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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)

(Stock Code: 1122)

ANNOUNCEMENT OF INTERIM RESULTS 2024

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 2024, together with comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	3	2,112,181	1,933,895
Cost of Sales		(1,964,841)	(1,766,278)
Gross profit		147,340	167,617
Other income		136,709	129,954
Other expenses		(3,989)	(4,325)
Impairment losses under expected credit loss model, net of reversal		108	–
Other gains and losses, net		(5,547)	(4,759)
Distribution and selling expenses		(111,091)	(105,006)
Administrative expenses		(90,272)	(95,288)
Research expenses		(79,517)	(83,632)
Finance costs		(671)	(806)
Share of results of associates		75	(468)
Share of results of joint ventures		2,169	1,646
(Loss) profit before tax	4	(4,686)	4,933
Income tax (expense) credit	5	(3,456)	7,091
(Loss) profit and total comprehensive (expenses) income for the period		(8,142)	12,024

		2024	2023
	<i>NOTE</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
(Loss) profit and total comprehensive			
(expenses) income for the period attributable to:			
Owners of the Company		(12,290)	6,915
Non-controlling interests		<u>4,148</u>	<u>5,109</u>
		<u>(8,142)</u>	<u>12,024</u>
		RMB cents	<i>RMB cents</i>
Basic (loss) earnings per share	7	<u>(0.50)</u>	<u>0.28</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024	At 31 December 2023
	NOTES	RMB'000 (unaudited)	RMB'000 (audited)
Non-current assets			
Property, plant and equipment	8	1,250,624	1,212,392
Right-of-use assets		44,657	53,389
Investment properties		18,536	18,677
Intangible assets		165,505	119,905
Interests in associates		15,037	44,362
Interests in joint ventures		484,414	481,423
Deferred tax assets		59,265	59,822
Time deposits	10	2,447,349	2,569,260
Trade receivables	9	280,309	45,886
Finance lease receivables		2,368	2,740
Deposit paid for property, plant and equipment		1,070	191
		<u>4,769,134</u>	<u>4,608,047</u>
Current assets			
Inventories		1,120,296	1,318,413
Trade, bills and other receivables and prepayments	9	1,941,509	1,531,029
Time deposits	10	1,527,922	1,486,295
Cash and cash equivalents		1,011,837	1,027,775
Tax recoverable		12,486	12,448
Finance lease receivables		616	483
		<u>5,614,666</u>	<u>5,376,443</u>

		At 30 June 2024	At 31 December 2023
	NOTE	RMB'000 (unaudited)	RMB'000 (audited)
Current liabilities			
Trade, bills and other payables	11	2,432,921	1,775,320
Tax liabilities		1,990	1,810
Contract liabilities		121,852	357,331
Refund liabilities		65,942	72,624
Lease liabilities		16,784	16,457
		<u>2,639,489</u>	<u>2,223,542</u>
Net current assets		<u>2,975,177</u>	<u>3,152,901</u>
Total assets less current liabilities		<u><u>7,744,311</u></u>	<u><u>7,760,948</u></u>
Capital and reserves			
Share capital		2,482,268	2,482,268
Share premium and reserves		<u>4,903,245</u>	<u>4,915,535</u>
Equity attributable to owners of the Company		7,385,513	7,397,803
Non-controlling interests		<u>343,606</u>	<u>339,458</u>
Total equity		<u>7,729,119</u>	<u>7,737,261</u>
Non-current liabilities			
Lease liabilities		11,276	19,404
Deferred income – government grants		<u>3,916</u>	<u>4,283</u>
		<u>15,192</u>	<u>23,687</u>
		<u><u>7,744,311</u></u>	<u><u>7,760,948</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

Other than change in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 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 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the 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, which are recognised at a point in time. The following is an analysis of the Group's revenue from its major products:

	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
Types of goods		
Sales of light-duty trucks	902,670	807,520
Sales of pick-up trucks	227,963	368,470
Sales of medium and heavy-duty trucks	511,302	381,095
Sales of chassis	298,421	247,090
Sales of automobile parts, accessories and others	171,825	129,720
Total	<u>2,112,181</u>	<u>1,933,895</u>

Except for export sales to countries outside the People's Republic of China (the "PRC") amounting to RMB181,712,000 (unaudited) (six months ended 30 June 2023: RMB51,974,000 (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 2024					
Sales of light-duty trucks	902,670	–	–	–	902,670
Sales of pick-up trucks	–	227,963	–	–	227,963
Sales of medium and heavy-duty trucks	–	–	511,302	–	511,302
Sales of chassis	291,237	–	7,184	–	298,421
Sales of automobile parts, accessories and others	–	–	–	171,825	171,825
Revenue	<u>1,193,907</u>	<u>227,963</u>	<u>518,486</u>	<u>171,825</u>	<u>2,112,181</u>

	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 2023					
Sales of light-duty trucks	807,520	–	–	–	807,520
Sales of pick-up trucks	–	368,470	–	–	368,470
Sales of medium and heavy-duty trucks	–	–	381,095	–	381,095
Sales of chassis	235,859	2,982	8,249	–	247,090
Sales of automobile parts, accessories and others	–	–	–	129,720	129,720
Revenue	<u>1,043,379</u>	<u>371,452</u>	<u>389,344</u>	<u>129,720</u>	<u>1,933,895</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 2024

	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)
Segment revenue	<u>1,193,907</u>	<u>227,963</u>	<u>518,486</u>	<u>171,825</u>	<u>2,112,181</u>
Result					
Segment profit (loss)	<u>(17,710)</u>	<u>(20,267)</u>	<u>692</u>	<u>25,714</u>	<u>(11,571)</u>
Central administration costs					(42,452)
Other income					136,709
Other expenses					(3,989)
Impairment losses under expected credit loss model, net of reversal					108
Other gains and losses, net					(5,547)
Research expenses					(79,517)
Finance costs					(671)
Share of results of associates					75
Share of results of joint ventures					<u>2,169</u>
Loss before tax					<u>(4,686)</u>

Six months ended 30 June 2023

	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)
Segment revenue	<u>1,043,379</u>	<u>371,452</u>	<u>389,344</u>	<u>129,720</u>	<u>1,933,895</u>
Result					
Segment profit (loss)	<u>8,284</u>	<u>(11,218)</u>	<u>6,160</u>	<u>437</u>	<u>3,663</u>
Central administration costs					(36,340)
Other income					129,954
Other expenses					(4,325)
Other gains and losses, net					(4,759)
Research expenses					(83,632)
Finance costs					(806)
Share of results of associates					(468)
Share of results of joint ventures					<u>1,646</u>
Profit before tax					<u>4,933</u>

There have been no inter-segment sales during the six months ended 30 June 2024 and 2023 (unaudited).

Segment profit (loss) represents the profit earned by (loss incurred from) each segment without allocation of central administration costs, other income, other expenses, impairment losses under expected credit loss model, net of reversal, 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 2024

	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>1,695,348</u>	<u>387,616</u>	<u>746,328</u>	<u>586,857</u>	<u>3,416,149</u>
Interchangeably used assets between segments					
– Property, plant and equipment					411,704
– Right-of-use assets					44,657
– Inventories					573,225
Investment properties					18,536
Interests in associates					15,037
Interests in joint ventures					484,414
Cash and cash equivalents and time deposits					4,987,108
Other unallocated assets					<u>432,970</u>
Consolidated total assets					<u>10,383,800</u>
Liabilities					
Segment liabilities	<u>200,356</u>	<u>57,582</u>	<u>82,503</u>	<u>41,506</u>	<u>381,947</u>
Unallocated trade, bills and other payables					2,237,676
Unallocated lease liabilities					28,060
Other unallocated liabilities					<u>6,998</u>
Consolidated total liabilities					<u>2,654,681</u>

