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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 2021

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 2021, together with comparative figures for the corresponding period in 2020, as follows:

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

For the six months ended 30 June 2021

	NOTES	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	2,704,082	2,247,765
Cost of sales		(2,355,356)	(1,972,790)
Gross profit		348,726	274,975
Other income		125,246	135,704
Impairment losses under expected credit loss model, net of reversal	10	–	(560)
Other gains and losses, net		3,883	(1,807)
Distribution and selling expenses		(134,737)	(126,527)
Administrative expenses		(102,375)	(81,805)
Research expenses		(101,750)	(91,043)
Finance costs		(654)	(1,850)
Share of results of associates		(1,242)	168
Share of results of joint ventures		234	809
Profit before tax	4	137,331	108,064
Income tax expense	5	2,298	(9,059)
Profit and total comprehensive income for the period		<u>139,629</u>	<u>99,005</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		134,917	94,593
Non-controlling interests		4,712	4,412
		<u>139,629</u>	<u>99,005</u>
Earnings per share			
Basic	7	<u>RMB0.05</u>	<u>RMB0.04</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	1,032,818	953,870
Right-of-use assets		44,131	81,791
Investment properties		38,157	39,382
Intangible assets		208,846	228,581
Interests in associates		55,388	33,118
Interests in joint ventures		487,428	487,333
Deferred tax assets		27,147	18,191
Time deposits	11	2,600,926	2,265,640
		<u>4,494,841</u>	<u>4,107,906</u>
<b>Current assets</b>			
Inventories		858,864	841,599
Trade, bills and other receivables and prepayments	9	2,582,586	2,718,860
Time deposits	11	782,338	2,240,652
Tax recoverable		11,185	15,591
Bank deposits, bank balances and cash		2,080,614	1,041,733
		<u>6,315,587</u>	<u>6,858,435</u>
<b>Current liabilities</b>			
Trade, bills and other payables	12	2,492,460	2,426,653
Lease liabilities		16,556	30,496
Tax liabilities		2,269	2,674
Contract liabilities		299,883	372,138
Refund liabilities		104,947	107,091
		<u>2,916,115</u>	<u>2,939,052</u>
<b>Net current assets</b>		<u>3,399,472</u>	<u>3,919,383</u>
<b>Total assets less current liabilities</b>		<u>7,894,313</u>	<u>8,027,289</u>
<b>Capital and reserves</b>			
Share capital		2,482,268	2,482,268
Share premium and reserves		5,070,266	5,183,576
Equity attributable to owners of the Company		7,552,534	7,665,844
Non-controlling interests		326,293	321,581
<b>Total equity</b>		<u>7,878,827</u>	<u>7,987,425</u>
<b>Non-current liabilities</b>			
Deferred income – government grants		7,570	7,982
Lease liabilities		7,916	31,882
		<u>15,486</u>	<u>39,864</u>
		<u>7,894,313</u>	<u>8,027,289</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

## Equity attributable to owners of the Company

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory surplus reserve fund <i>RMB'000</i>	Discretionary surplus reserve fund <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
<b>For the six months ended 30 June 2021 (unaudited)</b>									
At 1 January 2021 (audited)	2,482,268	1,764,905	571,200	1,204,923	2,347	1,640,201	7,665,844	321,581	7,987,425
Profit and total comprehensive income for the period	-	-	-	-	-	134,917	134,917	4,712	139,629
2020 final dividend declared (Note 6)	-	-	-	-	-	(248,227)	(248,227)	-	(248,227)
At 30 June 2021 (unaudited)	<u>2,482,268</u>	<u>1,764,905</u>	<u>571,200</u>	<u>1,204,923</u>	<u>2,347</u>	<u>1,526,891</u>	<u>7,552,534</u>	<u>326,293</u>	<u>7,878,827</u>
<b>For the six months ended 30 June 2020 (unaudited)</b>									
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>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Operating cash flows before movements in working capital	101,448	49,973
(Increase) decrease in inventories	(14,221)	4,290
Decrease in trade, bills and other receivables and prepayments	136,274	155,184
Increase in trade, bills and other payables	35,570	278,749
Decrease in contract liabilities	(72,255)	(186,923)
Decrease in refund liability	(2,144)	–
Other operating activities	(2,656)	5,572
	<u>182,016</u>	<u>306,845</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(74,909)	(58,287)
Investment in an associate	(24,500)	–
Withdrawal of time deposits	1,766,000	3,721,000
Placement of time deposits	(670,000)	(3,971,000)
Interest received	117,765	114,628
Proceeds from disposal of property, plant and equipment	277	121
	<u>1,114,633</u>	<u>(193,538)</u>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(248,227)	(397,163)
Payments of interest expenses of lease liabilities	(654)	(1,850)
Repayments of lease liabilities	(8,619)	(14,965)
	<u>(257,500)</u>	<u>(413,978)</u>
<b>CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	1,039,149	(300,671)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,041,733	1,909,323
Effect of exchange rate changes on the balance of cash held in foreign currencies	(268)	288
	<u>2,080,614</u>	<u>1,608,940</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank deposits, bank balances and cash</b>		

