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慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD

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

(Stock Code: 1122)

## ANNOUNCEMENT OF INTERIM RESULTS 2023

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 2023, together with comparative figures for the corresponding period in 2022, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
<b>Revenue</b>	4	1,933,895	1,917,823
Cost of sales		(1,766,278)	(1,742,636)
Gross profit		167,617	175,187
Other income		129,954	154,273
Other expenses		(4,325)	(4,785)
Other gains and losses, net		(4,759)	3,975
Distribution and selling expenses		(105,006)	(95,794)
Administrative expenses		(95,288)	(95,672)
Research expenses		(83,632)	(99,457)
Finance costs		(806)	(3,435)
Share of results of associates		(468)	(3,159)
Share of results of joint ventures		1,646	(3,764)
<b>Profit before tax</b>	5	4,933	27,369
Income tax credit	6	7,091	7,215
<b>Profit and total comprehensive income for the period</b>		<b>12,024</b>	<b>34,584</b>
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		6,915	28,947
Non-controlling interests		5,109	5,637
		<b>12,024</b>	<b>34,584</b>
		<b>RMB cents</b>	<b>RMB cents</b>
Basic earnings per share	8	0.28	1.17

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2023*

		At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	1,196,885	1,153,221
Right-of-use assets		52,096	61,126
Investment properties		18,816	18,956
Intangible assets		136,970	154,997
Interests in associates		43,324	43,792
Interests in joint ventures		485,380	486,526
Finance lease receivables		3,030	–
Deferred tax assets		64,139	53,779
Time deposits	11	3,092,158	1,499,018
Deposit paid for property, plant and equipment		364	186
		<u>5,093,162</u>	<u>3,471,601</u>
<b>Current assets</b>			
Inventories		1,292,177	1,418,835
Finance lease receivables		477	–
Trade, bills and other receivables and prepayments	10	1,817,829	1,557,481
Tax recoverable		12,448	12,448
Time deposits	11	957,943	2,915,887
Cash and cash equivalents		750,112	972,924
		<u>4,830,986</u>	<u>6,877,575</u>

		At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
<b>Current liabilities</b>			
Trade, bills and other payables	12	1,813,305	1,973,545
Tax liabilities		2,712	4,263
Contract liabilities		195,352	478,958
Refund liabilities		73,420	59,115
Lease liabilities		13,146	14,812
		<u>2,097,935</u>	<u>2,530,693</u>
<b>Net current assets</b>		<u>2,733,051</u>	<u>4,346,882</u>
<b>Total assets less current liabilities</b>		<u><u>7,826,213</u></u>	<u><u>7,818,483</u></u>
<b>Capital and reserves</b>			
Share capital		2,482,268	2,482,268
Share premium and reserves		4,976,719	4,969,804
		<u>7,458,987</u>	<u>7,452,072</u>
Equity attributable to owners of the Company		7,458,987	7,452,072
Non-controlling interests		339,034	333,925
		<u>7,798,021</u>	<u>7,785,997</u>
<b>Total equity</b>		<u>7,798,021</u>	<u>7,785,997</u>
<b>Non-current liabilities</b>			
Lease liabilities		23,542	27,361
Deferred income – government grants		4,650	5,125
		<u>28,192</u>	<u>32,486</u>
		<u><u>7,826,213</u></u>	<u><u>7,818,483</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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 2023 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 2022.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, the application of the new and 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.

## **2.1 Impacts on application of HKFRS 17 (including the October 2020 and February 2022 Amendments) Insurance Contracts**

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 defines an insurance contract as a contract under which the Group accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Certain contracts entered into by the Group, which is assurance type warranty to customers, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current period had no material impact on the condensed consolidated financial statements.

## **2.2 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

### ***2.2.1 Accounting policies***

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- i the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- ii the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised the related deferred tax assets of RMB6,326,000 and deferred tax liabilities of RMB6,318,000 on a gross basis but it has no impact on the retained earnings at the earliest period presented.

### 3. PRIOR PERIOD ADJUSTMENT

In preparing the condensed consolidated financial statements for the six months ended 30 June 2023, certain cash flows for proceeds from discounting bank acceptance bills without recourse that should be recorded in operating activities have been recorded in financing activities in condensed consolidated statement of cash flows for the six months ended 30 June 2022.

