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慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD

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

(Stock Code: 1122)

ANNOUNCEMENT OF INTERIM RESULTS 2022

The board of directors (the “**Board**”) of Qingling Motors Co. Ltd (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2022, together with comparative figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	1,917,823	2,704,082
Cost of sales		<u>(1,742,636)</u>	<u>(2,355,356)</u>
Gross profit		175,187	348,726
Other income and expenses		149,488	125,246
Other gains and losses, net		3,975	3,883
Distribution and selling expenses		(95,794)	(134,737)
Administrative expenses		(95,672)	(102,375)
Research expenses		(99,457)	(101,750)
Finance costs		(3,435)	(654)
Share of results of associates		(3,159)	(1,242)
Share of results of joint ventures		<u>(3,764)</u>	<u>234</u>
Profit before tax	4	27,369	137,331
Income tax credit	5	<u>7,215</u>	<u>2,298</u>
Profit and total comprehensive income for the period		<u><u>34,584</u></u>	<u><u>139,629</u></u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		28,947	134,917
Non-controlling interests		<u>5,637</u>	<u>4,712</u>
		<u><u>34,584</u></u>	<u><u>139,629</u></u>
Basic earnings per share	7	<u><u>RMB0.01</u></u>	<u><u>RMB0.05</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	1,120,341	1,047,558
Right-of-use assets		32,825	44,738
Investment properties		19,095	19,235
Intangible assets		172,560	189,659
Interests in associates		47,972	51,131
Interests in joint ventures		485,707	489,471
Deferred tax assets		21,981	13,939
Time deposits	10	1,174,058	3,132,775
Deposit paid for property plant and equipment		1,345	–
		<u>3,075,884</u>	<u>4,988,506</u>
Current assets			
Inventories		1,305,366	1,035,550
Trade, bills and other receivables and prepayments	9	1,492,932	2,597,025
Tax recoverable		13,804	11,770
Time deposits	10	3,123,347	599,083
Bank balances and cash		1,294,668	1,673,977
		<u>7,230,117</u>	<u>5,917,405</u>
Current liabilities			
Trade, bills and other payables	11	2,107,084	2,119,936
Tax liabilities		2,835	3,050
Contract liabilities		277,852	594,746
Refund liabilities		70,486	89,066
Lease liabilities		13,399	22,816
		<u>2,471,656</u>	<u>2,829,614</u>
Net current assets		<u>4,758,461</u>	<u>3,087,791</u>
Total assets less current liabilities		<u>7,834,345</u>	<u>8,076,297</u>
Capital and reserves			
Share capital		2,482,268	2,482,268
Share premium and reserves		5,013,326	5,257,429
Equity attributable to owners of the Company		7,495,594	7,739,697
Non-controlling interests		333,162	327,525
Total equity		<u>7,828,756</u>	<u>8,067,222</u>
Non-current liabilities			
Lease liabilities		–	1,923
Deferred income – governments grants		5,589	7,152
		<u>5,589</u>	<u>9,075</u>
		<u>7,834,345</u>	<u>8,076,297</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 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 2022 are the same as those presented in 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 2021.

Application of amendments to Hong Kong Financial Reporting Standards (“**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 Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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

3. REVENUE/SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

The Group’s revenue represents sales of trucks, 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:

	2022 <i>RMB’000</i> (unaudited)	2021 <i>RMB’000</i> (unaudited)
Types of goods		
Sales of light-duty trucks	807,647	457,791
Sales of pick-up trucks	257,992	447,798
Sales of medium and heavy-duty trucks	274,339	520,825
Sales of chassis	449,542	1,118,627
Sales of automobile parts, accessories and others	128,303	159,041
Total	<u>1,917,823</u>	<u>2,704,082</u>

Except for export sales to countries outside the People's Republic of China (the "PRC") amounting to RMB31,080,000 (six months ended 30 June 2021: RMB33,223,000) (unaudited), all other sales of the Group are made to customers located in the PRC.

