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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 2020 RESULTS

The board of directors (the “**Board**”) of Qingling Motors Co., Ltd. (the “**Company**”) is pleased to announce that audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020, 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 2020

	NOTES	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	2,3	5,088,762	4,723,287
Cost of sales		(4,389,361)	(3,874,794)
Gross profit		699,401	848,493
Other income		279,182	258,572
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(218)	(2,952)
Other gains and losses, net		2,462	(2,848)
Distribution and selling expenses		(274,624)	(229,820)
Administrative expenses		(207,003)	(201,713)
Research expenses		(228,950)	(212,829)
Finance costs		(1,589)	(498)
Reversal of provision (provision for) for litigation	11	53,633	(57,633)
Share of results of associates		433	384
Share of results of joint ventures		2,427	4,838
Profit before tax	5	325,154	403,994
Income tax expense	4	(18,692)	(47,712)
Profit and total comprehensive income for the year		306,462	356,282
Profit and total comprehensive income attributable to:			
Owners of the Company		300,989	345,308
Non-controlling interests		5,473	10,974
		306,462	356,282
Basic earnings per share	6	RMB0.12	RMB0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

		At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		953,870	811,797
Right-of-use assets		81,791	109,882
Investment properties		39,382	41,848
Intangible assets		228,581	261,299
Interests in associates		33,118	8,185
Interests in joint ventures		487,333	492,071
Deferred tax assets		18,191	21,991
Time deposits		2,265,640	101,454
Deposit paid for property, plant and equipment		–	11,803
		<u>4,107,906</u>	<u>1,860,330</u>
Current assets			
Inventories		841,599	631,478
Trade, bills and other receivables and prepayments	8	2,718,860	2,299,901
Tax recoverable		15,591	3,966
Time deposits		2,240,652	4,152,983
Restricted bank balances		–	137,633
Bank deposits, bank balances and cash		1,041,733	1,909,323
		<u>6,858,435</u>	<u>9,135,284</u>

		At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
	<i>NOTES</i>		
Current liabilities			
Trade, bills and other payables	9	2,426,653	2,155,273
Lease liabilities		30,496	29,359
Tax liabilities		2,674	3,188
Contract liabilities		372,138	438,023
Refund liabilities		107,091	83,611
Provision for litigation		–	137,633
		<u>2,939,052</u>	<u>2,847,087</u>
Net current assets		<u>3,919,383</u>	<u>6,288,197</u>
Total assets less current liabilities		<u><u>8,027,289</u></u>	<u><u>8,148,527</u></u>
Capital and reserves			
Share capital	10	2,482,268	2,482,268
Share premium and reserves		<u>5,183,576</u>	<u>5,279,750</u>
Equity attributable to owners of the Company		7,665,844	7,762,018
Non-controlling interests		<u>321,581</u>	<u>318,832</u>
Total equity		<u>7,987,425</u>	<u>8,080,850</u>
Non-current liabilities			
Deferred income – governments grants		7,982	8,694
Lease liabilities		<u>31,882</u>	<u>58,983</u>
		<u>39,864</u>	<u>67,677</u>
		<u><u>8,027,289</u></u>	<u><u>8,148,527</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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.

Impacts of application on Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the 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 ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
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 January 2023.

- 2 Effective for annual periods beginning on or after 1 January 2022.
- 3 Effective for annual periods beginning on or after a date to be determined.
- 4 Effective for annual periods beginning on or after 1 June 2020.
- 5 Effective for annual periods beginning on or after 1 January 2021.

2. REVENUE

Disaggregation of revenue from contracts with customers

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

	Year ended 31 December 2020 <i>RMB'000</i>	Year ended 31 December 2019 <i>RMB'000</i>
Types of goods		
Sales of light-duty trucks	809,591	1,020,294
Sales of multi-purposes vehicles	–	73
Sales of pick-up trucks	853,233	907,465
Sales of medium and heavy-duty trucks	1,130,088	949,044
Sales of chassis	2,008,003	1,543,369
Sales of automobile parts, accessories and others	287,847	303,042
	<hr/>	<hr/>
Total	5,088,762	4,723,287
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Except for export sales to countries outside the PRC amounting to RMB72,168,000 (2019: RMB71,833,000), all other sales of the Group are made to customers located in the PRC.

