



# 慶鈴汽車股份有限公司 Qingling Motors Co. Ltd

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

Stock Code: 1122

## 2021 INTERIM REPORT



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

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

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Qingling Motors Co., Ltd. (the "Company") and its subsidiaries set out on pages 3 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
27 August 2021

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2021

		<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>1,032,818</b>	953,870
Right-of-use assets		<b>44,131</b>	81,791
Investment properties		<b>38,157</b>	39,382
Intangible assets		<b>208,846</b>	228,581
Interests in associates		<b>55,388</b>	33,118
Interests in joint ventures		<b>487,428</b>	487,333
Deferred tax assets		<b>27,147</b>	18,191
Time deposits	11	<b>2,600,926</b>	2,265,640
		<b>4,494,841</b>	4,107,906
<b>Current assets</b>			
Inventories		<b>858,864</b>	841,599
Trade, bills and other receivables and prepayments	9	<b>2,582,586</b>	2,718,860
Time deposits	11	<b>782,338</b>	2,240,652
Tax recoverable		<b>11,185</b>	15,591
Bank deposits, bank balances and cash		<b>2,080,614</b>	1,041,733
		<b>6,315,587</b>	6,858,435
<b>Current liabilities</b>			
Trade, bills and other payables	12	<b>2,492,460</b>	2,426,653
Lease liabilities		<b>16,556</b>	30,496
Tax liabilities		<b>2,269</b>	2,674
Contract liabilities		<b>299,883</b>	372,138
Refund liabilities		<b>104,947</b>	107,091
		<b>2,916,115</b>	2,939,052
<b>Net current assets</b>		<b>3,399,472</b>	3,919,383
<b>Total assets less current liabilities</b>		<b>7,894,313</b>	8,027,289

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

For the six months ended 30 June 2021

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
<b>Capital and reserves</b>		
Share capital	<b>2,482,268</b>	2,482,268
Share premium and reserves	<b>5,070,266</b>	5,183,576
Equity attributable to owners of the Company	<b>7,552,534</b>	7,665,844
Non-controlling interests	<b>326,293</b>	321,581
<b>Total equity</b>	<b>7,878,827</b>	7,987,425
<b>Non-current liabilities</b>		
Deferred income – government grants	<b>7,570</b>	7,982
Lease liabilities	<b>7,916</b>	31,882
	<b>15,486</b>	39,864
	<b>7,894,313</b>	8,027,289

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Equity attributable to owners of the Company								
	Share capital	Share premium	Capital reserve	Statutory surplus reserve fund	Discretionary surplus reserve fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<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)	2,482,268	1,764,905	571,200	1,204,923	2,347	1,526,891	7,552,534	326,293	7,878,827
<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)	2,482,268	1,764,905	571,200	1,176,896	2,347	1,461,832	7,459,448	323,244	7,782,692

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>RMB'000</i> <b>(unaudited)</b>	2020 <i>RMB'000</i> (unaudited)
<b>OPERATING ACTIVITIES</b>		
Operating cash flows before movements in working capital	<b>101,448</b>	49,973
(Increase) decrease in inventories	<b>(14,221)</b>	4,290
Decrease in trade, bills and other receivables and prepayments	<b>136,274</b>	155,184
Increase in trade, bills and other payables	<b>35,570</b>	278,749
Decrease in contract liabilities	<b>(72,255)</b>	(186,923)
Decrease in refund liability	<b>(2,144)</b>	–
Other operating activities	<b>(2,656)</b>	5,572
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>182,016</b>	306,845
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	<b>(74,909)</b>	(58,287)
Investment in an associate	<b>(24,500)</b>	–
Withdrawal of time deposits	<b>1,766,000</b>	3,721,000
Placement of time deposits	<b>(670,000)</b>	(3,971,000)
Interest received	<b>117,765</b>	114,628
Proceeds from disposal of property, plant and equipment	<b>277</b>	121
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>1,114,633</b>	(193,538)



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>	2020 <i>RMB'000</i> (unaudited)
FINANCING ACTIVITIES		
Dividends paid	<b>(248,227)</b>	(397,163)
Payments of interest expenses of lease liabilities	<b>(654)</b>	(1,850)
Repayments of lease liabilities	<b>(8,619)</b>	(14,965)
CASH USED IN FINANCING ACTIVITIES	<b>(257,500)</b>	(413,978)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>1,039,149</b>	(300,671)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>1,041,733</b>	1,909,323
Effect of exchange rate changes on the balance of cash held in foreign currencies	<b>(268)</b>	288
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank deposits, bank balances and cash	<b>2,080,614</b>	1,608,940

# 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.

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

For the six months ended 30 June 2021

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### 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.