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the annual consolidated financial statements of Qingling Motors Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

The application of the above amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 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	
	2021	2020
	RMB’000	RMB’000
	(unaudited)	(unaudited)
<b>Types of goods</b>		
Sales of light-duty trucks	457,791	570,349
Sales of pick-up trucks	447,798	412,733
Sales of medium and heavy-duty trucks	520,825	531,655
Sales of chassis	1,118,627	641,076
Sales of automobile parts, accessories and others	159,041	91,952
	<hr/>	<hr/>
Total	<b>2,704,082</b>	<b>2,247,765</b>

Except for export sales to countries outside the PRC amounting to approximately RMB33,223,000 (six months ended 30 June 2020: RMB18,001,000), 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 <i>RMB'000</i> (unaudited)	Pick-up trucks <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks <i>RMB'000</i> (unaudited)	Automobile parts and accessories <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
<b>Six months ended 30 June 2021</b>					
Sales of light-duty trucks	457,791	–	–	–	457,791
Sales of pick-up trucks	–	447,798	–	–	447,798
Sales of medium and heavy-duty trucks	–	–	520,825	–	520,825
Sales of chassis	1,073,498	2,345	42,784	–	1,118,627
Sales of automobile parts, accessories and others	–	–	–	159,041	159,041
Revenue	<u>1,531,289</u>	<u>450,143</u>	<u>563,609</u>	<u>159,041</u>	<u>2,704,082</u>
<b>Six months ended 30 June 2020</b>					
Sales of light-duty trucks	570,349	–	–	–	570,349
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>418,773</u>	<u>576,308</u>	<u>91,952</u>	<u>2,247,765</u>

**(ii) Segment information**

The Group is engaged in the manufacture and sales of four categories of products: light-duty trucks, 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
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 2021

	Light-duty trucks <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>1,531,289</u>	<u>450,143</u>	<u>563,609</u>	<u>159,041</u>	<u>2,704,082</u>
Result					
Segment profit (loss)	<u>102,921</u>	<u>(6,771)</u>	<u>14,490</u>	<u>25,909</u>	136,549
Central administration costs					(24,935)
Research expenses					(101,750)
Interest income					90,737
Other income					34,509
Other gains and losses, net					3,883
Finance costs					(654)
Share of results of associates					(1,242)
Share of results of joint ventures					234
Group's profit before tax					<u>137,331</u>

### Six months ended 30 June 2020

	Light-duty trucks <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>418,773</u>	<u>576,308</u>	<u>91,952</u>	<u>2,247,765</u>
Result					
Segment profit (loss)	<u>75,710</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 results of an associate					168
Share of results of joint ventures					809
Group's profit before tax					<u>108,064</u>

There have been no inter-segment sales during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Segment profit (loss) represents the profit (loss) 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 results of associates and share of results of joint ventures. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

***Segment assets and liabilities***

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

***As at 30 June 2021***

	Light-duty trucks <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>1,521,856</u>	<u>552,769</u>	<u>1,119,779</u>	<u>427,124</u>	3,621,528
Interchangeably used assets between segments					
– property, plant and equipment					425,419
– right-of-use assets					44,131
– inventories					325,455
Investment properties					38,157
Interests in associates					55,388
Interests in joint ventures					487,428
Time deposits, bank deposits, bank balances and cash					5,463,878
Other unallocated assets					<u>349,044</u>
Consolidated total assets					<u>10,810,428</u>
Liabilities					
Segment liabilities	<u>396,182</u>	<u>114,388</u>	<u>183,982</u>	<u>10,460</u>	705,012
Unallocated trade, bills and other payables					2,192,278
Unallocated lease liabilities					24,472
Other unallocated liabilities					<u>9,839</u>
Consolidated total liabilities					<u>2,931,601</u>



