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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 2021 RESULTS

The board of directors (the “**Board**”) of Qingling Motors Co. Ltd (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021, which has been prepared in accordance with Hong Kong Financial Reporting Standards as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	2,3	4,828,237	5,088,762
Cost of sales		(4,273,893)	(4,389,361)
Gross profit		554,344	699,401
Other income and expenses		453,790	279,182
Impairment losses under expected credit loss (“ECL”) model, net of reversal		614	(218)
Other gains and losses, net		85,653	2,462
Distribution and selling expenses		(244,464)	(274,624)
Administrative expenses		(232,801)	(207,003)
Research expenses		(269,928)	(228,950)
Finance costs		(1,374)	(1,589)
Reversal of provision for litigation	11	-	53,633
Share of results of associates		(5,616)	433
Share of results of joint ventures		4,306	2,427
Profit before tax	5	344,524	325,154
Income tax expense	4	(13,638)	(18,692)
Profit and total comprehensive income for the year		330,886	306,462
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		322,080	300,989
Non-controlling interests		8,806	5,473
		330,886	306,462
Basic earnings per share	6	RMB0.13	RMB0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>NOTES</i>	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		1,047,558	953,870
Right-of-use assets		44,738	81,791
Investment properties		19,235	39,382
Intangible assets		189,659	228,581
Interests in associates		51,131	33,118
Interests in joint ventures		489,471	487,333
Deferred tax assets		13,939	18,191
Time deposits		3,132,775	2,265,640
		4,988,506	4,107,906
Current assets			
Inventories		1,035,550	841,599
Trade, bills and other receivables and prepayments	8	2,597,025	2,718,860
Tax recoverable		11,770	15,591
Time deposits		599,083	2,240,652
Bank balances and cash		1,673,977	1,041,733
		5,917,405	6,858,435

	<i>NOTES</i>	2021 RMB'000	2020 <i>RMB'000</i>
Current liabilities			
Trade, bills and other payables	9	2,119,936	2,426,653
Tax liabilities		3,050	2,674
Contract liabilities		594,746	372,138
Refund liabilities		89,066	107,091
Lease liabilities		22,816	30,496
		<u>2,829,614</u>	<u>2,939,052</u>
Net current assets		<u>3,087,791</u>	<u>3,919,383</u>
Total assets less current liabilities		<u>8,076,297</u>	<u>8,027,289</u>
Capital and reserves			
Share capital	10	2,482,268	2,482,268
Share premium and reserves		5,257,429	5,183,576
Equity attributable to owners of the Company		7,739,697	7,665,844
Non-controlling interests		327,525	321,581
Total equity		<u>8,067,222</u>	<u>7,987,425</u>
Non-current liabilities			
Lease liabilities		1,923	31,882
Deferred income - government grants		7,152	7,982
		<u>9,075</u>	<u>39,864</u>
		<u>8,076,297</u>	<u>8,027,289</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“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 consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19- Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

- 1 Effective for annual periods beginning on or after 1 April 2021.
- 2 Effective for annual periods beginning on or after 1 January 2022.
- 3 Effective for annual periods beginning on or after 1 January 2023.
- 4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. REVENUE

Disaggregation of revenue from contracts with customers

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Types of goods		
Sales of light-duty trucks	1,097,316	809,591
Sales of pick-up trucks	796,354	853,233
Sales of medium and heavy-duty trucks	1,003,879	1,130,088
Sales of chassis	1,630,864	2,008,003
Sales of automobile parts, accessories and others	299,824	287,847
	<u>4,828,237</u>	<u>5,088,762</u>
Total	<u>4,828,237</u>	<u>5,088,762</u>