As at 31 December 2023

	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>1,150,733</u>	<u>511,513</u>	<u>786,822</u>	<u>322,274</u>	<u>2,771,342</u>
Interchangeably used assets between segments					
– Property, plant and equipment					436,077
– Right-of-use assets					53,389
– Inventories					486,864
Investment properties					18,677
Interests in associates					44,362
Interests in joint ventures					481,423
Cash and cash equivalents and time deposits					5,083,330
Other unallocated assets					<u>609,026</u>
Consolidated total assets					<u>9,984,490</u>
Liabilities					
Segment liabilities	<u>313,631</u>	<u>101,730</u>	<u>109,139</u>	<u>–</u>	<u>524,500</u>
Unallocated trade, bills and other payables					1,680,775
Unallocated lease liabilities					35,861
Other unallocated liabilities					<u>6,093</u>
Consolidated total liabilities					<u>2,247,229</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, cash and cash equivalents 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 lease liabilities and other unallocated liabilities of the head office.

4. (LOSS) PROFIT BEFORE TAX

	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
(Loss) profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	137,094	134,988
Retirement benefits scheme contributions	<u>19,815</u>	<u>19,936</u>
Total staff costs (including directors' and supervisors' remuneration)	156,909	154,924
Staff costs capitalised in inventories	<u>(92,342)</u>	<u>(71,060)</u>
	<u>64,567</u>	<u>83,864</u>
Loss on disposal of property, plant and equipment, net	938	766
Amortisation of intangible assets	19,174	19,193
Depreciation of property, plant and equipment	31,858	27,438
Depreciation of right-of-use assets	<u>8,732</u>	<u>9,030</u>
Total depreciation	40,590	36,468
Capitalised in inventories	<u>(21,299)</u>	<u>(16,940)</u>
	<u>19,291</u>	<u>19,528</u>
Finance costs of lease liabilities	671	806
Depreciation of investment properties	141	140
Expenses relating to short-term leases	3,763	2,664
Net foreign exchange loss	5,718	4,132
Cost of inventories recognised as an expense (including write-down of inventories: nil (six months ended 30 June 2023: nil))	1,964,841	1,766,278
Subsequent sales of written-down inventories	(2,334)	(4,724)
Interest income from time deposits and bank balances	(69,808)	(73,908)
Rental income from renting of investment properties	(2,126)	(2,126)
Less: Direct operating expenses from investment properties that generated rental income during the period	<u>255</u>	<u>255</u>
	<u>(1,871)</u>	<u>(1,871)</u>
Rental income from renting of equipment	(21,444)	(11,051)
Miscellaneous service income	(4,310)	(5,464)
Miscellaneous service expenses	3,989	4,325
Government grants, including release from deferred income (<i>Note (a)</i>)	<u>(12,241)</u>	<u>(37,398)</u>

Note:

- (a) The government grants mainly comprise the special funds for innovative development projects, which is compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs.

During the six months ended 30 June 2024, the Group recognised grants of RMB10,870,000 (unaudited) (six months ended 30 June 2023: RMB13,590,000 (unaudited)) related to special funds for innovative development projects.

During the six months ended 30 June 2024, RMB367,000 (unaudited) (six months ended 30 June 2023: RMB475,000 (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 EXPENSE (CREDIT)

	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
Current tax	3,441	3,273
Over provision in respect of prior year	(542)	(4)
Deferred tax	557	(10,360)
	<u>3,456</u>	<u>(7,091)</u>

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.

Under the Laws of the PRC on the Enterprise Income Tax (“**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the remaining PRC subsidiaries are 20% and 25% (six months ended 30 June 2023: 25%).

6. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2023: nil).

The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2023: nil).