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

	Light-duty trucks and chassis <i>RMB'000</i> (unaudited)	Pick-up trucks and chassis <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks and chassis <i>RMB'000</i> (unaudited)	Automobile parts, accessories and others <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Six months ended 30 June 2022					
Sales of light-duty trucks	807,647	-	-	-	807,647
Sales of pick-up trucks	-	257,992	-	-	257,992
Sales of medium and heavy-duty trucks	-	-	274,339	-	274,339
Sales of chassis	429,369	943	19,230	-	449,542
Sales of automobile parts, accessories and others	-	-	-	128,303	128,303
Revenue	<u>1,237,016</u>	<u>258,935</u>	<u>293,569</u>	<u>128,303</u>	<u>1,917,823</u>
Six months ended 30 June 2021					
Sales of light-duty trucks	457,791	-	-	-	457,791
Sales of pick-up trucks	-	447,798	-	-	447,798
Sales of medium and heavy-duty trucks	-	-	520,825	-	520,825
Sales of chassis	1,073,498	2,345	42,784	-	1,118,627
Sales of automobile parts, accessories and others	-	-	-	159,041	159,041
Revenue	<u>1,531,289</u>	<u>450,143</u>	<u>563,609</u>	<u>159,041</u>	<u>2,704,082</u>

(ii) 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, 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 operating and 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, accessories and others	- manufacture and sales of automobile parts, accessories and others

Segment revenue and results

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

Six months ended 30 June 2022

	Light-duty trucks and chassis RMB'000 (unaudited)	Pick-up trucks and chassis RMB'000 (unaudited)	Medium and heavy-duty trucks and chassis RMB'000 (unaudited)	Automobile parts, accessories and others RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Segment revenue	<u>1,237,016</u>	<u>258,935</u>	<u>293,569</u>	<u>128,303</u>	<u>1,917,823</u>
Result					
Segment profit (loss)	<u>5,854</u>	<u>(15,570)</u>	<u>(1,502)</u>	<u>9,946</u>	<u>(1,272)</u>
Central administration costs					(15,007)
Other income and expenses					149,488
Other gains and losses, net					3,975
Research expenses					(99,457)
Finance costs					(3,435)
Share of results of associates					(3,159)
Share of results of joint ventures					<u>(3,764)</u>
Profit before tax					<u>27,369</u>

Six months ended 30 June 2021

	Light-duty trucks and chassis RMB'000 (unaudited)	Pick-up trucks and chassis RMB'000 (unaudited)	Medium and heavy-duty trucks and chassis RMB'000 (unaudited)	Automobile parts, accessories and others RMB'000 (unaudited)	Consolidated RMB'000 (unaudited)
Segment revenue	<u>1,531,289</u>	<u>450,143</u>	<u>563,609</u>	<u>159,041</u>	<u>2,704,082</u>
Result					
Segment profit (loss)	<u>102,921</u>	<u>(6,771)</u>	<u>14,490</u>	<u>25,909</u>	<u>136,549</u>
Central administration costs					(24,935)
Other income and expenses					125,246
Other gains and losses, net					3,883
Research expenses					(101,750)
Finance costs					(654)
Share of results of associates					(1,242)
Share of results of joint ventures					<u>234</u>
Profit before tax					<u>137,331</u>

There have been no inter-segment sales during the six months ended 30 June 2022 and 2021 (unaudited).

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

Segment assets and liabilities

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

As at 30 June 2022

	Light-duty trucks and chassis <i>RMB'000</i> (unaudited)	Pick-up trucks and chassis <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks and chassis <i>RMB'000</i> (unaudited)	Automobile parts, accessories and others <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Assets					
Segment assets	<u>1,334,856</u>	<u>409,108</u>	<u>774,942</u>	<u>331,363</u>	2,850,269
Interchangeably used assets between segments					
– property, plant and equipment					422,032
– right-of-use assets					32,825
– inventories					375,682
Investment properties					19,095
Interests in associates					47,972
Interests in joint ventures					485,707
Time deposits, bank balances and cash					5,592,073
Other unallocated assets					<u>480,346</u>
Consolidated total assets					<u>10,306,001</u>
Liabilities					
Segment liabilities	<u>372,091</u>	<u>75,806</u>	<u>121,558</u>	<u>–</u>	569,455
Unallocated trade, bills and other payables					1,885,967
Unallocated lease liabilities					13,399
Other unallocated liabilities					<u>8,424</u>
Consolidated total liabilities					<u>2,477,245</u>