Prior period adjustment is made. The effect of the above prior period adjustment and reclassification on the condensed consolidated financial statements for the six months ended 30 June 2022 by line items are summarised as follows:

#### Impact on condensed consolidated statement of cash flow for the six months ended 30 June 2022

	2022 <i>RMB'000</i> (Previously stated)	Adjustment <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Operating activities			
Net cash (used in) from operating activities	<u>(40,551)</u>	<u>526,746</u>	<u>486,195</u>
Investing activities			
Net cash used in investing activities	<u>(552,270)</u>	<u>–</u>	<u>(552,270)</u>
Financing activities			
Dividends paid	(273,050)	–	(273,050)
Repayments of lease liabilities	(11,340)	–	(11,340)
Proceeds from discounting bank acceptance bills without recourse	526,746	(526,746)	–
Payments of interest expense	(3,435)	–	(3,435)
Net cash from (used in) financing activities	<u>238,921</u>	<u>(526,746)</u>	<u>(287,825)</u>
Net decrease in cash and cash equivalents	(353,900)	–	(353,900)
Cash and cash equivalents at 1 January	1,673,977	–	1,673,977
Effect of foreign exchange rate changes	<u>(25,409)</u>	<u>–</u>	<u>(25,409)</u>
Cash and cash equivalents at 30 June, represented by cash and cash equivalents	<u><u>1,294,668</u></u>	<u><u>–</u></u>	<u><u>1,294,668</u></u>

#### 4. REVENUE/SEGMENT INFORMATION

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

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

	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
<b>Types of goods</b>		
Sales of light-duty trucks	807,520	807,647
Sales of pick-up trucks	368,470	257,992
Sales of medium and heavy-duty trucks	381,095	274,339
Sales of chassis	247,090	449,542
Sales of automobile parts, accessories and others	129,720	128,303
	<u>1,933,895</u>	<u>1,917,823</u>
Total	<u>1,933,895</u>	<u>1,917,823</u>

Except for export sales to countries outside the People's Republic of China (the "PRC") amounting to RMB51,974,000 (six months ended 30 June 2022: RMB31,080,000 (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)
<b>Six months ended 30 June 2023</b>					
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
	<u>1,043,379</u>	<u>371,452</u>	<u>389,344</u>	<u>129,720</u>	<u>1,933,895</u>
Revenue	<u>1,043,379</u>	<u>371,452</u>	<u>389,344</u>	<u>129,720</u>	<u>1,933,895</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)
<b>Six months ended 30 June 2022</b>					
Sales of light-duty trucks	807,647	–	–	–	807,647
Sales of pick-up trucks	–	257,992	–	–	257,992
Sales of medium and heavy-duty trucks	–	–	274,339	–	274,339
Sales of chassis	429,369	943	19,230	–	449,542
Sales of automobile parts, accessories and others	–	–	–	128,303	128,303
Revenue	<u>1,237,016</u>	<u>258,935</u>	<u>293,569</u>	<u>128,303</u>	<u>1,917,823</u>

**(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 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>

### Six months ended 30 June 2022

	Light-duty trucks and chassis <i>RMB'000</i> (unaudited)	Pick-up trucks and chassis <i>RMB'000</i> (unaudited)	Medium and heavy-duty trucks and chassis <i>RMB'000</i> (unaudited)	Automobile parts, accessories and others <i>RMB'000</i> (unaudited)	Consolidated <i>RMB'000</i> (unaudited)
Segment revenue	<u>1,237,016</u>	<u>258,935</u>	<u>293,569</u>	<u>128,303</u>	<u>1,917,823</u>
Result					
Segment profit (loss)	<u>5,854</u>	<u>(15,570)</u>	<u>(1,502)</u>	<u>9,946</u>	<u>(1,272)</u>
Central administration costs					(15,007)
Other income					154,273
Other expenses					(4,785)
Other gains and losses, net					3,975
Research expenses					(99,457)
Finance costs					(3,435)
Share of results of associates					(3,159)
Share of results of joint ventures					<u>(3,764)</u>
Profit before tax					<u>27,369</u>

There have been no inter-segment sales during the six months ended 30 June 2023 and 2022 (unaudited).