7. (LOSS) EARNINGS PER SHARE

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

	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
(Loss) Earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share		
((Loss) profit and total comprehensive (expenses) income		
for the period attributable to owners of the Company)	<u>(12,290)</u>	<u>6,915</u>
	2024 <i>'000</i> (unaudited)	2023 <i>'000</i> (unaudited)
Number of shares		
Number of shares for the purpose of basic (loss) earnings per share	<u>2,482,268</u>	<u>2,482,268</u>

No diluted (loss) 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 RMB77,650,000 (unaudited) (six months ended 30 June 2023: RMB71,868,000 (unaudited)) mainly for constructions in progress, and disposed of property, plant and equipment with an aggregate carrying amount of RMB1,000,000 (unaudited) (six months ended 30 June 2023: RMB766,000 (unaudited)).

9. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

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

	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Trade receivables, less allowance for credit losses	896,166	271,184
Bills receivables	968,299	831,289
Other receivables, less allowance for credit losses	23,070	161,972
Prepayments for raw materials	126,319	140,107
Value-added tax recoverable	–	8,723
Grant receivable, less allowance for credit losses (<i>Note</i>)	207,964	163,640
	2,221,818	1,576,915
	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
Trade receivables comprise:		
Within one year	615,857	225,298
Within a period of more than one year but not exceeding five years	280,309	45,886
	896,166	271,184

Note:

As at 30 June 2024 and 31 December 2023, there was reasonable assurance that the Group will comply with the conditions attached and the grants under the hydrogen fuel cell vehicles subsidies and special funds for innovative development projects. Hence a grant receivable was recognised as at 30 June 2024 and 31 December 2023.

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 is granted.

Since last year, the Company has entered into contract with several customers in structured installment payment methods, with a fixed term of 5 years.

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 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Within 3 months	272,478	156,244
Between 3 to 6 months	371,746	48,815
Between 7 to 12 months	198,756	52,847
Over 1 year	53,186	13,278
	<u>896,166</u>	<u>271,184</u>

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 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Within 1 month	284,027	389,320
Between 1 to 2 months	103,455	133,299
Between 2 to 3 months	110,721	131,577
Between 3 to 6 months	470,096	95,740
Between 6 to 12 months	–	81,353
	<u>968,299</u>	<u>831,289</u>

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 2023: from more than 3 months to 36 months (audited)) and carry interest at rates ranging from 1.95% to 3.55% (unaudited) (31 December 2023: from 2.15% to 3.99% (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 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Trade and bills payables	2,108,597	1,471,366
Selling expenses payables	164,366	139,802
Other tax payables	63,750	3,774
Other payables	96,208	160,378
	<u>2,432,921</u>	<u>1,775,320</u>

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

	At 30 June 2024 <i>RMB'000</i> (unaudited)	At 31 December 2023 <i>RMB'000</i> (audited)
Within 3 months	1,885,404	1,346,750
Between 3 to 6 months	208,893	109,839
Between 7 to 12 months	7,783	1,191
Over 12 months	6,517	13,586
	<u>2,108,597</u>	<u>1,471,366</u>

2024 FIRST HALF-YEARLY RESULTS

For the six months ended 30 June 2024, the Group sold 17,154 vehicles, representing a decrease of 3.42% as compared to the corresponding period last year. Sales revenue amounted to RMB2,112 million, representing an increase of 9.22% as compared to the corresponding period last year. Loss and total comprehensive expenses for the period attributable to owners of the Company was RMB12,290,000, and profit and total comprehensive income attributable to owners of the Company for the corresponding period last year was RMB6,915,000, representing a turnaround from profit to loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