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

	Light-duty trucks and chassis <i>RMB'000</i>	Pick-up trucks and chassis <i>RMB'000</i>	Medium and heavy-duty trucks and chassis <i>RMB'000</i>	Automobile parts and accessories and others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
For the year ended 31 December 2021					
Sales of light-duty trucks	1,097,316	–	–	–	1,097,316
Sales of pick-up trucks	–	796,354	–	–	796,354
Sales of medium and heavy-duty trucks	–	–	1,003,879	–	1,003,879
Sales of chassis	1,565,205	5,680	59,979	–	1,630,864
Sales of automobile parts, accessories and others	–	–	–	299,824	299,824
	<u>2,662,521</u>	<u>802,034</u>	<u>1,063,858</u>	<u>299,824</u>	<u>4,828,237</u>
Revenue	<u>2,662,521</u>	<u>802,034</u>	<u>1,063,858</u>	<u>299,824</u>	<u>4,828,237</u>
For the year ended 31 December 2020					
Sales of light-duty trucks	809,591	–	–	–	809,591
Sales of pick-up trucks	–	853,233	–	–	853,233
Sales of medium and heavy-duty trucks	–	–	1,130,088	–	1,130,088
Sales of chassis	1,898,194	11,296	98,513	–	2,008,003
Sales of automobile parts, accessories and others	–	–	–	287,847	287,847
	<u>2,707,785</u>	<u>864,529</u>	<u>1,228,601</u>	<u>287,847</u>	<u>5,088,762</u>
Revenue	<u>2,707,785</u>	<u>864,529</u>	<u>1,228,601</u>	<u>287,847</u>	<u>5,088,762</u>

3. SEGMENT INFORMATION

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

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

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

(i) Segment revenue and results

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

For the year ended 31 December 2021

	Light-duty trucks and chassis	Pick-up trucks and chassis	Medium and heavy-duty trucks and chassis	Automobile parts, accessories and others	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>2,662,521</u>	<u>802,034</u>	<u>1,063,858</u>	<u>299,824</u>	<u>4,828,237</u>
Result					
Segment profit (loss)	<u>277,197</u>	<u>(33,100)</u>	<u>14,836</u>	<u>40,924</u>	299,857
Central administration costs					(42,778)
Impairment losses under ECL model, net of reversal					614
Finance costs					(1,374)
Research expenses					(269,928)
Other income and expenses					273,790
Other gains and losses, net					85,653
Share of results of associates					(5,616)
Share of results of joint ventures					<u>4,306</u>
Profit before tax					<u>344,524</u>

For the year ended 31 December 2020

	Light-duty trucks and chassis	Pick-up trucks and chassis	Medium and heavy-duty trucks and chassis	Automobile parts, accessories and others	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	<u>2,707,785</u>	<u>864,529</u>	<u>1,228,601</u>	<u>287,847</u>	<u>5,088,762</u>
Result					
Segment profit (loss)	<u>226,966</u>	<u>(10,969)</u>	<u>(19,832)</u>	<u>63,969</u>	260,134
Central administration costs					(42,360)
Impairment losses under ECL model, net of reversal					(218)
Finance costs					(1,589)
Research expenses					(228,950)
Other income and expenses					279,182
Other gains and losses, net					2,462
Reversal of provision for litigation					53,633
Share of results of associates					433
Share of results of joint ventures					<u>2,427</u>
Profit before tax					<u>325,154</u>

There have been no inter-segment sales during the year ended 31 December 2021 and 2020.

Segment profit (loss) represents the profit earned by (loss incurred from) each segment without allocation of central administration costs, impairment losses under ECL model, net of reversal, finance costs, research expenses, certain other income and expenses, other gains and losses, net, reversal of provision for litigation, 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.