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

***Segment assets and liabilities***

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

***As at 30 June 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)
Assets					
Segment assets	<u>1,392,943</u>	<u>562,800</u>	<u>767,470</u>	<u>368,283</u>	<u>3,091,496</u>
Interchangeably used assets between segments					
– property, plant and equipment					418,746
– right-of-use assets					52,096
– inventories					477,311
Investment properties					18,816
Interests in associates					43,324
Interests in joint ventures					485,380
Cash and cash equivalents and time deposits					4,800,213
Other unallocated assets					<u>536,766</u>
Consolidated total assets					<u>9,924,148</u>
Liabilities					
Segment liabilities	<u>253,491</u>	<u>84,430</u>	<u>87,676</u>	<u>–</u>	<u>425,597</u>
Unallocated trade, bills and other payables					1,656,480
Unallocated lease liabilities					36,688
Other unallocated liabilities					<u>7,362</u>
Consolidated total liabilities					<u>2,126,127</u>

**As at 31 December 2022**

	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>1,247,884</u>	<u>491,460</u>	<u>804,351</u>	<u>288,174</u>	<u>2,831,869</u>
Interchangeably used assets between segments					
– property, plant and equipment					426,996
– right-of-use assets					61,126
– inventories					376,669
Investment properties					18,956
Interests in associates					43,792
Interests in joint ventures					486,526
Cash and cash equivalents and time deposits					5,387,829
Other unallocated assets					<u>715,413</u>
Consolidated total assets					<u>10,349,176</u>
Liabilities					
Segment liabilities	<u>451,127</u>	<u>114,037</u>	<u>164,402</u>	<u>–</u>	<u>729,566</u>
Unallocated trade, bills and other payables					1,782,052
Unallocated lease liabilities					42,173
Other unallocated liabilities					<u>9,388</u>
Consolidated total liabilities					<u>2,563,179</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.

## 5. PROFIT BEFORE TAX

	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Profit before tax has been arrived at after charging (crediting):		
Salaries and other payments and benefits	134,988	138,854
Retirement benefits scheme contributions	19,936	21,225
Total staff costs (including directors' and supervisors' remuneration)	154,924	160,079
Staff costs capitalised in inventories	(71,060)	(72,247)
	<u>83,864</u>	<u>87,832</u>
Loss on disposal of property, plant and equipment, net	766	–
Amortisation of intangible assets	19,193	19,407
Depreciation of property, plant and equipment	27,438	25,575
Depreciation of right-of-use assets	9,030	11,913
Total depreciation	36,468	37,488
Capitalised in inventories	(16,940)	(13,824)
	<u>19,528</u>	<u>23,664</u>
Finance costs of lease liabilities	806	436
Finance costs of discounted bank acceptance bills	–	2,999
Depreciation of investment properties	140	140
Expenses relating to short-term leases	2,664	–
Net foreign exchange loss (gain)	4,132	(3,700)
Cost of inventories recognised as an expense (including write-down of inventories: nil (six months ended 30 June 2022: nil))	1,766,278	1,742,636
Subsequent sales of written-down inventories	(4,724)	(5,299)
Interest income from time deposits and bank balances	(73,908)	(91,836)
Receipt from other guarantors from 2015 Litigation (as defined in <i>Note (a)</i> )	–	(29,000)
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	255	255
	<u>(1,871)</u>	<u>(1,871)</u>
Rental income from renting of equipment	(11,051)	(21,295)
Miscellaneous service income	(5,464)	(5,458)
Miscellaneous service expenses	4,325	4,785
Government grants, including release from deferred income ( <i>Note (b)</i> )	(37,398)	(4,558)

### Notes:

- (a) In respect of the litigation brought forward from 2015 (the “**2015 Litigation**”), which was fully disclosed in Note 38 to the 2020 annual report of the Company, on 26 March 2021, the Company entered into a formal agreement (the “**Agreement**”) with 重慶慶鈴專用汽車有限公司 (“**Qingling Zhuan Yong**”), a related company which acquired the right of the plaintiff in the 2015 Litigation for a consideration of RMB89,000,000. Pursuant to the Agreement, the Company had paid Qingling Zhuan Yong RMB89,000,000 regarding the judgments, representing the amount Qingling Zhuan Yong paid to the plaintiff, to settle the 2015 Litigation. Under the Agreement, in return, Qingling Zhuan Yong agreed to transfer to the Company the amount it recovers, if any, from other guarantors involved in the 2015 Litigation.