As at 31 December 2020

	Light-duty trucks <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>1,614,950</u>	<u>597,077</u>	<u>1,351,565</u>	<u>291,921</u>	3,855,513
Interchangeably used assets between segments					
– property, plant and equipment					393,846
– right-of-use assets					81,791
– inventories					254,715
Investment properties					39,382
Interest in an associate					33,118
Interests in joint ventures					487,333
Time deposits, bank deposits, bank balances and cash					5,548,025
Other unallocated assets					<u>272,618</u>
Consolidated total assets					<u>10,966,341</u>
Liabilities					
Segment liabilities	<u>425,665</u>	<u>139,063</u>	<u>206,228</u>	<u>–</u>	770,956
Unallocated trade, bills and other payables					2,134,925
Unallocated lease liabilities					62,378
Other unallocated liabilities					<u>10,657</u>
Consolidated total liabilities					<u>2,978,916</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 associates, interests in joint ventures, time deposits, 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 lease liabilities and other unallocated liabilities of the head office.

#### 4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	149,726	134,703
Retirement benefits scheme contributions	<u>21,013</u>	<u>7,213</u>
Total staff costs (including directors' and supervisors' remuneration)	170,739	141,916
Staff costs capitalised in inventories	<u>(74,125)</u>	<u>(58,836)</u>
	<u>96,614</u>	<u>83,080</u>
Loss (gain) on disposal of property, plant and equipment, net	3,995	(26)
Amortisation of intangible assets (included in administrative expenses and research expenses)	19,735	18,912
Depreciation of property, plant and equipment	21,925	20,228
Depreciation of right-of-use assets	<u>8,374</u>	<u>16,162</u>
Total depreciation	30,299	36,390
Capitalised in inventories	<u>(9,831)</u>	<u>(19,738)</u>
	<u>20,468</u>	<u>16,652</u>
Finance cost of lease liabilities	654	1,850
Depreciation of investment properties	1,225	1,233
Expenses relating to short-term leases	2,192	1,436
Net foreign exchange (gains) losses	(7,878)	1,782
Cost of inventories recognised as cost of sales	2,355,356	1,972,790
Interest income from bank deposits and balances	(90,737)	(110,488)
Income from renting investment properties	(2,904)	(2,912)
Less: Direct operating expenses from investment properties that generated rental income during the period	<u>1,337</u>	<u>1,341</u>
	<u>(1,567)</u>	<u>(1,571)</u>
Income from renting equipment	(21,325)	(21,296)
Government grants ( <i>note</i> )	<u>(9,539)</u>	<u>(602)</u>

*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 for both periods.

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax	2,827	2,333
Under provision in respect of prior year	3,831	2,079
Deferred tax	(8,956)	4,647
	<hr/>	<hr/>
Total income tax expense charged for the period	<b>(2,298)</b>	9,059
	<hr/> <hr/>	<hr/> <hr/>

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 enterprise income tax (“EIT”) rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year. The Company and 重慶慶鈴模具有限公司, 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 60% of their respective total revenue for the year ending 31 December 2021, and therefore continue to enjoy the preferential EIT rate of 15% for the current period.

重慶慶鈴技術中心有限責任公司 and 慶鈴(深圳)新能源汽車銷售服務有限公司, subsidiaries of the Company, are subject to EIT rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%).

## 6. DIVIDEND

During the current interim period, a final dividend of RMB248,227,000 or RMB0.10 per share in respect of the year ended 31 December 2020 (six months ended 30 June 2020: RMB397,163,000 or RMB0.16 per share (unaudited) in respect of the year ended 31 December 2019) 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 2021 (six months ended 30 June 2020: Nil).