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

	Light-duty trucks and chassis <i>RMB'000</i>	Multi- purposes vehicles <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 2020						
Sales of light-duty trucks	809,591	–	–	–	–	809,591
Sales of multi-purposes vehicles	–	–	–	–	–	–
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
Revenue	<u>2,707,785</u>	<u>–</u>	<u>864,529</u>	<u>1,228,601</u>	<u>287,847</u>	<u>5,088,762</u>
For the year ended 31 December 2019						
Sales of light-duty trucks	1,020,294	–	–	–	–	1,020,294
Sales of multi-purposes vehicles	–	73	–	–	–	73
Sales of pick-up trucks	–	–	907,465	–	–	907,465
Sales of medium and heavy-duty trucks	–	–	–	949,044	–	949,044
Sales of chassis	1,404,496	–	43,344	95,529	–	1,543,369
Sales of automobile parts, accessories and others	–	–	–	–	303,042	303,042
Revenue	<u>2,424,790</u>	<u>73</u>	<u>950,809</u>	<u>1,044,573</u>	<u>303,042</u>	<u>4,723,287</u>

3. SEGMENT INFORMATION

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

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

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

(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 2020

	Light-duty trucks <i>RMB'000</i>	Multi- purposes vehicles <i>RMB'000</i>	Pick-up trucks <i>RMB'000</i>	Medium and heavy-duty trucks <i>RMB'000</i>	Automobile parts and accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue	<u>2,707,785</u>	<u>–</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>–</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:						
Interest income						207,692
Rental income (<i>note</i>)						48,633
Government grants						22,704
Others						153
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						2,427
Group's profit before tax						<u>325,154</u>

For the year ended 31 December 2019

	Light-duty trucks <i>RMB'000</i>	Multi- purposes vehicles <i>RMB'000</i>	Pick-up trucks <i>RMB'000</i>	Medium and heavy-duty trucks <i>RMB'000</i>	Automobile parts and accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue	<u>2,424,790</u>	<u>73</u>	<u>950,809</u>	<u>1,044,573</u>	<u>303,042</u>	<u>4,723,287</u>
Result						
Segment profit (loss)	<u>302,966</u>	<u>(12)</u>	<u>81,967</u>	<u>28,268</u>	<u>46,090</u>	459,279
Central administration costs						(42,319)
Impairment losses under ECL model, net of reversal						(2,952)
Finance costs						(498)
Research expenses						(212,829)
Other income:						
Interest income						192,206
Rental income (<i>note</i>)						44,286
Government grants						19,779
Others						2,301
Other gains and losses, net						(2,848)
Provision for litigation						(57,633)
Share of result of an associate						384
Share of results of joint ventures						<u>4,838</u>
Group's profit before tax						<u>403,994</u>

Note: Rental income represented fixed lease payments under operating leases.

There have been no inter-segment sales during the years ended 31 December 2020 and 2019.

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, other income, other net gains and losses, 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 2020

	Light-duty trucks <i>RMB'000</i>	Multi- purposes vehicles <i>RMB'000</i>	Pick-up trucks <i>RMB'000</i>	Medium and heavy-duty trucks <i>RMB'000</i>	Automobile parts and accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Assets						
Segment assets	<u>1,614,950</u>	<u>–</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 asset						81,791
– inventories						254,715
Investment properties						39,382
Interest in an associate						33,118
Interests in joint ventures						487,333
Bank deposits, bank balances, 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>–</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>

(ii) Segment assets and liabilities – continued

At 31 December 2019

	Light-duty trucks RMB'000	Multi- purposes vehicles RMB'000	Pick-up trucks RMB'000	Medium and heavy-duty trucks RMB'000	Automobile parts and accessories RMB'000	Consolidated RMB'000
Assets						
Segment assets	<u>1,424,010</u>	<u>–</u>	<u>596,442</u>	<u>1,171,626</u>	<u>249,911</u>	3,441,989
Interchangeably used assets between segments						
– property, plant and equipment						257,185
– right of use asset						109,882
– inventories						159,560
Investment properties						41,848
Interest in an associate						8,185
Interests in joint ventures						492,071
Restricted bank balances, bank deposits, bank balances and time deposits						6,301,393
Other unallocated assets						<u>183,501</u>
Consolidated total assets						<u>10,995,614</u>
Liabilities						
Segment liabilities	<u>485,126</u>	<u>–</u>	<u>195,368</u>	<u>221,211</u>	<u>–</u>	901,705
Unallocated trade, bills and other payables						1,775,202
Unallocated provision for litigation						137,633
Unallocated lease liabilities						88,342
Other unallocated liabilities						<u>11,882</u>
Consolidated total liabilities						<u>2,914,764</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 an associate, interests in joint ventures, restricted bank balances, bank 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 provision for litigation, unallocated lease liabilities and other unallocated liabilities of the head office.