As at 31 December 2021

	Light-duty trucks and chassis <i>RMB'000</i> (audited)	Pick-up trucks and chassis <i>RMB'000</i> (audited)	Medium and heavy-duty trucks and chassis <i>RMB'000</i> (audited)	Automobile parts, accessories and others <i>RMB'000</i> (audited)	Consolidated <i>RMB'000</i> (audited)
Assets					
Segment assets	<u>1,586,178</u>	<u>574,000</u>	<u>1,143,074</u>	<u>379,195</u>	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
Time deposits, bank balances and cash					5,405,835
Other unallocated assets					<u>508,999</u>
Consolidated total assets					<u>10,905,911</u>
Liabilities					
Segment liabilities	<u>532,231</u>	<u>162,432</u>	<u>232,141</u>	<u>–</u>	926,804
Unallocated trade, bills and other payables					1,876,944
Unallocated lease liabilities					24,739
Other unallocated liabilities					<u>10,202</u>
Consolidated total liabilities					<u>2,838,689</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, interests in associates, interests in joint ventures, time deposits, bank balances and cash and other unallocated assets held by the head office; and
- All liabilities are allocated to operating and reportable segments other than unallocated trade, bills and other payables, unallocated lease liabilities and other unallocated liabilities of the head office.

4. PROFIT BEFORE TAX

	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	138,854	149,726
Retirement benefits scheme contributions	<u>21,225</u>	<u>21,013</u>
Total staff costs (including directors' and supervisors' remuneration)	160,079	170,739
Staff costs capitalised in inventories	<u>(72,247)</u>	<u>(74,125)</u>
	<u>87,832</u>	<u>96,614</u>
Loss on disposal of property, plant and equipment, net	–	3,995
Amortisation of intangible assets	19,407	19,735
Depreciation of property, plant and equipment	25,575	21,925
Depreciation of right-of-use assets	<u>11,913</u>	<u>8,374</u>
Total depreciation	37,488	30,299
Capitalised in inventories	<u>(13,824)</u>	<u>(9,831)</u>
	<u>23,664</u>	<u>20,468</u>
Finance costs of lease liabilities	436	654
Finance costs of discounted bank acceptance bills	2,999	–
Depreciation of investment properties	140	1,225
Expenses relating to short-term leases	–	2,192
Net foreign exchange gains	(3,700)	(7,878)
Cost of inventories recognised as cost of sales	1,742,636	2,355,356
Reversals of write-down of inventories (included in cost of sales)	(5,299)	(3,044)
Interest income from time deposits and bank balances	(91,836)	(90,737)
Receipt from other guarantors from 2015 Litigation (as defined in Note (a))	(29,000)	–
Rental income from renting of investment properties	(2,126)	(2,904)
Less: Direct operating expenses from investment properties that generated rental income during the period	<u>255</u>	<u>1,337</u>
	<u>(1,871)</u>	<u>(1,567)</u>
Rental income from renting of equipment	(21,295)	(21,325)
Miscellaneous service income	(5,457)	(5,063)
Miscellaneous service expenses	4,784	4,443
Government grants, including release from deferred income (Note (b))	<u>(4,558)</u>	<u>(9,539)</u>

Notes:

- (a) 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 agreement (the “**Agreement**”) with 重慶慶鈴專用汽車有限公司 (“**Qingling Zhuan Yong**”), a related company which acquired the right of the plaintiff in the 2015 Litigation for a consideration of RMB89,000,000. Under the Agreement, the Company paid Qingling Zhuan Yong RMB89,000,000, representing the amount Qingling Zhuan Yong paid 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.

During the six months ended 30 June 2022, Qingling Zhuan Yong recovered RMB29,000,000 (unaudited) (six months ended 30 June 2021:nil), and after deducting its costs incurred, transferred the amount to the Company.

- (b) During the six months ended 30 June 2022, RMB413,000 (unaudited) (six months ended 30 June 2021: RMB413,000 (unaudited)) was released to profit or loss from deferred income.

The remaining balances of grants are incentives received upon fulfilling the conditions for compensation of research expenses already incurred or as immediate financial support with no future related costs nor related to any assets.

5. INCOME TAX CREDIT

	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current tax	2,879	2,827
(Over)/under provision in respect of prior year	(2,052)	3,831
Deferred tax	(8,042)	(8,956)
	(7,215)	(2,298)

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]) 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% 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 (“**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 period accounted for 60% of their respective total revenue, and therefore continue to enjoy the preferential EIT rate of 15% for both periods.

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% for the six months ended 30 June 2022 (six months ended 30 June 2021: 25%).