## 7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share		
(Profit for the period attributable to owners of the Company)	<b>134,917</b>	94,593
	<hr/> <hr/>	<hr/> <hr/>

<b>Six months ended 30 June</b>	
<b>2021</b>	2020
<b>'000</b>	<b>'000</b>
<b>(unaudited)</b>	(unaudited)

**Number of shares**

Number of shares for the purpose of basic earnings per share	<b>2,482,268</b>	2,482,268
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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 RMB105,146,000 (six months ended 30 June 2020: RMB31,396,000) mainly for constructions in progress and disposed of property, plant and equipment with net carrying amount of RMB4,272,000 (six months ended 30 June 2020: RMB147,000).

**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:

	<b>At 30 June</b>	At 31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Trade receivables, less allowance for credit losses	<b>200,297</b>	310,176
Bills receivable	<b>2,158,475</b>	2,254,999
Other receivables, less allowance for credit losses	<b>62,606</b>	58,812
Prepayments for raw materials	<b>146,405</b>	42,734
Value-added tax recoverable	<b>14,803</b>	52,139
	<b>2,582,586</b>	2,718,860

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:

	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
Within 3 months	<b>158,026</b>	278,066
Between 3 to 6 months	<b>9,846</b>	8,754
Between 6 to 12 months	<b>14,006</b>	3,439
Over 1 year	<b>18,419</b>	19,917
	<b><u>200,297</u></b>	<u>310,176</u>

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

	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
Within 1 month	<b>593,750</b>	455,629
Between 1 to 2 months	<b>293,160</b>	485,101
Between 2 to 3 months	<b>412,648</b>	333,181
Between 3 to 6 months	<b>685,476</b>	939,638
Between 6 to 12 months	<b>173,441</b>	41,450
	<b><u>2,158,475</u></b>	<u>2,254,999</u>

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 SUBJECT TO EXPECTED CREDIT LOSS MODEL

	<b>Six months ended 30 June</b>	
	<b>2021 RMB'000 (unaudited)</b>	2020 RMB'000 (unaudited)
Impairment loss recognised in respect of trade receivables	<b><u>–</u></b>	<u>560</u>

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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

#### 11. TIME DEPOSITS

The bank deposits are with a term from more than 6 months to 36 months (31 December 2020: from more than 3 months to 36 months (audited)) and carry interest rates ranging from 2.18% to 4.18% (31 December 2020: from 2.18% to 4.18% (audited)) per annum.

## 12. TRADE, BILLS AND OTHER PAYABLES

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

	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
Trade and bills payables	1,944,325	1,874,605
Selling expenses payables	208,044	230,109
Other tax payable	3,678	2,311
Other payables	336,413	319,628
	<u>2,492,460</u>	<u>2,426,653</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:

	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
Within 3 months	1,600,406	1,637,379
Between 3 to 6 months	327,194	233,198
Between 6 to 12 months	13,113	192
Over 1 year	3,612	3,836
	<u>1,944,325</u>	<u>1,874,605</u>

## 2021 FIRST HALF-YEARLY RESULTS

For the six months ended 30 June 2021, the Group sold 25,037 vehicles, representing an increase of 20.63% over the corresponding period of the previous year. Sales revenue amounted to RMB2.70 billion, representing an increase of 20.30% over the corresponding period of the previous year. Profit after tax was RMB140 million, representing an increase of 41.03% over the corresponding period of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Results

In the first half of this year, the switch to National VI products resulted in the market pain. The relevant national departments and commissions have stipulated that the heavy-duty diesel vehicles not in compliance with National VI Standards shall not be produced or sold since 1 July 2021. In order to digest the unsold National V vehicles, most automotive manufacturers have launched sales of their unsold National V vehicles, which has seriously overdrew the market demand of commercial vehicles, leading to the prediction by authorities that the sales volume of commercial vehicles will record a year-on-year decrease in the second half of the year. In addition, as the new laws and regulations and new regulatory policies in relation to light trucks with blue plates will affect the sales of light trucks, the price increase of the bulk materials will lead to an unstable supply in the automobile industry chain and compress the industry's profit space, and there are rising tensions surrounding the shortage of chips, all these have brought huge pressure on automobile enterprises. In the first half of the year, the Company implemented various routine epidemic prevention and control measures, and exactly grasped the external situations under the circumstances that the routine epidemic prevention and control works were performed well, thereby making advances while maintaining stable in the operations.