(iii) Other segment information

For the year ended 31 December 2020

	Light-duty trucks <i>RMB'000</i>	Multi- purposes vehicles <i>RMB'000</i>	Pick-up trucks <i>RMB'000</i>	Medium and heavy-duty trucks <i>RMB'000</i>	Automobile parts and accessories <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Consolidated <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 asset	–	–	–	–	–	32,292	32,292
Depreciation of investment properties	–	–	–	–	–	2,466	2,466

For the year ended 31 December 2019

	Light-duty trucks <i>RMB'000</i>	Multi- purposes vehicles <i>RMB'000</i>	Pick-up trucks <i>RMB'000</i>	Medium and heavy-duty trucks <i>RMB'000</i>	Automobile parts and accessories <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to property, plant and equipment	4,115	–	108	33,135	–	69,075	106,433
Additions to intangible assets	–	–	–	37,574	–	3,619	41,193
Additions to right-of-use assets	–	–	–	–	–	88,802	88,802
Amortisation of intangible assets	–	–	–	31,549	–	3,813	35,362
Depreciation of property, plant and equipment	7,601	–	4,300	12,252	–	15,620	39,773
Depreciation of right-of-use asset	–	–	–	–	–	5,923	5,923
Depreciation of investment properties	–	–	–	–	–	2,465	2,465

(iv) Geographical information

Excluding deferred tax assets and time deposits, the Group's non-current assets amounting to RMB1,824,075,000 (2019: RMB1,736,885,000) are located in the PRC. Except for export sales to countries outside the PRC amounting to RMB72,168,000 (2019: RMB71,833,000), all other sales of the Group are made to customers located in the PRC.

4. INCOME TAX EXPENSE

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Current tax	12,813	45,168
Under provision in prior years	2,079	1,151
Deferred tax	3,800	1,393
	<u>18,692</u>	<u>47,712</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% (2019: 25%) for the year ended 31 December 2020.

5. PROFIT BEFORE TAX

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	304,003	277,412
Retirement benefits scheme contributions (<i>note a</i>)	15,781	39,107
Total staff costs (including directors' and supervisors' remuneration)	319,784	316,519
Staff costs capitalised in inventories	(144,625)	(139,193)
	175,159	177,326
Gain on disposal of property, plant and equipment, net	(699)	(738)
Amortisation of intangible assets	38,646	35,362
Depreciation of property, plant and equipment	36,183	39,773
Capitalised in inventories	(16,163)	(13,286)
	20,020	26,487
Finance cost of lease liability	1,589	498
Depreciation of investment properties	2,466	2,465
Depreciation of right-of-use assets	32,292	5,923
Expense relating to short-term leases	1,561	32,217
Auditor's remuneration		
– Audit service	2,242	2,242
– Non-audit service	313	313
Net foreign exchange (gain) loss	(1,763)	3,586
Cost of inventories recognised as cost of sales	4,388,192	3,874,794
Write-down of inventories (included in cost of sales)	1,169	–
Reversals of write-down of inventories (included in cost of sales)	(10,558)	(14,132)
and after crediting (included in other income):		
Sales of scrap materials	394	1,942
Interest income from bank deposits and balances	207,692	192,206
Income from renting of investment properties	5,825	5,951
Less: Direct operating expenses from investment properties that generated rental income during the year	(2,272)	(2,272)
	3,553	3,679
Income from renting of moulds and tooling equipment	42,808	38,335
Government grants (<i>note b</i>)	22,704	19,779

Notes:

- For the year ended 31 December 2020, Covid-19 related government grants amounted to RMB28,200,000 have been offset against retirements benefits expense.
- The amounts represent government grants subsidising the Group's research expenses on innovation projects and major new products previously incurred, and the amortisation of deferred income related to the relevant assets.