From January to June 2024, the production and sales volume of commercial vehicles in domestic market reached 2.005 million and 2.068 million, respectively, representing a year-on-year increase of 2% and 4.9%, respectively. Overall, China still faced a relatively significant downward economic pressure. Although the economy showed signs of recovery, demand remained as inadequate, the pace of market recovery was slower than expected, and enterprises generally suffered from relatively significant pressures on their operations. Coupled with the complex and volatile international situation, the task of maintaining stable growth remained tough for the automotive industry. In the face of market challenges, vast majority of the staff and executives of the Company was rallying their efforts to overcome the challenges proactively. On the one hand, the Company endeavours to expand its market. In the first half of the year, sales of its light-duty trucks increased by 1.5% year on year, sales of heavy-duty trucks increased by 33.2% year on year, complete vehicle exports increased by 101% year on year, and sales of new energy vehicles increased by 3.1 times year on year, realising a slight year-on-year increase in sales revenue. On the other hand, the Company adhered to the innovation-driven development. R&D investment intensity in the first half of the year reached 3.76%, development of key new products of new energy vehicles was progressing in an orderly manner, and R&D on core new products of traditional fuel vehicles was steadily advancing. Meanwhile, it rigorously upholds the quality management of manufacturing new products, enhancing the First Time Quality (FTQ) of complete vehicle to over 95%.

OUTLOOK AND PROSPECTS

Based on the Decision of the CPC Central Committee on Further Deepening Reform Comprehensively to Advance Chinese Modernisation resolved and passed at the Third Plenary Session of the 20th CPC Central Committee, it was emphasised that the advancement of new industrialisation should be accelerated, advanced manufacturing industry clusters should be nurtured and expanded, and the high-end, intelligent, and green development of the manufacturing industry should be promoted. In the second half of the year, with the continuous optimisation of the domestic economic environment and the stimulus of a new round of favourable policies, it is expected that commercial vehicles market will continue to operate steadily and normally. However, enterprise development will still face challenges due to the lack of growth momentum in the industry market and the subsistence of inventory backlog issues. Given the fierce competition, enterprises will have to expand market share and sales externally while strengthening internal management and laying a solid foundation. The Company will advance various tasks in a concrete manner in line with the annual and semi-annual work plans, laying emphasis on the advancing of the following tasks in the second half of the year:

1. to ensure the attainment of its annual sales targets, enhance its basic marketing capabilities, strengthen the quality and effectiveness of its marketing network construction, and expedite the mass production of new energy products;
2. to focus on market demand, timely launch new products into the market, and consistently improve products' cost-effectiveness;
3. to further standardise production management on a flexible change basis, reinforce basic management, and accelerate the construction of "Digital Qingling";
4. to assure the quality of new products, continuously enhance supervision and regular inspections, ensure the stable and controlled quality of components, assemblies, and complete vehicles, and promptly rectify market quality issues; and
5. to continuously advance cost reduction efforts for all series of vehicle models in line with cost reduction objectives.

FINANCIAL REVIEW

Financial Performance

For the six months ended 30 June 2024, the revenue of the Group was RMB2,112,181,000, representing an increase of 9.22% as compared to the corresponding period last year, mainly attributable to the increased demand in overseas commercial vehicle markets.

Gross profit for the period was RMB147,340,000, representing a decrease of 12.10% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 6.98%, and it was 8.67% for the corresponding period last year. Loss and total comprehensive expenses for the period attributable to owners of the Company was RMB12,290,000, and profit and total comprehensive income attributable to owners of the Company for the corresponding period last year was RMB6,915,000, representing a turnaround from profit to loss.

For the six months ended 30 June 2024, other income was RMB136,709,000, which mainly included bank interest income, government grants and rental income, representing an increase of 5.20% as compared to the corresponding period last year. The increase was mainly due to the increase in rental income in respect of leasing of equipment.

For the six months ended 30 June 2024, basic loss per share was RMB0.50 cent. The Company did not issue any new shares during the period.

Financial Position

As at 30 June 2024, the total assets and total liabilities of the Group were RMB10,383,800,000 and RMB2,654,681,000, respectively.

The non-current assets were RMB4,769,134,000, mainly including time deposits, property, plant and equipment, interests in joint ventures, trade receivables and intangible assets.