(ii) **Segment assets and liabilities**

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

At 31 December 2021

	Light-duty trucks and chassis	Pick-up trucks and chassis	Medium and heavy-duty trucks and chassis	Automobile parts, accessories and others	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets					
Segment assets	1,586,178	574,000	1,143,074	379,195	3,682,447
Interchangeably used assets between segments					
– property, plant and equipment					389,409
– right-of-use assets					44,738
– inventories					314,646
Investment properties					19,235
Interests in associates					51,131
Interests in joint ventures					489,471
Bank balances and cash and time deposits					5,405,835
Other unallocated assets					508,999
Consolidated total assets					10,905,911
Liabilities					
Segment liabilities	532,231	162,432	232,141	–	926,804
Unallocated trade, bills and other payables					1,876,944
Unallocated lease liabilities					24,739
Other unallocated liabilities					10,202
Consolidated total liabilities					2,838,689

(ii) Segment assets and liabilities (continued)

At 31 December 2020

	Light-duty trucks and chassis	Pick-up trucks and chassis	Medium and heavy-duty trucks and chassis	Automobile parts, accessories and others	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
Interests in associates					33,118
Interests in joint ventures					487,333
Bank balances and cash and time deposits					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 and reportable segments other than interchangeably used assets between segments, investment properties, interest in associates, interests in joint ventures, bank balances and cash and time deposits, and other unallocated assets held by the head office; and
- All liabilities are allocated to operating and reportable segments other than unallocated trade, bills and other payables, unallocated provision for litigation, unallocated lease liabilities and other unallocated liabilities of the head office.

(iii) **Other segment information**

For the year ended 31 December 2021

	Light-duty trucks and chassis	Pick-up trucks and chassis	Medium and heavy-duty trucks and chassis	Automobile parts and accessories and others	Unallocated	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	39	35,666	20,830	–	94,464	150,999
Additions to right-of-use assets	–	–	–	–	15,492	15,492
Amortisation of intangible assets	–	–	32,629	–	6,293	38,922
Depreciation of property, plant and equipment	10,846	5,524	11,320	–	18,168	45,858
Depreciation of right-of-use assets	–	–	–	–	20,660	20,660
Depreciation of investment properties	–	–	–	–	2,159	2,159

For the year ended 31 December 2020

	Light-duty trucks and chassis	Pick-up trucks and chassis	Medium and heavy-duty trucks and chassis	Automobile parts and accessories and others	Unallocated	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	440	3,931	12,965	–	161,748	179,084
Additions to intangible assets	–	–	–	–	5,928	5,928
Additions to right-of-use assets	–	–	–	–	4,201	4,201
Amortisation of intangible assets	–	–	33,177	–	5,469	38,646
Depreciation of property, plant and equipment	7,744	4,361	11,249	–	12,829	36,183
Depreciation of right-of-use assets	–	–	–	–	32,292	32,292
Depreciation of investment properties	–	–	–	–	2,466	2,466

(iv) **Geographical information**

Excluding deferred tax assets and time deposits, the Group's non-current assets amounting to RMB1,841,792,000 (2020: RMB1,824,075,000) are located in the PRC. Except for export sales to countries outside the PRC amounting to RMB66,275,000 (2020: RMB72,168,000), all other sales of the Group are made to customers located in the PRC.

4. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax	5,555	12,813
Under provision in prior years	3,831	2,079
Deferred tax	4,252	3,800
	<u>13,638</u>	<u>18,692</u>

According to the Notice of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the State Administration of Taxation No. 12 [2012]) and the Catalogue of Industries Encouraged to Develop in the Western Region (Order of the National Development and Reform Commission No. 40), companies located in the western region of the PRC and engaged in the businesses encouraged by the PRC government are entitled to the preferential enterprise income tax (“EIT”) rate of 15% if the operating revenue of the encouraged business in the current year accounted for more than 70% of the total income. The Company and 重慶慶鈴模具有限公司 (“**Qingling Moulds**”), a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the total revenue of their major businesses for the year accounted for 70% of their respective total revenue, and therefore continue to enjoy the preferential EIT rate of 15% for both years.

In addition, according to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]), companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year.

重慶慶鈴技術中心有限責任公司 (“**Qingling Technical Center**”) and 慶鈴(深圳)新能源汽車銷售服務有限公司 (“**Shenzhen New Energy**”), subsidiaries of the Company, are subject to EIT rate of 25% (2020: 25%) for the year ended 31 December 2021.