6. DIVIDENDS

During the current interim period, a final dividends of RMB273,050,000 or RMB0.11 per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: RMB248,227,000 or RMB0.10 per share in respect of the year ended 31 December 2020) was declared to the owners of the Company.

The directors of the Company have resolved not to declare an interim dividends for the six months ended 30 June 2022 (six months ended 30 June 2021: 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:

	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit and total comprehensive income for the period attributable to owners of the Company)	<u><u>28,947</u></u>	<u><u>134,917</u></u>
	2022 '000 (unaudited)	2021 '000 (unaudited)
Number of shares		
Number of shares for the purpose of basic earnings per share	<u><u>2,482,268</u></u>	<u><u>2,482,268</u></u>

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

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of RMB100,671,000 (six months ended 30 June 2021: RMB105,146,000) mainly for constructions in progress, and disposed of property, plant and equipment with an aggregate carrying amount of RMB5,000 (six months ended 30 June 2021: RMB4,272,000).

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade receivables, less allowance for credit losses	75,421	102,810
Bills receivable	1,032,330	2,083,402
Other receivables, less allowance for credit losses	70,697	77,698
Prepayments for raw materials	134,246	142,530
Value-added tax recoverable	238	10,585
Grants receivable (Note)	<u><u>180,000</u></u>	<u><u>180,000</u></u>
	<u><u>1,492,932</u></u>	<u><u>2,597,025</u></u>

Note: As at 30 June 2022 and 31 December 2021, there was reasonable assurance that the Group will comply with the conditions attached under the hydrogen fuel cell vehicles subsidies. Hence a grant receivable was recognised as at 30 June 2022 and 31 December 2021.

The credit period granted on sales of goods is mainly from 3 to 6 months except for the subsidiaries of 慶鈴汽車(集團)有限公司 (“**Qingling Group**”, the ultimate holding company of the Company), to which a credit period of 1 year were granted.

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

	At 30 June 2022 RMB’000 (unaudited)	At 31 December 2021 RMB’000 (audited)
Within 3 months	43,117	73,645
Between 3 to 6 months	7,602	5,547
Between 7 to 12 months	6,298	6,658
Over 1 year	18,404	16,960
	75,421	102,810

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

	At 30 June 2022 RMB’000 (unaudited)	At 31 December 2021 RMB’000 (audited)
Within 1 month	397,453	630,793
Between 1 to 2 months	72,509	319,575
Between 2 to 3 months	210,672	251,312
Between 3 to 6 months	243,090	801,996
Between 6 to 12 months	108,606	79,726
	1,032,330	2,083,402

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

10. TIME DEPOSITS

The time deposits are with a term from more than 3 months to 36 months (unaudited) (31 December 2021: from more than 3 months to 36 months (audited)) and carry interest at rates ranging from 2.10% to 4.18% (unaudited) (31 December 2021: from 2.10% to 4.18% (audited)) per annum.

11. TRADE, BILLS AND OTHER PAYABLES

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Trade and bills payables	1,733,759	1,666,388
Selling expenses payables	177,957	211,298
Other tax payables	13,484	2,802
Other payables	<u>181,884</u>	<u>239,448</u>
	<u>2,107,084</u>	<u>2,119,936</u>

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

	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Within 3 months	1,490,579	1,437,413
Between 3 to 6 months	231,606	197,792
Between 7 to 12 months	766	15,658
Over 12 months	<u>10,808</u>	<u>15,525</u>
	<u>1,733,759</u>	<u>1,666,388</u>

2022 FIRST HALF-YEARLY RESULTS

For the six months ended 30 June 2022, the Group sold 17,575 vehicles, representing a decrease of 29.80% over the corresponding period of the previous year. Sales revenue amounted to RMB1,920 million, representing a decrease of 29.08% over the corresponding period of the previous year. Profit and total comprehensive income for the period was RMB34.6 million, representing a decrease of 75.23% over the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

In the first half of the year, the production and sales of commercial trucks dropped significantly. According to the statistics of the China Association of Automobile Manufacturers, the sales volume of commercial trucks in China in the first half of the year was 1,522,000 units, representing a year-on-year decrease of 42.2%. The economic efficiency of automobile enterprises dropped significantly. The procurement cost of bulk raw materials of enterprises increased, which compressed the operating profit margin. According to the National Bureau of Statistics, the total profit of the manufacturing industry decreased by 10.8%, of which the profit of the automobile manufacturing industry decreased by 37.5% year-on-year. The profit of commercial vehicle-based enterprises decreased significantly. The poor automobile market and the difficulties in operation by dealers have led to a large-scale withdrawal from the market. Facing the severe industry situation, the Company has on one hand enhanced the sense of pressure and urgency; on the other hand, the Company has carefully studied the shortcomings and weaknesses of its survival and development, and has made every effort to stabilise the current operation and accumulate strong development momentum. The major works in the first half of the year are summarised as follows:

1. Effective implementation of key tasks. The Company implemented project-based and list-based management of key tasks, proposed A, B, C, three categories and multiple major projects, and integrated internal and external resources to advance the implementation of the key tasks collectively. The implementation of major projects as scheduled will not only support the current production and operation, but also accumulate strength for future development.
2. Withstanding the pressure of the industry and stabilising the marketing situation. We made every effort to stabilise old business and strive to open new business; focused on the redecorated vehicle market and increased sales volume by securing large customer orders; and launched publicity and promotion through new media and new securing means.
3. New platform and new mechanism were put into operation. We reconstructed the “7 + 17 + 55” R&D organisation, created a dual channel of promotion, and revised and improved the Integrated Development and Operation Process of New Products, and the new R&D organisation and process began to run; the new mechanism establishes an integrated quality management system covering the whole-process from R&D, manufacturing to after-sales, from rough cast, parts and components to complete vehicles, and has issued the Several Provisions on Further Strengthening Quality Management, which for the first time contains the key points of quality management in the whole-process and each stage of new products.

4. Rapid development of strategic emerging industries. The hydrogen fuel cell vehicle industry developed rapidly; the key core assembly of new energy vehicles also developed rapidly; and solid progress was made in pure electric vehicle technology.
5. Rapid advancement of key R&D projects for fuel vehicles. The product portfolio of self-owned brands continued to be diversified; progress was made in the research and development of the fourth stage fuel consumption technology; Qingling Intelligent Manufacturing APP and Qingling Service APP were put into operation.
6. Continuous improvement in production management. The transformation from “Qingling Manufacturing” to “Qingling Intelligent Manufacturing” was accelerated; production site management was improved continuously; orderly production organisation and management was promoted.

OUTLOOK AND PROSPECTS

During the second half of the year, from a macro perspective, with the continued improvement in the pandemic prevention and control, and the implementation of a package of policies to stabilise the economy, manufacturing activities are showing a general trend of expansion. From the perspective of enterprises, the inventory alert index of distributors of major competing goods remains at a high level all along due to management and control measures in response to the pandemic, changes of laws and regulations and contracting demand. In the second half of the year, the Company will focus on giving full play to its strengths, focus on resource integration, capitalise on the market externally, strengthen its internal support, take advantage of the market rebound, and strive for orders and to increase sales volume:

1. To strengthen the strong links and points. We will be firmly committed to developing our own brands; striving to enhance the competitiveness of our powertrain.
2. To focus on “two improvements, one reduction”, to build the competitiveness of key products. We will strive to do well in market research to find the right information about the key vehicle models; focus on the key products and improve the technical performance of our products, to improve the quality and sense of experience and reduce costs and prices of our products.
3. To focus on key market and strive for increase in sales volume through “major clients and large orders”, “incremental market”, “retail market”, “mass production and sales of high horsepower light trucks”, etc.
4. To accelerate the development of and production arrangement for e-drive units and RD.

FINANCIAL REVIEW

Financial Performance

For the six months ended 30 June 2022, the revenue of the Group was RMB1,917,823,000 representing a decrease of 29.08% as compared to the corresponding period last year mainly attributable to the increased adverse impact on business operations, resulting from the significant decline in production and sales amount of the commercial truck industry for several consecutive months, coupled with factors such as the continuous sporadic outbreak of the novel coronavirus and the increase in the prices of chips, batteries and other raw materials in the first half of 2022, affecting the overall performance of the Group in sales volume for the six months ended 30 June 2022.

Gross profit for the period was RMB175,187,000 representing a decrease of 49.76% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 9.13%, it was 12.90% for the corresponding period last year. Profit and total comprehensive income for the period attributable to owners of the Company was RMB28,947,000, representing a decrease of 78.54% as compared to the corresponding period last year.

For the six months ended 30 June 2022, other income and expenses were RMB149,488,000, mainly included bank interest income, receipt from other guarantors from 2015 Litigation and rental income, representing an increase of 19.36% as compared to the corresponding period last year. The change mainly came from receipt from other guarantors from the 2015 Litigation.