1. The research and development of the products with proprietary brands was promoted. We accelerated the projects of NIKA (鈴咖) light trucks and TAGA H pick-up, etc., and at the same time, the second stage of car networking have been advancing steadily.
2. The development of the strategic emerging industry of hydrogen fuel cell commercial vehicles was accelerated. We have completed the research, development and trial manufacturing of fuel cell trucks, and at the same time, we have continuously optimized the performance of the products after taking into consideration the factors such as the hydrogen consumption on target paths.
3. Marketing was carried out stably and step by step. In terms of the pick-ups and M series light trucks, the marketing department of the Company made research and judgment on the market competition environment and the dynamic of the competing products, and formulated sales strategies after taking into consideration the comparing advantages of our main products; gradually guided the marketing of proprietary brands to the right direction; introduced financing companies to facilitate the enhancement of sales volume.

4. The basic management functions were performed well. We carried out the product consistence management and control; implemented Isuzu IM management; performed the “goods grabbing” and increased the inventory for requisite key parts and ensured the supply of chips with every effort; resolved the cost pressure resulting from the price increase of raw materials, carried out the overall budget management and strengthened funds management, thereby enhancing the achievements while reducing the cost continuously.
5. The operating mechanism reform was deepened and the team construction was strengthened. We have introduced the management measures for gross payroll to make the gross payroll increase or decrease according to the achievements; further strengthened performance orientation, demoted or removed the staff unqualified after being reviewed, and improved the duty performance and diligence and proactive accountability of officers at every level.

## **OUTLOOK AND PROSPECTS**

In the first half of the year, our achievements were strikingly commendable. However, it was still mixed results. There still existed unfavorable factors such as chips shortage and the price increase of raw materials, so we are faced with challenges in terms of production, operations and market development. Nonetheless, the Company will insist problems driven and objective orientation, so as to plan and promote our jobs in various aspects:

1. To carry forward fighting spirit and competing spirit, facilitating the enhancement of our marketing ability. To mainly strengthen the construction of the “two-network” of marketing and after-sales services; to fight “pick-up counterattack, M series light trucks blocking action, heavy-duty trucks battles, new energy shock attack”; to strengthen the marketing management.
2. To take various measures to improve the competitiveness of our proprietary brands. To improve the competitiveness of our proprietary brands by various measures including improving brand competitiveness, product competitiveness, channel competitiveness, price competitiveness and operational capability.
3. To emphasize quality management and resolve the quality problems of the National VI products quickly. To emphasize the learning of new technologies and enhance the rigid management, identify product problems quickly and develop accurate resolving measures.
4. To accelerate the development of new key products, build main products and enhance QCD competitiveness continuously. The development department, production department, quality control department and parts purchasing department, etc. will response to the personal demands of clients, and enhance the production efficiency and reduce the delivery period through improving the design and development of the platform and series of main products to the extent the purposes, functions and quality of the vehicles are ensured, thereby enhancing QCD competitiveness.



## FINANCIAL REVIEW

### Financial Performance

For the six months ended 30 June 2021, the revenue of the Group was RMB2,704,082,000 representing an increase of 20.30% as compared to the corresponding period last year mainly due to the increase of sales volume.

Gross profit for the period was RMB348,726,000 representing an increase of 26.82% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 12.90%, it was 12.23% for the corresponding period last year. Profit of the Group for the period attributable to owners of the Company was RMB134,917,000, representing an increase of 42.63% as compared to the corresponding period last year.

For the six months ended 30 June 2021, other income mainly included bank interest income and rental income, totaling RMB125,246,000, representing a decrease of 7.71% as compared to the corresponding period last year, mainly due to the decrease in bank interest income for the period comparing with that of previous period.

For the six months ended 30 June 2021, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB134,737,000, representing an increase of 6.49% as compared to the corresponding period last year, mainly due to the expiry of periodic reduction and exemption of retirement benefits scheme contributions in respect of the impact of Covid-19.

For the six months ended 30 June 2021, the total administrative expenses of the Group mainly including staff's salaries and allowance, insurance premium, maintenance fees and other administrative expenses, were RMB102,375,000, representing an increase of 25.15% as compared to the corresponding period last year, principally due to the expiry of periodic reduction and exemption of retirement benefits scheme contributions in respect of the impact of Covid-19.

For the six months ended 30 June 2021, the share of results of associates and joint ventures to the Group was RMB -1,008,000, representing a decrease of 203.17% as compared to the corresponding period last year, the Group incorporated 慶鈴鑫源汽車有限公司 (“**Qingling Shinerary**”), which is an associate that was established in November 2020, the fixed costs increased during the period and the acquisition synergies have not come into play in the short term.