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

For the six months ended 30 June 2021

### 3. REVENUE/SEGMENT INFORMATION

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

The Group's revenue represents sales of trucks, chassis, automobile parts, accessories and others to external customers, 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:

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>	2020 <i>RMB'000</i> (unaudited)
<b>Types of goods</b>		
Sales of light-duty trucks	<b>457,791</b>	570,349
Sales of pick-up trucks	<b>447,798</b>	412,733
Sales of medium and heavy-duty trucks	<b>520,825</b>	531,655
Sales of chassis	<b>1,118,627</b>	641,076
Sales of automobile parts, accessories and others	<b>159,041</b>	91,952
<b>Total</b>	<b>2,704,082</b>	2,247,765

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.

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

For the six months ended 30 June 2021

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

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

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

	Light-duty trucks RMB'000 (unaudited)	Pick-up trucks RMB'000 (unaudited)	Medium and heavy-duty trucks RMB'000 (unaudited)	Automobile parts and accessories RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
<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	1,531,289	450,143	563,609	159,041	2,704,082
<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	1,160,732	418,773	576,308	91,952	2,247,765

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

For the six months ended 30 June 2021

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

#### (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

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

For the six months ended 30 June 2021

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

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

##### *Segment revenue and results*

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

Six months ended 30 June 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	1,531,289	450,143	563,609	159,041	2,704,082
Result					
Segment profit (loss)	102,921	(6,771)	14,490	25,909	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					137,331

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

For the six months ended 30 June 2021

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

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

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

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	1,160,732	418,773	576,308	91,952	2,247,765
Result					
Segment profit (loss)	75,710	(7,352)	6,660	12,888	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					108,064

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.



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

For the six months ended 30 June 2021

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

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

##### *Segment assets and liabilities*

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

As at 30 June 2021

	Light-duty trucks RMB'000 (unaudited)	Pick-up trucks RMB'000 (unaudited)	Medium and heavy-duty trucks RMB'000 (unaudited)	Automobile parts and accessories RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
<b>Assets</b>					
Segment assets	1,521,856	552,769	1,119,779	427,124	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					349,044
Consolidated total assets					10,810,428
<b>Liabilities</b>					
Segment liabilities	396,182	114,388	183,982	10,460	705,012
Unallocated trade, bills and other payables					2,192,278
Unallocated lease liabilities					24,472
Other unallocated liabilities					9,839
Consolidated total liabilities					2,931,601

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

For the six months ended 30 June 2021

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

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

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

As at 31 December 2020

	Light-duty trucks RMB'000 (audited)	Pick-up trucks RMB'000 (audited)	Medium and heavy-duty trucks RMB'000 (audited)	Automobile parts and accessories RMB'000 (audited)	Consolidated RMB'000 (audited)
<b>Assets</b>					
Segment assets	1,614,950	597,077	1,351,565	291,921	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					272,618
Consolidated total assets					10,966,341
<b>Liabilities</b>					
Segment liabilities	425,665	139,063	206,228	–	770,956
Unallocated trade, bills and other payables					
					2,134,925
Unallocated lease liabilities					
					62,378
Other unallocated liabilities					
					10,657
Consolidated total liabilities					2,978,916

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

For the six months ended 30 June 2021

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

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

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

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

- All assets are allocated to operating segments other than interchangeably used assets between segments, investment properties, interest in 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.

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

For the six months ended 30 June 2021

### 4. PROFIT BEFORE TAX

	<b>Six months ended 30 June</b>	
	<b>2021</b> <b>RMB'000</b> <b>(unaudited)</b>	2020 <i>RMB'000</i> (unaudited)
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	<b>149,726</b>	134,703
Retirement benefits scheme contributions	<b>21,013</b>	7,213
Total staff costs (including directors' and supervisors' remuneration)	<b>170,739</b>	141,916
Staff costs capitalised in inventories	<b>(74,125)</b>	(58,836)
	<b>96,614</b>	83,080
Loss (gain) on disposal of property, plant and equipment, net	<b>3,995</b>	(26)
Amortisation of intangible assets (included in administrative expenses and research expenses)	<b>19,735</b>	18,912
Depreciation of property, plant and equipment	<b>21,925</b>	20,228
Depreciation of right-of-use assets	<b>8,374</b>	16,162
Total depreciation	<b>30,299</b>	36,390
Capitalised in inventories	<b>(9,831)</b>	(19,738)
	<b>20,468</b>	16,652

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

For the six months ended 30 June 2021

### 4. PROFIT BEFORE TAX (CONTINUED)

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Finance costs 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	1,337	1,341
	(1,567)	(1,571)
Income from renting equipment	(21,325)	(21,296)
Government grants ( <i>note</i> )	(9,539)	(602)

*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.