For the six months ended 30 June 2022, the total distribution and selling expenses of the Group mainly including transportation costs, maintenance fees and other market promotion expenses, were RMB95,794,000, representing a decrease of 28.90% as compared to the corresponding period last year, mainly due to the decline of sales volume.

For the six months ended 30 June 2022, a loss of RMB6,923,000 was recognised from the share of results of associates and joint ventures, representing a decrease of 586.81% as compared to the corresponding period last year, principally due to the significant decline in production and sales amount of the commercial truck industry.

For the six months ended 30 June 2022, basic earnings per share was RMB0.01. The Company did not issue any new shares during the period.

Financial Position

As at 30 June 2022, the total assets and total liabilities of the Group were RMB10,306,001,000 and RMB2,477,245,000, respectively.

The non-current assets were RMB3,075,884,000, mainly including time deposits, property, plant and equipment, interests in joint ventures and intangible assets.

The total current assets amounted to RMB7,230,117,000, mainly including RMB1,305,366,000 of inventories, RMB1,492,932,000 of trade, bills and other receivables and prepayments, RMB13,804,000 of tax recoverable, RMB3,123,347,000 of time deposits and RMB1,294,668,000 of bank balances and cash.

The total current liabilities amounted to RMB2,471,656,000, mainly including trade, bills and other payables of RMB2,107,084,000, tax liabilities of RMB2,835,000, contract liabilities of RMB277,852,000, refund liabilities of RMB70,486,000 and lease liabilities of RMB13,399,000.

As at 30 June 2022, the Group's non-current liability amounted to RMB5,589,000, mainly including deferred income-government grants.

Net current assets rose from RMB3,087,791,000 as at 31 December 2021 to RMB4,758,461,000 as at 30 June 2022, representing an increase of 54.11%.

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 2022 was 31.64% (as at 31 December 2021: 35.19%).

Issued share capital as at 30 June 2022 maintained at RMB2,482,268,000 and no share was issued during the six months ended 30 June 2022.

For the six months ended 30 June 2022, 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 2022 was RMB7,495,594,000. 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 2022 was RMB3.02.

Significant Investment

As at 30 June 2022, the Group's interests in joint ventures were RMB485,707,000 which mainly included the interest in 五十鈴(中國)發動機有限公司 (“**Isuzu Engine**”), a joint venture, of RMB424,341,000 and interests in associates were RMB47,972,000. For the six months ended 30 June 2022, the joint ventures and associates of the Group were under normal operation.

During the six months ended 30 June 2022, there were no significant acquisition or disposal of the Group.

Segment Information

The revenue contributed by light-duty trucks and chassis, medium and heavy-duty trucks and chassis were RMB1,237,016,000 and RMB293,569,000 respectively, representing 79.81% of the total revenue. The revenue contributed by pick-up trucks and chassis was RMB258,935,000, representing 13.50% of the total revenue.

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

Pledge of Assets

During the period ended 30 June 2022, no asset of the Group was pledged for financial facilities (during the period ended 30 June 2021: nil).

Effects of Foreign Exchange Rate Changes

As at 30 June 2022, the Group had bank balances of foreign currency of RMB217,885,000 and foreign currency trade, bills and other receivables and prepayments of RMB13,211,000.

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 2022, the Group had capital commitments of RMB233,748,000 that had been contracted for but not provided in the condensed consolidated financial statements, mainly including the outstanding consideration payable for acquisition of 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 2022 (for the period ended 30 June 2021: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 2,975 employees. For the six months ended 30 June 2022, labour cost was RMB160,079,000. 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 2022, the Group has not sold any staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

(1) As at 30 June 2022, 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 2022, 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 2022.

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

As at 30 June 2022, 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 2022, none of the 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 2022, 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 2022, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) without deviation.

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 2022.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2022 are unaudited, but have been reviewed by the auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The interim results have also been reviewed by the audit committee of the Company.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2022 interim report containing all the financial information required by the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.qingling.com.cn) in due course.

DIRECTORS

As at the date of this announcement, the Board comprises 11 Directors, of which Mr. LUO Yuguang, Mr. YASUTA Tatsuya, Mr. NAKAMURA Osamu, Mr. KIJIMA Katsuya, 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 People's Republic of China, 25 August 2022