For the six months ended 30 June 2021, basic earnings per share was RMB0.05. The Company did not issue any new shares during the period.

### Financial Position

As at 30 June 2021, the total assets and total liabilities of the Group were RMB10,810,428,000 and RMB2,931,601,000 respectively.

The non-current assets were RMB4,494,841,000, mainly including time deposits, property, plant and equipment, interests in joint ventures and intangible assets.

The total current assets amounted to RMB6,315,587,000, mainly including RMB858,864,000 of inventories, RMB2,582,586,000 of trade, bills and other receivables and prepayments, RMB782,338,000 of time deposits and RMB2,080,614,000 of bank deposits and bank balances and cash.

The total current liabilities amounted to RMB2,916,115,000, mainly including trade, bills and other payables of RMB2,492,460,000, contract liabilities of RMB299,883,000 and refund liabilities of RMB104,947,000.

As at 30 June 2021, the Group's non-current liabilities amounted to RMB15,486,000 which included deferred income-government grants and lease liabilities.

Net current assets fell from RMB3,919,383,000 as at 31 December 2020 to RMB3,399,472,000 as at 30 June 2021, representing a decrease of 13.27%.

### **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 2021 was 37.21% (as at 31 December 2020: 37.30%).

Issued share capital as at 30 June 2021 maintained at RMB2,482,268,000 and no share was issued during this period of six months.

For the six months ended 30 June 2021, there was no material change in the financing strategies of the Group and the Group did not incur any bank borrowings nor any non-current liabilities. The Company would closely monitor the financial and liquidity position of the Group and financial market from time to time in order to formulate financing strategies appropriate to the Group.

The total equity attributable to owners of the Company as at 30 June 2021 was RMB7,552,534,000. 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 2021 was RMB3.04.

### **Significant Investment**

As at 30 June 2021, the Group's interests in joint ventures were RMB487,428,000 and interests in associates were RMB55,388,000 which mainly included the interest in 五十鈴(中國)發動機有限公司 (“**Isuzu Engine**”), a joint venture, of RMB431,950,000. For the six months ended 30 June 2021, the joint ventures and associates of the Group were under normal operation.

During the period ended 30 June 2021, 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 RMB1,531,289,000 and RMB563,609,000 respectively, representing 77.47% of the total revenue and 85.98% of the total segment profit. The revenue contributed by pick-up trucks was RMB450,143,000, representing 16.65% 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 2021, no asset of the Group was pledged for financial facilities (during the period ended 30 June 2020: Nil).

## **Effects of Foreign Exchange Rate Changes**

As at 30 June 2021, the Group had bank balances of foreign currency of RMB15,378,000 and foreign currency trade, bills and other receivables and prepayments of RMB6,767,000.

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 2021, the Group had capital commitments of RMB261,783,000 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 2021 (for the period ended 30 June 2020: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group had 2,970 employees. For the six months ended 30 June 2021, labour cost was RMB170,739,000. 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 2021, the Group has not sold any staff quarters to its employees.

## STRUCTURE OF SHAREHOLDING

- (1) As at 30 June 2021, the entire share capital of the Company comprised 2,482,268,268 shares, including:

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

- (2) Substantial shareholders

As at 30 June 2021, 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%

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 2021.

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

As at 30 June 2021, 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 2021, 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.

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

During the six months ended 30 June 2021, there were no purchase, redemption or sales of the Company’s listed securities by the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE**

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

During the six months ended 30 June 2021, the Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), save and except for the code provision E.1.2 of the CG Code as the chairman of the Board (who was also the chairman of the nomination committee of the Company) was unable to attend the annual general meeting of the Company held on 2 June 2021 due to his works.

## **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 2021.

## **INDEPENDENT REVIEW**

The interim results for the six months ended 30 June 2021 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 2021 interim report containing all the financial information required by the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qingling.com.cn](http://www.qingling.com.cn)) in due course.

## **DIRECTORS**

As at the date of this announcement, the Board comprises 11 directors, of which Mr. LUO Yuguang, Mr. YASUTA Tatsuya, Mr. MASUDA Yoichi, Mr. YAGI Naoto, 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, 27 August 2021