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

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	<u>300,989</u>	<u>345,308</u>

Number of shares

	Year ended 31 December 2020 '000	Year ended 31 December 2019 '000
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. DIVIDENDS

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Dividends recognised as distribution during the year:		
2019 Final, paid – RMB0.16 (2019: 2018 Final, paid – RMB0.16) per share	<u>397,163</u>	<u>397,163</u>

Subsequent to the end of the reporting period, a final dividend of RMB248,227,000 or RMB0.1 per share in respect of the year ended 31 December 2020 (2019: final dividend of RMB397,163,000 or RMB0.16 per share in respect of the year ended 31 December 2019) 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:

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Trade receivables, less allowance for credit losses	310,176	92,729
Bills receivable	2,254,999	2,136,756
Other receivables, less allowance for credit losses	58,812	18,333
Prepayments for raw materials	42,734	45,439
Value-added tax recoverable	52,139	6,644
	<u>2,718,860</u>	<u>2,299,901</u>

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

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

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 3 months	278,066	57,726
Between 3 to 6 months	8,754	10,202
Between 7 to 12 months	3,439	4,515
Over 1 year	19,917	20,286
	<u>310,176</u>	<u>92,729</u>

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

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 1 month	455,629	552,800
Between 1 to 2 months	485,101	367,129
Between 2 to 3 months	333,181	293,328
Between 3 to 6 months	939,638	909,593
Between 6 to 12 months	41,450	13,906
	<u>2,254,999</u>	<u>2,136,756</u>

All the above bills receivable 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:

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Trade and bills payables	1,874,605	1,730,270
Selling expenses payables	230,109	231,289
Other tax payable	2,311	3,816
Other payables (<i>note</i>)	319,628	189,898
	<u>2,426,653</u>	<u>2,155,273</u>

Note:

As at 31 December 2020, other payables amounted to RMB319,628,000 (2019: RMB189,898,000) mainly including accrued continuing royalties payable of RMB27,450,000 (2019: RMB24,051,000), accrual royalties and license fee of RMB70,206,000 (2019: RMB71,150,000) and payroll payable of RMB29,768,000 (2019: RMB18,386,000).

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:

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 3 months	1,637,379	1,523,453
Between 3 to 6 months	233,198	200,206
Between 7 to 12 months	192	408
Over 12 months	3,836	6,203
	<u>1,874,605</u>	<u>1,730,270</u>

10. SHARE CAPITAL

	At 1 January 2019, 31 December 2019 and 31 December 2020 <i>RMB'000</i>
Registered, issued and fully paid	<u>2,482,268</u>

Shares of RMB1 each

– Domestic shares	1,243,616
– H shares	1,238,652
	<hr/>
	2,482,268
	<hr/> <hr/>

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. PROVISION FOR LITIGATION

According to the civil ruling issued by 深圳市福田區人民法院 (transliterated as People's Court of Futian District, Shenzhen) in relation to a dispute in respect of a financial credit agreement (the “**Credit Agreement**”) entered into between the Company's customer (the “**Customer**”, who is independent to the Company) and a bank (“**Bank A**”), the Group's bank balances of RMB79,999,000 have been frozen since 16 August 2015 (“**2015 Litigation**”).

In 2015, Bank A alleged that the Customer has failed to meet the margin calls according to the requirements under the Credit Agreement, constituting an event of default of such agreement. Bank A is also entitled to demand the Customer to prematurely repay all the amount granted under the relevant credit facilities. Bank A further alleged that the Company did not, as instructed by the Bank A, deliver the vehicles that had not been picked up but paid by the Customer in full with loan to the warehouse as specified by Bank A, leading to a breach of the Credit Agreement, and should be jointly and severally liable to compensate for the losses it suffered. Bank A stated that the outstanding credit balances due from the Customer was RMB80 million in aggregate. The replacement of Bank A by Company Y ultimately as the plaintiff was approved by relevant court afterwards.

The Company received the judgment (the “**Judgment**”) dated 14 May 2018 from 深圳市中級人民法院 (transliterated as Shenzhen Intermediate People's Court, “**Shenzhen Court**”) on 25 May 2018 (“**First Hearing**”). Summary of the Judgment is as follows:

- (1) the Customer shall pay Company Y the principal amount of approximately RMB80 million and the interest accretion on the principal amount based on the interest rate of 18% per annum until settlement date;
- (2) related guarantors (guarantor A, guarantor B, guarantee company A and guarantee company B) shall be jointly and severally liable to compensate Company Y in respect of the abovementioned indebtedness of the Customer; and
- (3) the Company shall assume the supplementary compensation liability for the abovementioned indebtedness of the Customer and the aforesaid guarantors. Upon the supplementary repayment, the Company is entitled to recover it from the Customer.

The Company appealed against the Judgment to 廣東省高級人民法院 (transliterated as Guangdong Province Higher People's Court, “**Guangdong Court**”) (“**First Appeal**”), and made a provision of RMB80,000,000 for the 2015 Litigation in June 2018.