During the six months ended 30 June 2023, Qingling Zhuan Yong recovered nil (unaudited) (six months ended 30 June 2022: RMB29,000,000 (unaudited)) from other guarantors from the 2015 Litigation, and any recovered amount after deducting its costs incurred, was transferred to the Company.

- (b) 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 2023, the Group recognised grants of RMB13,590,000 (unaudited) (six months ended 30 June 2022: nil (unaudited)) related to special funds for innovative development projects.

During the six months ended 30 June 2023, RMB475,000 (unaudited) (six months ended 30 June 2022: RMB413,000 (unaudited)) was released to profit or loss from deferred income.

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

## 6. INCOME TAX CREDIT

	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Current tax	3,273	2,879
Over provision in respect of prior year	(4)	(2,052)
Deferred tax	<u>(10,360)</u>	<u>(8,042)</u>
	<u><b>(7,091)</b></u>	<u><b>(7,215)</b></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 重慶慶鈴模具有限責任公司 (“Qingling Moulds”), a subsidiary of the Company, are engaged in the encouraged businesses included in the related notice and catalogue and the total revenue of their major businesses for the period accounted for 60% of their respective total revenue, and therefore continue to enjoy the preferential EIT rate of 15% for both periods.

重慶慶鈴技術中心有限責任公司 (“Qingling Technical Center”) and 慶鈴(深圳)新能源汽車銷售服務有限公司 (“Shenzhen New Energy”), subsidiaries of the Company, are subject to EIT rate of 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2022: RMB273,050,000 or RMB0.11 per share in respect of the year ended 31 December 2021).

The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2022: nil).

## 8. EARNINGS PER SHARE

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

	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (Profit and total comprehensive income for the period attributable to owners of the Company)	<u>6,915</u>	<u>28,947</u>
	2023 <i>'000</i> (unaudited)	2022 <i>'000</i> (unaudited)
<b>Number of shares</b>		
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 were presented as there were no potential ordinary shares in issue in both periods presented.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of RMB71,868,000 (six months ended 30 June 2022: RMB100,671,000 (unaudited)) mainly for constructions in progress, and disposed of property, plant and equipment with an aggregate carrying amount of RMB766,000 (six months ended 30 June 2022: RMB5,000 (unaudited)).

## 10. 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 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Trade receivables, less allowance for credit losses	263,303	116,900
Bills receivables	1,161,421	845,821
Other receivables, less allowance for credit losses	69,519	203,831
Prepayments for raw materials	138,362	170,935
Value-added tax recoverable	1,694	50,054
Grants receivable, less allowance for credit losses ( <i>Note</i> )	<u>183,530</u>	<u>169,940</u>
	<u>1,817,829</u>	<u>1,557,481</u>

Note:

As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022.

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.

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

	<b>At 30 June 2023 RMB’000 (unaudited)</b>	At 31 December 2022 RMB’000 (audited)
Within 3 months	<b>208,607</b>	97,960
Between 3 to 6 months	<b>25,054</b>	4,593
Between 7 to 12 months	<b>16,907</b>	6,356
Over 1 year	<b>12,735</b>	7,991
	<b>263,303</b>	116,900

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

	<b>At 30 June 2023 RMB’000 (unaudited)</b>	At 31 December 2022 RMB’000 (audited)
Within 1 month	<b>324,215</b>	315,809
Between 1 to 2 months	<b>137,690</b>	137,857
Between 2 to 3 months	<b>175,707</b>	120,004
Between 3 to 6 months	<b>500,296</b>	263,904
Between 6 to 12 months	<b>23,513</b>	8,247
	<b>1,161,421</b>	845,821

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

## 11. TIME DEPOSITS

The time deposits are with a term from more than 3 months to 36 months (unaudited) (31 December 2022: from more than 3 months to 36 months (audited)) and carry interest at rates ranging from 1.90% to 3.99% (unaudited) (31 December 2022: from 2.15% to 4.18% (audited)) per annum.