5. PROFIT BEFORE TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	318,085	304,003
Retirement benefits scheme contributions (<i>note</i>)	<u>40,818</u>	<u>15,781</u>
Total staff costs (including directors' and supervisors' remuneration)	358,903	319,784
Staff costs capitalised in inventories	<u>(151,646)</u>	<u>(144,625)</u>
	<u>207,257</u>	<u>175,159</u>
Amortisation of intangible assets	38,922	38,646
Depreciation of property, plant and equipment	45,858	36,183
Capitalised in inventories	<u>(25,353)</u>	<u>(16,163)</u>
	<u>20,505</u>	<u>20,020</u>
Finance cost of lease liabilities	1,374	1,589
Depreciation of investment properties	2,159	2,466
Depreciation of right-of-use assets	20,660	32,292
Auditor's remuneration		
– Audit service	2,784	2,242
– Non-audit service	313	313
Cost of inventories recognised as cost of sales	4,250,600	4,388,192
Write-down of inventories, net (included in cost of sales)	16,677	(9,389)
Rental income from renting of investment properties	5,375	5,765
Less: Direct operating expenses from investment properties that generated rental income during the year	<u>(1,995)</u>	<u>(2,272)</u>
	<u>3,380</u>	<u>3,493</u>

Note:

For the year ended 31 December 2021, no Covid-19 related government grants (2020: RMB28,200,000) have been offset against retirement benefit scheme contributions.

6. EARNINGS PER SHARE

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

Earnings

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	<u>322,080</u>	<u>300,989</u>

Number of shares

	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares for the purpose of basic earnings per share	<u>2,482,268</u>	<u>2,482,268</u>

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

7. DIVIDEND

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividends recognised as distribution during the year: 2020 Final, paid – RMB0.1 (2020: 2019 Final, paid – RMB0.16) per share	<u>248,227</u>	<u>397,163</u>

Subsequent to the end of the reporting period, a final dividend of RMB273,050,000 or RMB0.11 per share in respect of the year ended 31 December 2021 (2020: final dividend of RMB248,227,000 or RMB0.1 per share in respect of the year ended 31 December 2020) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables, less allowance for credit losses	102,810	310,176
Bills receivables	2,083,402	2,254,999
Other receivables, less allowance for credit losses	77,698	58,812
Prepayments for raw materials	142,530	42,734
Value-added tax recoverable	10,585	52,139
Grants receivable (<i>note</i>)	<u>180,000</u>	<u>–</u>
	<u>2,597,025</u>	<u>2,718,860</u>

Note:

As at 31 December 2021, there was reasonable assurance that the Group will comply with the conditions attached and the grants under the hydrogen fuel cell vehicles subsidies. Hence a grant receivable was recognised as at 31 December 2021.

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:

	2021 RMB'000	2020 RMB'000
Within 3 months	73,645	278,066
Between 3 to 6 months	5,547	8,754
Between 7 to 12 months	6,658	3,439
Over 1 year	16,960	19,917
	102,810	310,176

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

	2021 RMB'000	2020 RMB'000
Within 1 month	630,793	455,629
Between 1 to 2 months	319,575	485,101
Between 2 to 3 months	251,312	333,181
Between 3 to 6 months	801,996	939,638
Between 6 to 12 months	79,726	41,450
	2,083,402	2,254,999

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

9. TRADE, BILLS AND OTHER PAYABLES

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

	2021 RMB'000	2020 RMB'000
Trade and bills payables	1,666,388	1,874,605
Selling expenses payables	211,298	230,109
Other tax payable	2,802	2,311
Other payables (<i>note</i>)	239,448	319,628
	2,119,936	2,426,653

Note:

As at 31 December 2021, other payables amounted to RMB239,448,000 (2020: RMB319,628,000) mainly including accrued continuing royalties payable of RMB18,897,000 (2020: RMB27,450,000), accrual royalties and license fee of RMB61,523,000 (2020: RMB70,206,000) and payroll payable of RMB24,480,000 (2020: RMB29,768,000).