On 16 August 2019, the Company received the appeal judgment (the “**Appeal Judgement**”) from the Guangdong Court dated 2 August 2019. The Guangdong Court confirmed the facts as ascertained by the Shenzhen Court in the First Hearing, dismissed the appeal of the Company and upheld the Judgment. The Guangdong Court ruled that (1) the Credit Agreement is valid and effective; (2) the Company shall assume the corresponding supplementary compensation liability; and (3) the litigation fee of approximately RMB490,000 shall be borne by the Company.

After reviewing all documents and contracts related to the 2015 Litigation and taking into account the opinion of the PRC legal adviser, the directors of the Company are of the view that the facts are not clearly ascertained in the Appeal Judgment and the application of the law is incorrect, and thus have decided to apply to Supreme People’s Court for retrial (the “**Retrial Application**”).

Meanwhile, after the Appeal Judgment came into effect, Company Y applied to the Shenzhen Court for enforcement of the Appeal Judgment. On 12 December 2019, the Company received the enforcement order dated 4 November 2019 (the “**Enforcement Order**”) from the Shenzhen Court. According to the Enforcement Order, the properties of the Customer, relevant guarantors (guarantor A, guarantor B, guarantee company A and guarantee company B) and the Company in the aggregate amount approximately of RMB138 million shall be seized, frozen or transferred and in particular, the Company shall assume the supplementary compensation liability. The Group’s bank balances of RMB79,999,000 previously frozen has been unfrozen and bank balances of RMB137,633,000 has been frozen according to the Enforcement Order as at 31 December 2019.

On 13 June 2020, the Company received the ruling for enforcement dated 25 May 2020 (the “**Enforcement Ruling**”) from the Shenzhen Court. The Enforcement Ruling states that the enforcement procedures for the 2015 Litigation shall be suspended and the application for enforcement shall be accepted again when the conditions for resumption of enforcement are fulfilled. On 26 July 2020, the PRC legal adviser of the Company received the civil ruling dated 25 May 2020 regarding the Retrial Application (the “**Civil Ruling**”) from the Supreme People’s Court. The Retrial Application was dismissed according to the Civil Ruling.

Since then, the Company has strived to negotiate with Company Y under court mediation in order to reach a settlement, and had a mutual understanding with Company Y in October 2020. Pursuant to advise from the Company’s PRC legal adviser, in order to protect the legal right of the Company to recover any compensation from the previous principal debtor and other guarantors, the negotiation with Company Y shall be conducted by another party instead of the Company. Accordingly, the Company has requested Chongqing Qingling Special Vehicle Co. Ltd (“**Qingling Zhuangyong**”), a subsidiary of Qingling Group to negotiate the proposed settlement arrangement with Company Y on behalf of the Company. In November 2020, Qingling Zhuangyong entered into a debt transfer agreement with Company Y and therefore, Qingling Zhuangyong obtained the right to receive the settlement from Company Y.

On 17 November 2020, the Company’s PRC legal adviser received the judgment on the change of applicant for execution dated 17 November 2020 issued by the Shenzhen Court which states that the applicant for execution of the 2015 Litigation shall be changed from Company Y to Qingling zhuanyong. On 1 December 2020, the Company’s PRC legal adviser received the judgment dated 27 November 2020 in connection with the frozen bank balances of RMB137,633,000, issued by the Shenzhen Court which states that the frozen bank balances shall be unfrozen with immediate effect. Pursuant to the Shenzhen Court order dated 16 December 2020, the Company is discharged from the 2015 Litigation and all the enforcement against the Company’s assets shall be released with immediate effect.

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

Subsequent to the reporting date, on 26 March 2021, the Company entered into a formal agreement with Qingling Zhuangyong for the settlement arrangement. Pursuant to the agreement, the Company agreed to pay Qingling Zhuangyong RMB89,000,000 regarding the judgements, and Qingling Zhuanyong also agreed to recover the debts under the judgements from other guarantors in accordance with the judgments. In the event that Qingling Zhuanyong successfully recovers any amount of such debts from the other guarantors, it will, upon receipt of such amount, return the remaining amount after deducting its cost incurred therefrom to the Company.

2020 RESULTS

For the year ended 31 December 2020, the Company sold 45,869 vehicles, representing an increase of 5.97% over 43,284 vehicles sold last year. Revenue was RMB5,089 million, representing an increase of 7.74% over RMB4,723 million as recorded last year. Profit after tax was RMB306 million, representing a decrease of 13.98% over RMB356 million as recorded last year.