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

For the six months ended 30 June 2021

### 5. INCOME TAX EXPENSE

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

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%).

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

For the six months ended 30 June 2021

### 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 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (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

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

For the six months ended 30 June 2021

### 7. EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2021 '000 (unaudited)	2020 '000 (unaudited)
<b>Number of shares</b>		
Number of shares for the purpose of basic earnings per share	<b>2,482,268</b>	2,482,268

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

### 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).



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

For the six months ended 30 June 2021

### 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 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (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 Qingling Group (defined below), to which a credit period of 1 year were granted.

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

For the six months ended 30 June 2021

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

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

	<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>200,297</b>	310,176

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

For the six months ended 30 June 2021

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

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

	<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>2,158,475</b>	2,254,999

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

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

For the six months ended 30 June 2021

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

Included in the Group's trade and other receivables and prepayments at the end of the reporting period are amounts due from related parties, which are trade in nature, as follows:

	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
The ultimate holding company of the Company		
– 慶鈴汽車(集團)有限公司("Qingling Group")	<b>88,826</b>	210,095
Subsidiaries of Qingling Group	<b>87,389</b>	69,658
Associates of the Group		
– 五十鈴慶鈴(重慶)汽車技術開發有限公司("Isuzu Qingling Engineering")	<b>14</b>	13
– 慶鈴鑫源汽車有限公司("Qingling Shinerary")	<b>53</b>	–
Joint venture of the Group		
– 慶鈴五十鈴(重慶)汽車銷售服務有限公司("Qingling Isuzu Sales")	<b>1,821</b>	682
	<b>178,103</b>	280,448

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

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

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

For the six months ended 30 June 2021

### 10. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

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

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.

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

For the six months ended 30 June 2021

### 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	<b>1,944,325</b>	1,874,605
Selling expenses payables	<b>208,044</b>	230,109
Other tax payables	<b>3,678</b>	2,311
Other payables	<b>336,413</b>	319,628
	<b>2,492,460</b>	2,426,653

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	<b>1,600,406</b>	1,637,379
Between 3 to 6 months	<b>327,194</b>	233,198
Between 6 to 12 months	<b>13,113</b>	192
Over 1 year	<b>3,612</b>	3,836
	<b>1,944,325</b>	1,874,605

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

For the six months ended 30 June 2021

### 12. TRADE, BILLS AND OTHER PAYABLES (CONTINUED)

Included in the balance of trade, bills and other payables at the end of the reporting period are amounts due to related parties as follows:

	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
Substantial shareholder of the Company – 五十鈴自動車株式会社 (“Isuzu Motors Limited”) (“Isuzu”) (note a)	<b>86,763</b>	97,656
Subsidiaries of Qingling Group  – 五十鈴(中國)發動機有限公司 (“Isuzu Engine”) (note b)	<b>86,905</b>  <b>75,743</b>	172,360  80,349
Qingling Group	<b>104,390</b>	11
Qingling Isuzu Sales	<b>1,767</b>	–
	<b>355,568</b>	350,376

Notes:

- a. As at 30 June 2021, Isuzu owns 496,453,654 H shares representing 20% of the entire issued share capital of the Company and, in the opinion of the directors of the Company, Isuzu has significant influence over the Company.
- b. The entity was formerly named 慶鈴五十鈴(重慶)發動機有限公司.

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

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

For the six months ended 30 June 2021

### 13. RELATED PARTY TRANSACTIONS AND BALANCES

Apart from the amounts due from and to related companies as disclosed in notes 9 and 12, during the current interim period, the Group entered into the following transactions with related parties that are conducted in accordance with the terms of the relevant agreements:

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

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Sales of chassis to Qingling Group	<b>762,152</b>	641,076
Sales of automobile parts and others to:		
– 重慶慶鈴鑄造有限公司 ("Qingling Casting")	<b>9,098</b>	9,591
– 重慶慶鈴日發座椅有限公司 ("Qingling Chair")	<b>5,394</b>	3,442
– 重慶慶鈴車橋有限公司 ("Qingling Axle")	<b>4,050</b>	3,606
– 重慶慶鈴汽車機加部品製造有限公司 ("Qingling Jijia")	<b>1,278</b>	1,162
– 重慶慶鈴鍛造有限公司 ("Qingling Forging")	<b>1,398</b>	989
– 重慶慶鈴專用汽車有限公司 ("Qingling Zhuanyong")	<b>1,018</b>	2,204
– 重慶慶鈴汽車底盤部品有限公司 ("Qingling Chassis")	<b>745</b>	928
– 重慶慶鈴汽車配件製造有限公司 ("Qingling Parts")	<b>728</b>	381



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

For the six months ended 30 June 2021

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

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

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
– 重慶慶鈴塑料有限公司 ("Qingling Plastics")	552	376
– 重慶慶鈴鑄鋁有限公司 ("Qingling Cast Aluminium")	479	739
– Qingling Group	31	16
– 重慶科渝汽車配件有限公司 ("Keyu")	–	4
Purchases of automobile parts and others from:		
– Qingling Axle	208,583	175,308
– Qingling Plastics	40,311	27,499
– Qingling Chair	34,429	29,408
– Qingling Forging	18,097	14,796
– Qingling Casting	12,912	12,294
– Qingling Zhuanyong	12,804	2,043
– Keyu	–	4,692
– Qingling Cast Aluminium	5,358	4,357
– Qingling Jijia	5,372	3,182
– Qingling Chassis	2,012	2,478
– Qingling Parts	2,619	2,098

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

For the six months ended 30 June 2021

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

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

Nature of balances	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Lease liabilities for renting warehouse ( <i>Note</i> ):		
– Qingling Group	<b>11,857</b>	19,784
– 重慶慶鈴科渝汽車配件有限公司(“Qingling Keyu”)	<b>1,485</b>	2,421
– Qingling Isuzu Sales	<b>826</b>	–
Lease liabilities for renting equipment ( <i>Note</i> ):		
– Qingling Forging	<b>4,130</b>	47,161
– Qingling Group	<b>1,262</b>	2,058
– Qingling Isuzu Sales	<b>1,143</b>	–
Lease liabilities for renting building ( <i>Note</i> ):		
– Qingling Group	<b>1,198</b>	1,953

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

For the six months ended 30 June 2021

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

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

*Note:* During the current period, the Group entered into several new lease agreements for the use of warehouse, building and equipment with the related parties for 2 years (2020: Nil). Except for short-term lease in which the Group applied recognition exemption, the Group has recognised an addition of right-of-use assets and lease liabilities of RMB2,599,000 (six months ended 30 June 2020: Nil) and RMB2,599,000 (six months ended 30 June 2020: Nil) respectively.

During the current interim period, the Group entered into a revised lease agreement for renting equipment with Qingling Forging as a result of mutual agreement in the reduction of future lease payments without other changes in the terms in the original lease agreement. Accordingly, reduction of the Group's lease liabilities of RMB31,885,000 (six months ended 30 June 2020: Nil) and a corresponding adjustment of the same amount to the right-of-use assets were recognized.

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

For the six months ended 30 June 2021

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

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

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest on lease liabilities for renting warehouse:		
– Qingling Group	315	515
– Qingling Keyu	41	62
– Qingling Isuzu Sales	20	–
Expense relating to short-term lease for renting building:		
– Qingling Keyu	144	–
– Qingling Isuzu Sales	105	–
Interest on lease liabilities for renting building:		
– Qingling Group	33	50
Interest on lease liabilities for renting equipment:		
– Qingling Forging	120	1,170
– Qingling Group	35	53
– Qingling Isuzu Sales	27	–

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

For the six months ended 30 June 2021

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

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

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Rental income for leasing equipment:		
– Qingling Axle	191	191
Service fee income:		
– Qingling Group	1,343	705

#### (2) Transactions with Isuzu

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Purchases of automobile parts and components	80,169	105,078
Sales of accessory sets and other automobile parts and components	2,591	934
Royalties and licence fee paid on sales of trucks and other vehicles	7,935	9,867
Marketing fee received	7,326	–

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

For the six months ended 30 June 2021

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

#### (3) Transactions with Isuzu Engine

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Purchases of automobile parts and raw materials	503,211	531,888
Sales of automobile parts and raw materials	217,573	288,384
Rental income from leasing equipment	21,104	21,104
Rental income for investment properties	2,105	2,105
Miscellaneous service income	551	290
Collaborative processing income	2	5

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

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Sales of trucks and automobile parts	4,448	8,377
Purchases of automobile parts and others	908	–
Rental income for investment properties	777	777
Miscellaneous service income	2	–