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	1,437,413	1,637,379
Between 3 to 6 months	197,792	233,198
Between 7 to 12 months	15,658	192
Over 12 months	15,525	3,836
	<u>1,666,388</u>	<u>1,874,605</u>

10. SHARE CAPITAL

	At 1 January 2020, 31 December 2020 and 31 December 2021 <i>RMB'000</i>
Registered, issued and fully paid	<u>2,482,268</u>
	Number of shares
	At 1 January 2020, 31 December 2020 and 31 December 2021 '000
Shares of RMB1 each	
– Domestic shares	1,243,616
– H shares	<u>1,238,652</u>
	<u>2,482,268</u>

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

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

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

11. REVERSAL OF PROVISION FOR LITIGATION

In respect of the litigation brought forward from 2015 (the “2015 Litigation”), which was fully disclosed in note 38 to the 2020 annual report of the Company, the Company entered into a formal settlement agreement (the “Settlement Agreement”) with Qingling Zhuan Yong, a related company which agreed with the plaintiff to take up the plaintiff’s position in the 2015 Litigation for a consideration of RMB89,000,000. Under the Settlement Agreement, the Company agreed to pay Qingling Zhuan Yong RMB89,000,000, representing the amount Qingling Zhuan Yong agreed to pay the plaintiff to settle the 2015 Litigation. In return, Qingling Zhuan Yong agreed to transfer to the Company the amount it recovers, if any, from other guarantors involved in the 2015 Litigation.

In the opinion of the directors of the Company, the 2015 Litigation had been settled as at 31 December 2020 and accordingly reversal of provision for litigation of RMB53,633,000 had been reversed to profit and loss during the year ended 31 December 2020.

During the year ended 31 December 2021, Qingling Zhuan Yong recovered RMB9,355,000, after deducting its costs incurred, and transferred the amount to the Company.

2021 RESULTS

As at 31 December 2021, the Company sold 43,876 vehicles, representing a decrease of 4.34% over 45,869 vehicles sold last year. Revenue was RMB4,828 million, representing a decrease of 5.12% over RMB5,089 million as recorded last year. Profit after tax was RMB331 million, representing an increase of 7.97% over RMB306 million as recorded last year.

REVIEW OF RESULTS

In 2021, China's COVID-19 prevention and control encountered double risk challenges of "preventing the coronavirus from spreading within the city/region or beyond". The price of bulk materials rose sharply, and the sales volume and efficiency of commercial trucks decreased. The shortage of wafers, power rationing and the introduction of many new policies, regulations and industry standards had certain impacts on the industry. Over the past year, the Company has overcome the impact of the pandemic and the downward difficulties of the industry, practised the new development concept, and promoted innovation-driven and enterprise reform, resulting in stable production and operation.

- 1. New achievements have been made in product innovation and technological innovation.** The rapid development was corresponding to the new blue-brand new policy and self-owned brand light trucks; Isuzu and self-owned brand pick-up models were innovated; new energy and smart connected vehicles were fully promoted; hydrogen-powered vehicle research and development and industrial ecology cultivation have achieved initial results; breakthroughs have been made in the research and development of key assemblies and parts; the reform of R&D innovation organizations and mechanism has continued to deepen.
- 2. Withstood the downward pressure on the commercial vehicle industry and stabilized the marketing situation.** We established rules and regulations, introduced a number of systems, standardized and strengthened the construction of the marketing network; optimized the tripartite financing plan, and introduced customer-oriented financing schemes to reduce the cost of car purchase; strengthened product and brand publicity, and deeply cultivated the main commercial vehicle market; accurate efforts have been made in the oil, electricity and hydrogen vehicle market to attract customers; we also continued to strengthen overseas marketing and after-sales capacity-building, seized the overseas mid-market, continuously expanded the overseas customer base, and the export of complete vehicles increased significantly.
- 3. The basic management of quality, cost and delivery time showed a new look.** Quality management has been continuously strengthened; the production system has continued to implement automation and intelligent transformation, and new progress has been made in on-site management; the procurement system has built a supply management information system, and the supply chain support capability has continued to improve; capital management has achieved remarkable results.