REVIEW OF RESULTS

In 2020, the sudden outbreak of Covid-19 pandemic has exerted unprecedented impact on the global economic and social development. Over the past year, the Company has been following the guiding spirits of the central government and implemented the arrangements of the municipal Party committee and the municipal government. It has been focusing on pandemic prevention and control, while resuming work and achieving production targets, and at the same time also concentrating on reform and development, by which the Company has basically achieved its development targets set at the beginning of the year, making stable progress in reform and innovation and the development of its key projects, as well as improvement in its production and operation to some extent.

- 1. Application of product innovation achievements was accelerated.** Firstly, the preparation for the development of National VIb model of whole series of fuel vehicles and its mass production was completed, and new types of light, medium and heavy-duty trucks and pickup trucks were invented and produced; secondly, within the portfolio of its new energy commercial vehicles, continuous improvement was made to full electric vehicles, and the development of its hydrogen fuel cell vehicles was accelerated; thirdly, breakthroughs in the development of intelligent connected vehicles gained speed, the development of internet of vehicles was sped up, and the application of autonomous driving was boosted steadily.
- 2. Difficulties in marketing were overcome, and the marketing showed steady and improvement trends.** A new marketing system was put into use, driving the integration of internal systems to correspond to the market; innovative marketing methods were adopted to respond to the impact of the pandemic; the sales of the National VI products were vigorously promoted and thus we occupied the National VI markets in advance; the construction of marketing networks was promoted; whole-vehicle exports increased despite of unfavorable market condition; the quality of after-sales service was further improved; and the internal management was enhanced.
- 3. Management level at production site was improved, and the promotion of intelligent manufacturing was accelerated.** We, focusing on the production site, cemented the foundation for production management; strengthened the quality of manufacturing, and accelerated the construction of intelligent manufacturing projects, to enhance the efficiency.

4. **Quality management was enhanced in response to new changes and new requirements.** We strengthened the product consistency management and control, made comparison against competing products and improved our products, to make passengers sitting in our products feel as comfortable as in cars, and strengthened the current quality management for the initial circulation of National VI and electric vehicles in the market; rigid quality assessment and punishment was required.
5. **Task of reducing costs was rigidly performed.** Firstly, the development, procurement, financial planning systems and various subsidiaries adopted measures such as optimization of design, introduction of market competition, localization, and breaking internal price protection to reduce the cost of procurement for parts and components; secondly, the material procurement department reduced the costs of procurement for raw and auxiliary materials by way of cost reduction through commercial and technological means and avoiding peak-season procurement, etc.; thirdly, the financial system deeply promoted and standardized the centralized and unified management of funds to increase interest income.
6. **Various work on reform were thoroughly promoted.** Firstly, we improved our corporate governance structure, to further improve the organizational efficiency and enhanced the business vitality; secondly, we improved our recruitment and employment mechanism, broadened the talent recruitment channels, and standardized our talent introduction process; thirdly, we established and improved our national professional and technical titles declaration and review management system, and started to normalize the review; fourthly, we formulated the management measures for annual achievements-related wages, and increased the proportion of and granted achievements-related wages.
7. **The implementation of safety and environmental protection work was closely monitored, to guarantee production and operation stability.** In 2020, the Company and its subsidiaries earnestly performed their responsibilities for safety and environmental protection. We increased our investment in safety production, occupational health, etc., to guarantee essence safety; strengthened on-site safety monitoring, investigated the “three violations” at the production site, and punished violators; continued to identify and rectify safety hazards throughout the year; carried out various emergency drills to achieve safety and stability in production; completed the refined management of hazardous waste and standardize the hazardous waste sites, to ensure the discharge of wastewater and exhaust gas was up to standard.

OUTLOOK AND PROSPECTS

The world today is undergoing significant changes, and the macro situation was complicated and severe, which increased the instability and uncertainty. Under the shock by a new round of technological revolution represented by big data, cloud computing, 5G, artificial intelligence and clean energy, the reform in the automobile industry is facing profound changes, greater challenges and heavier tasks. We should keep our belief, stick to the main theme of product structure adjustment and industrial structure upgrading, take advantage of reform and innovation as the fundamental driving force, and focus on key targets and tasks, to continue to promote the high-quality development of the Company. To this end, the Company has set the following major tasks for 2021:

- 1. To exert itself to perform well in marketing and systematically improve its marketing capability.** Firstly, to integrate its brand into its efforts in marketing and mainly rely on its main products; secondly, to cooperate with financial institutions and boost the affordability of our products to purchasers; thirdly, to improve our service to provide assistance to marketing, providing full-chain service to customers; fourthly, to improve its brand promotion and marketing; fifthly, to facilitate the switch to National VI products; sixthly, to intensify its efforts in marketing network construction; seventhly, to strengthen the building of its marketing team.
- 2. To adhere to the innovation-driven development and comprehensively enhance the competitiveness of its products.** To implement the new three-year product plan; complete the project subject to new regulation in advance; create main products and launch new products; make more effort to foster its technical capability.
- 3. To deepen the opening up and cooperation and promote key projects effectively.** To accelerate the development of hydrogen fuel battery vehicle industry; speed up the development of new pick-up truck and the preparation for its mass production; step up the preparation for the mass production of 4JZ Engine and its further localization and redevelopment, so as to reduce cost.
- 4. To persist in deepening reform and stimulate the internal vitality of the Company.** To further promote the market-oriented reform to promote the healthy development of its subsidiaries; deepen the reform of three systems to stimulate the vitality among its employees; boost the “fixed quota” system for post set up and allocation to optimize personnel structure; strengthen the legal corporate governance to comprehensively prevent operational risks.
- 5. To keep strengthening foundational management and continuously improve market satisfaction.** To spare no effort to manage and control the “nervous system” comprising electronics, electrical appliances, software and other integrate parts of our products which affect the driving and riding experiences through its efforts in guaranteeing product consistency, and improve its products effectively by means of enhancing the commodity of its products’ appearance and others; continue to promote the intelligentization upgrading of its process equipment and the optimization of its production process by the rolling out of Isuzu IM management and intensify skill training to achieve the goal of effective production management; optimize parts and components supply chain; emphasize cost reduction.

6. **To adhere to safe development and green development.** **Firstly**, to never compromise on the prevention and control of the pandemic, to prevent imported cases while safeguard against domestic rebound, and earnestly take various prevention and control measures and guarantee stable supply and production; **secondly**, to implement safety responsibility system involving all employees, further improve the construction of safety and environmental protection management system, strengthen hazard factor identification and hazard source management, carry out “daily, weekly and monthly” inspection and rectification of hidden dangers, and carry out safety education and training effectively and comprehensively, and increase assessment on compliance performance; **thirdly**, to apply people-oriented development concept, further enhance labor protection and occupational health management, ensure waste discharge is up to environmental standards, and practice and implement the concept of green development.

In the new year, the Company will step up market-oriented efforts on various work and keep up the momentum, striving for delivering more satisfying returns to its investors.

FINANCIAL RESOURCES AND LIQUID FUNDS SITUATION

Financial Performance

For the year ended 31 December 2020, the revenue of the Group was RMB5,088,762,000, representing an increase of 7.74% as compared to last year, which was mainly driven by the development of logistics industry, and infrastructure investment.

Gross profit for the year was RMB699,401,000, representing a decrease of 17.57% as compared to last year. Gross profit margin of the Group for the year was 13.74% as compared with 17.96% last year. Profit of the Group for the year was RMB306,462,000 representing a decrease of 13.98% as compared to last year.

For the year ended 31 December 2020, other income mainly included interest income, government grants and rental income, totaling RMB279,182,000, representing an increase of 7.97% as compared to last year.

For the year ended 31 December 2020, the Group’s expenses, including distribution and selling costs, administrative expenses and research expenses, increased by 10.28% as compared to last year, principally due to the increase in business promotion expenses for the year as compared to last year.

For the year ended 31 December 2020, the share of results of joint ventures of the Group was RMB2,427,000, representing a decrease of 49.83% as compared to last year, mainly due to the profit decline of 五十鈴(中國)發動機有限公司 (“Isuzu Engine, the entity was formerly named 慶鈴五十鈴(重慶)發動機有限公司 (“**Qingling Isuzu Engine**”))). Additionally, the Group incorporated 慶鈴鑫源汽車有限公司 (“**Qingling Shinerary**”), which is an associate that was established in November 2020.

For the year ended 31 December 2020, basic earnings per share was RMB0.12. The Company did not issue any new shares and the basic earnings per share is comparable with last year.

Financial Position

As at 31 December 2020, the total assets and total liabilities of the Group were RMB10,966,341,000 and RMB2,978,916,000 respectively.