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

For the six months ended 30 June 2021

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

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

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Miscellaneous service income	31	115
Sales of automobile parts and raw materials	24	11

#### (6) Transactions with Qingling Shinerary

Type of transactions	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Sales of trucks	157,562	–
Sales of automobile parts and raw materials	7	–

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

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

*For the six months ended 30 June 2021*

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

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

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



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

For the six months ended 30 June 2021

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Trade sales	<b>19,274</b>	86,733
Trade purchases	<b>89,286</b>	152,124
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(audited)
Trade and other balances due to other government-related entities	<b>49,155</b>	49,341
Trade and other balances due from other government-related entities	<b>176,181</b>	140,408

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

*For the six months ended 30 June 2021*

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

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

In addition, the Group has entered into various transactions, including utilities services and surcharges/taxes charged by the PRC government, and deposits and other general banking facilities with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of these banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors of the Company are of the opinion that transactions with government-related entities are not significant to the Group's operations.

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

For the six months ended 30 June 2021

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

#### (8) Compensation of directors and key management personnel

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

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Short-term employee benefits	<b>2,179</b>	2,314
Post-employment benefits	<b>479</b>	210
	<b>2,658</b>	2,524

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

For the six months ended 30 June 2021

### 14. COMMITMENTS

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

	<b>At 30 June 2021 RMB'000 (unaudited)</b>	At 31 December 2020 RMB'000 (audited)
Contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	<b>261,783</b>	156,125

### 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

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

## 2021 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:

	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 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.

## EVENTS AFTER THE LATEST ANNUAL REPORT

Save as disclosed in this report, there were no other significant events affecting the Company or any of its subsidiaries after the latest annual report requiring disclosure in this report.

## INDEPENDENT REVIEW

The interim results for the six months ended 30 June 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.

## CHANGE IN DIRECTOR’S INFORMATION

In accordance with Rule 13.51B(1) of the Listing Rules, during the period from 28 March 2021 (as the date of approval of the 2020 Annual Report of the Company) to 27 August 2021 (as the date of approval of the 2021 Interim Report of the Company), changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are as follows:

1. Mr. HAYASHI Shuichi resigned as an executive director, the vice chairman and the general manager of the Company with effect from 30 July 2021;
2. Mr. MAEGAKI Keiichiro and Mr. ADACHI Katsumi resigned as executive directors of the Company with effect from 30 July 2021;
3. Mr. YASUTA Tatsuya was appointed as an executive director, the vice chairman and the general manager of the Company with effect from 30 July 2021; and
4. Mr. MASUDA Yoichi and Mr. YAGI Naoto were appointed as executive directors of the Company with effect from 30 July 2021.



## 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.

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

Chongqing, the PRC, 27 August 2021

## CORPORATE INFORMATION

### DIRECTORS

*Executive Directors:*

LUO Yuguang (*Chairman*)

YASUTA Tatsuya (*Vice Chairman and General Manager*)

MASUDA Yoichi

YAGI Naoto

LI Juxing

XU Song

LI Xiaodong

*Independent Non-executive Directors:*

LONG Tao

SONG Xiaojiang

LIU Erh Fei

LIU Tianni

### SUPERVISORS

MIN Qing

ZHANG Yongning

### COMPANY SECRETARY

responsible for PRC affairs: LEI Bin

responsible for Hong Kong affairs: TUNG Tat Chiu Michael

### AUDIT COMMITTEE

SONG Xiaojiang (*Committee Chairman*)

LONG Tao

LIU Erh Fei

LIU Tianni

## **REMUNERATION COMMITTEE**

SONG Xiaojiang (*Committee Chairman*)

LUO Yuguang

LONG Tao

LIU Erh Fei

LIU Tianni

## **NOMINATION COMMITTEE**

LUO Yuguang (*Committee Chairman*)

LONG Tao

SONG Xiaojiang

LIU Erh Fei

LIU Tianni

## **CORPORATE INFORMATION AVAILABLE AT**

Qingling Motors Co. Ltd

## **LEGAL ADDRESS**

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Zhongliangshan

Jiulongpo District

Chongqing

the People's Republic of China

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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Central, Hong Kong

## **COMPANY'S WEBSITE**

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Wan Chai, Hong Kong

**H SHARE LISTING PLACE**

The Stock Exchange of Hong Kong Limited  
Stock code: 1122

**PRINCIPAL BANKERS**

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

**AUDITORS**

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