4. **Deepened reform and stimulated the creativity of all staff.** Through the normalization of the declaration and review of national titles, we strengthened the training of staff and the support of talents; increased the incentives for innovation, continued to reward for new product development, process and management innovation, and stimulated innovation vitality.
5. **Fully implemented the main responsibility of safety and environmental protection.** We revised and improved the rules and regulations on safety and environmental protection, strictly implemented the dual prevention and control mechanism of “classified management and control of safety risks and investigation and management of hidden dangers of accidents”, and organized safety and environmental protection education and training for several times throughout the year to improve the safety and environmental protection awareness of employees, so as to achieve safe and stable production, environmental protection and standard emissions.

OUTLOOK AND PROSPECTS

The current macro-economy is facing triple pressures of demand contraction, supply shock and weakening expectations. The automobile industry will speed up the pace of the dual carbon goals, and accelerate its progress towards “electrification, networking, intelligence, and sharing”. The emission and fuel consumption regulations will be more stringent and strictly supervised. The R&D and application of energy conservation and efficiency enhancement, low-carbon decarbonization and smart networking technology will change with each passing day, and the industrial ecology will accelerate the change. According to the prediction of China Automobile Association, the policy dividend supporting the growth of commercial vehicle market will weaken in 2022, the market will enter a period of adjustment, and the sales volume will continue to decline. The key tasks of the Company in 2022 are as follows:

1. **To focus on key development tasks and strengthen innovation drive.** The Company will be efficient and ahead of schedule to complete the study and development of new regulations on pick-up trucks and heavy trucks; combine research and sales, accurately correspond to the market to create key products; make breakthroughs on forward-looking technologies, and cultivate new industries to realize sustainable development; develop independent brands and ensure industrial safety.
2. **To improve marketing capabilities.** The Company will strengthen the construction of “two teams” of marketing personnel and resellers and strengthen the construction of “two networks” of marketing and after-sales service of Isuzu brand and self-owned brands to increase the popularity and meeting rate, focus on the construction of “two brands” of Isuzu and self-owned brands and strengthen after-sales service capacity building.

3. **To enhance the competitiveness of the hydrogen power industry.** The Company will focus on key regions and key markets, to continue to expand application scenarios and establish a brand image. We will seize industrial high points, speed up industrial cultivation, and enhance market competitiveness through technological upgrade and repeated product calculations.
4. **To continuously strengthen the basic management of quality, cost and delivery time.** Through the horizontal deployment of Isuzu's advanced IM management activities, personnel training, etc., the Company will continue to strengthen production system management, improve quality and efficiency; establish a whole-process quality management system, and improve quality management methods and capabilities; continue to focus on guarantees and cost-control for the procurement system, improve the collaborative ability to support development and quality; improve the level of informatization, and enhance the "processing capability" of each system to realize the "value-added" of data.

In the new year, the Company will further strengthen various basic management, continue to consolidate and enhance the core competitiveness of the enterprise, adhere to and carry forward the fine style and excellent culture of the enterprise, adhere to the new development concept, strengthen innovation and creation, and strive for practical results. We will stabilize the production and operation of the enterprise and realize sustainable and high-quality development!

FINANCIAL RESOURCES AND LIQUID FUNDS SITUATION

Financial Performance

For the year ended 31 December 2021, the revenue of the Group was RMB4,828,237,000 representing a decrease of 5.12% as compared to last year mainly due to the decrease of sales volume.

Gross profit for the period was RMB554,344,000, representing a decrease of 20.74% as compared to last year. Gross profit margin of the Group for the period was 11.48% as compared with 13.74% last year. Profit of the Group for the year was RMB330,886,000, representing an increase of 7.97% as compared to last year.

For the year ended 31 December 2021, other income and expenses mainly included government grants, interest income and rental income, totaling RMB453,790,000, representing an increase of 62.54% as compared to last year.