As at 31 December 2020, the Group's non-current assets amounted to RMB4,107,906,000 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 2020, the Group's current assets amounted to RMB6,858,435,000 which mainly includes inventories, trade, bills and other receivables and prepayments, time deposits, bank deposits, bank balances and cash and tax recoverable.

As at 31 December 2020, the Group's current liabilities amounted to RMB2,939,052,000 which mainly includes trade, bills and other payables, lease liabilities, tax liabilities, contract liabilities and refund liabilities.

As at 31 December 2020, the Group's non-current liability amounted to RMB39,864,000 which mainly includes deferred income - governments grants and lease liabilities.

As at 31 December 2020, the Group's net current assets was RMB3,919,383,000 (2019: RMB6,288,197,000), representing a decrease of 37.67% as compared to last year, mainly due to the liquidity classification of time deposits.

Liquidity and Capital Structure

As at 31 December 2020, the time deposits, bank deposits and cash retained by the Group due within one year were RMB3,282,385,000 and decreased by 45.86% as compared with the balances reported on 31 December 2019. 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 2020 was 37.30% (as at 31 December 2019: 36.07%). Issued share capital as at 31 December 2020 maintained at the level of RMB2,482,268,000 as no share was issued during this year.

For the year ended 31 December 2020, there was no material change in the financing strategies of the Group and the Group did not incur any bank borrowings. 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 2020 was RMB7,665,844,000. 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 2020) as at 31 December 2020 was RMB3.09.

Significant Investment

As at 31 December 2020, the Group's interests in joint ventures were RMB487,333,000 and interests in associates was RMB33,118,000 which mainly included the interest in Isuzu Engine, a joint venture, of RMB 430,109,000. For the year ended 31 December 2020, the joint ventures and associates of the Group were under normal operation.

During the year ended 31 December 2020, the Group incorporated an associate in November 2020, Qingling Shinerary, which is principally engaged in selling trucks and autoparts, the portion of equity interests is 49%. Besides, 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 RMB2,707,785,000 and RMB1,228,601,000 respectively, representing 77.35% of the total revenue and 79.63% of the total segment profit. Light-duty trucks, 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 2020, no asset of the Group was pledged for financial facilities (for the year ended 31 December 2019: 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 recommended the payment of a final dividend of RMB0.1 per share (the “**2020 Final Dividend**”) (2019: RMB0.16 per share) in respect of the year ended 31 December 2020 to those shareholders whose names appear on the Company's register of shareholders on Wednesday, 16 June 2021 (the “**Record Date**”). Subject to the approval at the forthcoming annual general meeting of the Company, the 2020 Final Dividend will be payable on or before 30 June 2021.

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 2020 Final Dividend payable to such shareholders after deducting all enterprise income tax payable from the 2020 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 2020 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 Wednesday, 2 June 2021 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 Monday, 3 May 2021 to Wednesday, 2 June 2021 (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, 30 April 2021.

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 Wednesday, 16 June 2021. To ascertain the H shareholders' entitlement to the proposal final dividend, the register of shareholders of the Company will be closed from Tuesday, 8 June 2021 to Wednesday, 16 June 2021 (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 Monday, 7 June 2021.

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. 40), 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 2020, 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 2020, the Group has 2,980 employees (2019: 3,025 employees). For the year ended 31 December 2020, labor cost was RMB319,784,000 (2019: RMB316,519,000). 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 2020, the Group has not sold any of its staff quarters to its employees.

STRUCTURE OF SHAREHOLDING

- (1) As at 31 December 2020, 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 2020, 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%	50.10%
Isuzu Motors Ltd.	H shares	496,453,654 shares	Beneficial Owner	40.08%	20%

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 2020.

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

As at 31 December 2020, 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 2020, 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 2020.

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 2020, 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**") except for the deviation from code provision A.1.8 of the Corporate Governance Code as stated below.

Under code provision A.1.8 of the Corporate Governance Code, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular, timely and effective communications among the directors and the management of the Group, the management of the Group believes that all potential claims and legal actions against the directors of the Company can be handled effectively, and the possibility of actual litigation against the directors of the Company is relatively low. On 1 August 2020, the Company has made insurance arrangements and complied with code provision A.1.8.

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 2020.

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 2020 and the 2020 annual results.

DIRECTORS

As at the date of this announcement, the Board comprises 11 directors, of which Mr. LUO Yuguang, Mr. HAYASHI Shuichi, Mr. MAEGAKI Keiichiro, Mr. ADACHI Katsumi, 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, 26 March 2021