performance.

SALES OF STAFF QUARTERS

For the six months ended 30 June 2020, the Group has not sold any staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

- (1) As at 30 June 2020, 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 2020, shareholders other than a director, supervisor or chief executive of the Company having an interest and short positions in 5% or more of the issued share capital of the Company of the relevant classes as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the “SFO”) were as follows:

Long positions in the shares of the Company:

Name of shareholders	Class of shares	Number of shares held	Capacity	Percentage of share capital of relevant class	Percentage of entire share capital
Qingling Motors (Group) Company Limited	Domestic shares	1,243,616,403 shares	Beneficial Owner	100.00%	50.10%
Isuzu Motors Limited	H shares	496,453,654 shares	Beneficial Owner	40.08%	20.00%
Edgbaston Investment Partners LLP	H shares	74,119,000 shares	Investment manager	5.98%	2.99%

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 2020.

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

As at 30 June 2020, 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 2020, none of directors, supervisors and chief executives of the Company, their spouse or children under 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

CORPORATE GOVERNANCE

The Company puts high emphasis on endeavors to maintain high standards of corporate governance. The Board believes that good corporate governance practices are important to promote investors' confidence and protect the interest of our shareholders. We attach importance to our staff, our code of conduct and our corporate policies and standards, which together form the basis of our corporate governance practices. The Board has adopted sound corporate and disclosure practices, and is committed to continuously improving those practices and cultivating an ethical corporate culture.

During the six months ended 30 June 2020, 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. On 1 August 2020, the Company has made insurance arrangements and complied with code provision A.1.8.

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 2020.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2020 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.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2020 interim report containing all the financial information required by the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qingling.com.cn) in due course.

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.

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

Chongqing, the PRC, 26 August 2020