For the year ended 31 December 2021, the Group's expenses, including costs of distribution and sales, administrative expenses and research expenses, increased by 5.15% as compared to last year, principally due to the increase in research activities expenses for the year as compared to last year.

For the year ended 31 December 2021, the share of results of joint ventures of the Group was RMB4,306,000, representing an increase of 77.42% as compared to last year, mainly due to the profit increase of 慶鈴五十鈴(重慶)汽車銷售服務有限公司 (“**Qingling Sales**”), which is a joint venture that was established in December 2007.

For the year ended 31 December 2021, basic earnings per share was RMB0.13. The Company did not issue any new shares and the basic earnings per share was comparable with last year.

Financial Position

As at 31 December 2021, the total assets and total liabilities of the Group were RMB10,905,911,000 and RMB2,838,689,000 respectively.

As at 31 December 2021, the Group's non-current assets amounted to RMB4,988,506,000 which mainly includes property, plant and equipment, right-of-use assets, investment properties, intangible assets, interests in associates and joint ventures, deferred tax assets and time deposits.

As at 31 December 2021, the Group's current assets amounted to RMB5,917,405,000 which mainly includes inventories, trade, bills and other receivables and prepayments, tax recoverable, time deposits, bank balances and cash.

As at 31 December 2021, the Group's current liabilities amounted to RMB2,829,614,000 which mainly includes trade, bills and other payables, lease liabilities, tax liabilities, contract liabilities and refund liabilities.

As at 31 December 2021, the Group's non-current liability amounted to RMB9,075,000 which mainly includes deferred income – governments grants and lease liabilities.

As at 31 December 2021, the Group's net current assets was RMB3,087,791,000 (2020: RMB3,919,383,000), representing a decrease of 21.22% as compared to last year, mainly due to the liquidity classification of time deposits.

Liquidity and Capital Structure

As at 31 December 2021, the time deposits, bank balances and cash retained by the Group due within one year were RMB2,273,060,000 and decreased by 30.75% as compared with the balances on 31 December 2020. The Group's working capital requirement was financed by its own cash flow. Gearing ratio represented the percentage of total liabilities over total equity as per consolidated statement of financial position. The gearing ratio of the Group as at 31 December 2021 was 35.19% (as at 31 December 2020: 37.30%). Issued share capital as at 31 December 2021 maintained at the level of RMB2,482,268,000 as no share was issued during this year.

For the year ended 31 December 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 31 December 2021 was RMB7,739,697,000. The net assets value per share (representing total equity attributable to owners of the Company divided by number of shares of the Company as at 31 December 2021) as at 31 December 2021 was RMB3.12.

Significant Investment

As at 31 December 2021, the Group's interests in joint ventures were RMB489,471,000 and interests in associates were RMB51,131,000 which mainly included the interest in 慶鈴鑫源汽車有限公司 (“**Qingling Shinenary**”), a joint venture, of RMB42,115,000. For the year ended 31 December 2021, the joint ventures and associate of the Group were under normal operation.

During the year ended 31 December 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 RMB2,662,521,000 and RMB1,063,858,000 respectively, representing 77.18% of the total revenue and 97.39% of the total segment profit. 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

As at 31 December 2021, no asset of the Group was pledged for financial facilities (for the year ended 31 December 2020: Nil).

Effects of Foreign Exchange Rate Changes

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.11 per share (the “**2021 Final Dividend**”) (2020: RMB0.1 per share) in respect of the year ended 31 December 2021 to those shareholders whose names appear on the Company's register of shareholders on Thursday, 16 June 2022 (the “**Record Date**”). Subject to the approval at the forthcoming annual general meeting of the Company, the 2021 Final Dividend will be payable on or before 30 June 2022.

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

As stated above, in respect of any non-resident enterprise holders of H Shares (including HKSCC Nominees Limited, other custodians, corporate nominees and trustees such as securities companies and banks, and other entities or organizations) whose names appear on the Company's register of shareholders on the Record Date, the Company will pay the 2021 Final Dividend payable to such shareholders after deducting all enterprise income tax payable from the 2021 Final Dividend.