The current assets amounted to RMB5,614,666,000, including inventories of RMB1,120,296,000, finance lease receivables of RMB616,000, trade, bills and other receivables and prepayments of RMB1,941,509,000, time deposits of RMB1,527,922,000, cash and cash equivalents of RMB1,011,837,000 and tax recoverable of RMB12,486,000.

The current liabilities amounted to RMB2,639,489,000, including trade, bills and other payables of RMB2,432,921,000, tax liabilities of RMB1,990,000, contract liabilities of RMB121,852,000, refund liabilities of RMB65,942,000 and lease liabilities of RMB16,784,000.

As at 30 June 2024, the Group's non-current liabilities amounted to RMB15,192,000, mainly including lease liabilities.

Net current assets dropped from RMB3,152,901,000 as at 31 December 2023 to RMB2,975,177,000 as at 30 June 2024, representing a decrease of 5.64%.

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 2024 was 34.35% (as at 31 December 2023: 29.04%).

The issued share capital of the Company as at 30 June 2024 was maintained at RMB2,482,268,000 as no share was issued during the six months ended 30 June 2024. For the six months ended 30 June 2024, 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 2024 was RMB7,385,513,000. 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 of the Company) as at 30 June 2024 was RMB2.98.

Significant Investment

As at 30 June 2024, the Group's interests in joint ventures were RMB484,414,000 which mainly included the interest in 五十鈴(中國)發動機有限公司 (“**Isuzu Engine**”) of RMB420,693,000 and interests in associates were RMB15,037,000. For the six months ended 30 June 2024, the joint ventures and associates of the Group were under normal operation.

During the six months ended 30 June 2024, the Group had no significant acquisition or disposal.

Segment Information

The revenue contributed by light-duty trucks and chassis, medium and heavy-duty trucks and chassis were RMB1,193,907,000 and RMB518,486,000, respectively, representing 81.07% of the total revenue. The revenue contributed by pick-up trucks and chassis was RMB227,963,000, representing 10.79% 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 2024, no asset of the Group was pledged for financial facilities (during the period ended 30 June 2023: nil).

Effects of Foreign Exchange Rate Changes

As at 30 June 2024, the Group had bank balances denominated in foreign currency of RMB21,639,000 and foreign currency-denominated trade, bills and other receivables and prepayments of RMB352,000.

The major foreign currency-denominated transactions of the Group were 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 2024, the Group had capital commitments of RMB125,657,000 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 2024 (for the period ended 30 June 2023: nil).

Employees and Remuneration Policy

As at 30 June 2024, the Group had 2,747 employees. For the six months ended 30 June 2024, labour cost was RMB156,909,000. 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.

Structure of Shareholding

- (1) As at 30 June 2024, 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 2024, shareholders other than directors, supervisors or chief executives 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 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 2024.

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

As at 30 June 2024, 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 2024, none of the directors, supervisors and chief executives of the Company, their spouse or children under age of 18 years had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

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

During the six months ended 30 June 2024, there were no purchase, redemption or sales of the Company's listed securities (including sale of treasury shares) by the Company or any of its subsidiaries. As at 30 June 2024, the Company did not hold any treasury shares.

CORPORATE GOVERNANCE

The Company puts high emphasis on and 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 2024, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. Since Mr. YASUTA Tatsuya retired as a general manager of the Company on 27 June 2024, his duties of general manager are currently performed by Mr. CHEN Daijing, the executive deputy general manager of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix C3 to 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 2024.

INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2024 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 2024 interim report containing all the financial information required by the Listing Rules will be dispatched to the shareholders of the Company 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. NAKAMURA Koji, Mr. KIJIMA Katsuya, Mr. TSUKUI Mikio, Mr. XU Song, Mr. LI Juxing and Mr. LI Xiaodong are executive directors and Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. LIU Tianni and Ms. CHEN Yen Yung are independent non-executive directors.

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

Chongqing, the PRC, 29 August 2024