In respect of any individual holders of H shares whose names appear on the Company's register of shareholders on the Record Date, the Company will not deduct the enterprise income tax from the 2021 Final Dividend which such shareholders have right to receive.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at New Conference Hall of the Company, 1st Floor, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China on Thursday, 2 June 2022 at 10:00 a.m. (the "AGM").

CLOSURE OF REGISTER OF SHAREHOLDERS

To ascertain the H shareholders' entitlement to attend and vote at the AGM, the register of shareholders of the Company will be closed from Tuesday, 3 May 2022 to Thursday, 2 June 2022 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms relating to H shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 29 April 2022.

Subject to the approval of the shareholders at the AGM, the proposed final dividend will be payable to the shareholders whose names appear on the register of shareholders of the Company on Thursday, 16 June 2022. To ascertain the H shareholders' entitlement to the proposal final dividend, the register of shareholders of the Company will be closed from Thursday, 9 June 2022 to Thursday, 16 June 2022 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms relating to H shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 8 June 2022.

PREFERENTIAL TREATMENTS FOR CONSOLIDATED INCOME TAX AND LOCAL TAX

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

In addition, according to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (Notice of the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission No. 23 [2020]), companies located in the western region of the PRC and engaged in the business encouraged by the PRC government are entitled to the preferential EIT rate of 15% from 1 January 2021 to 31 December 2030 if the operating revenue of the encouraged business in a year accounted for more than 60% of the total income in that year

DESIGNATED DEPOSITS

As at 31 December 2021, the Group did not hold any designated deposit or any time deposits that were overdue but could not be collected upon maturity.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group has 2,934 employees (2020: 2,980 employees). For the year ended 31 December 2021, labor cost was RMB358,903,000 (2020: RMB319,784,000). The Group determines the emoluments payable to its employees based on their performance, experience and prevailing industry practices while the Group's remuneration policy and packages are reviewed on a regular basis so as to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. Depending on the assessment about their work performances, employees may be granted bonuses and rewards which in turn provide the motives and incentives for better individual performance.

DISPOSAL OF STAFF QUARTERS

For the year ended 31 December 2021, the Group has not sold any of its staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

- (1) As at 31 December 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 31 December 2021, shareholders other than director, supervisor and chief executive of the Company having an interest and short positions in 5% or more of the relevant class of the issued share capital of the Company as recorded in the register of interests in shares and short positions required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (the “SFO”) were as follows:

Long positions in the shares of the Company:

Name of shareholders	Class of shares	Number of shares held	Capacity	Percentage of the relevant class of share capital	Percentage of entire share capital
Qingling Motors (Group) Company Limited	Domestic shares	1,243,616,403 shares	Beneficial Owner	100.00%	50.10%
Isuzu Motors Ltd.	H shares	496,453,654 shares	Beneficial Owner	40.08%	20.00%

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2021.

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

As at 31 December 2021, none of the directors, supervisors and chief executives of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined under the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”). For the year ended 31 December 2021, none of directors, supervisors and chief executives of the Company, or their spouse or children under 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

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

There were no purchase, sale, redemption or cancellation of the Company's listed securities by the Company and its subsidiaries during the year ended 31 December 2021.

CORPORATE GOVERNANCE

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

During the year ended 31 December 2021, the Company has complied with the code provisions of the Corporate Governance Code that were in force during the year (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. Having made specific enquiry of all directors and supervisors of the Company, the Company confirmed all directors and supervisors have complied with the required standard set out in the Model Code during the year ended 31 December 2021.

REVIEW OF AUDITED ANNUAL RESULTS

The audit committee of the Company has reviewed, with the management and auditor of the Company, the accounting principles and practices adopted by the Group, and discussed auditing, risk management and internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2021 and the 2021 annual results.

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, 25 March 2022