## 12. TRADE, BILLS AND OTHER PAYABLES

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Trade and bills payables	1,494,626	1,570,470
Selling expenses payables	162,706	171,483
Other tax payables	1,146	2,375
Other payables	154,827	229,217
	<u>1,813,305</u>	<u>1,973,545</u>

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

	<b>At 30 June 2023 RMB'000 (unaudited)</b>	At 31 December 2022 RMB'000 (audited)
Within 3 months	1,310,426	1,458,571
Between 3 to 6 months	170,137	99,921
Between 7 to 12 months	3,407	1,110
Over 12 months	10,656	10,868
	<u>1,494,626</u>	<u>1,570,470</u>

## **2023 FIRST HALF-YEARLY RESULTS**

For the six months ended 30 June 2023, the Group sold 17,762 vehicles, representing an increase of 1.06% over the corresponding period of the previous year. Sales revenue amounted to RMB1,934 million, representing an increase of 0.84% over the corresponding period of the previous year. Profit and total comprehensive income for the period was RMB12 million, representing a decrease of 65.23% over the corresponding period of the previous year.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of Results**

In the first half of the year, with great pressure on macro-economy, the still weak market recovery and the accelerating switch of old driving force-to-new one, the rate of recovery of trucks industry was lower than expected. From January to June 2023, the sales volume of trucks was 1.97 million, representing a year-on-year increase of 15.8%, indicating recovery to some extent, however, mainly benefiting from the rapid growth of sales of new energy vehicles and the strong momentum of exports of automobiles, the freight market was still challenged by the fact that the number of vehicles was more than that of goods and the end market was weak. In the face of such challenges as downturn of traditional market, frequent price wars among automobile enterprises, intensified industrial changes and accelerating technological upgrading, the Company, on the one hand, enhanced the market awareness among the staff and integrated forces to fight for market share, with a year-on-year increase of 1.06% in the sales volume of vehicles and an increase of 0.84% in the sales revenue, resulting in the net profit of RMB12 million, during the period from January to June 2023; on the other hand, the Company focused on regulatory changes and the competitiveness of the main products and adhered to the innovation-driven development, while improving internal management and supporting marketing through integration.

The 152 major projects deployed after the work conference at the beginning of the year are now advancing in an orderly manner, with an on-time completion rate of 94%. Phased target have been achieved in major projects including the 4.5T green-license plate hydrogen-powered light-duty truck development project, the project of building a brand new generation of electric light-duty trucks and the project of building the support capacity for vehicle export system which aim to promote the high-quality development of the Company, and such important tasks on extending the warranty period of vehicles, enhancing the First Time Quality (FTQ) of complete vehicle, and reducing the cost of procurement are being carried out in an orderly manner.

## OUTLOOK AND PROSPECTS

In the second half of the year, with the moderate recovery of macro-economy being gradually transmitted to the automotive market, the exports of new energy vehicles and automobile will continue to become a strong support for the growth of the automotive market in the second half of the year, and along with the continuous play of effect of policies, the consumption potential in the automotive market will be further released, which will be conducive to promoting the realization of stable growth in the market throughout the year. However, the current external environment remains complex, some structural problems are still prominent, and consumption demand still lacks sufficiency, exerting relatively great pressure on the operation of the industry.

On 24 July 2023, the Political Bureau of the CPC Central Committee held a meeting and pointed out that “we need to boost the consumption of automobiles, electronic products, household and other bulk consumption”, which delivered a positive signal. The Company will maintain its stance as an enterprising market player and continue to stimulate its innovation, laying emphasis on the advancing of the following tasks:

1. to accelerate 152 major projects;
2. to accelerate the advancing of projects of new pick-up trucks and two new types of light-duty trucks;
3. to secure domestic sales through focusing on dealers’ synergy, giving play to the advantage of dual brands, stabilizing the base of marketing relying on large customers and building a strong cooperative relationship with refitting factory;
4. to expand overseas markets through strengthening independent innovation, improving main products, seeking cooperation to promote the construction of localized CKD factory and improving its after-sales service capability;
5. to accelerate the increasing of the volume of new energy products.

## **FINANCIAL REVIEW**

### **Financial Performance**

For the six months ended 30 June 2023, the revenue of the Group was RMB1,933,895,000 representing an increase of 0.84% as compared to the corresponding period last year mainly attributable to the improving domestic macroeconomic situation and increased demand in overseas commercial vehicle markets.

Gross profit for the period was RMB167,617,000 representing a decrease of 4.32% as compared to the corresponding period last year. Gross profit margin of the Group for the period was 8.67%, it was 9.13% for the corresponding period last year. Profit and total comprehensive income for the period attributable to owners of the Company was RMB6,915,000, representing a decrease of 76.11% as compared to the corresponding period last year.

For the six months ended 30 June 2023, other income was RMB129,954,000, mainly included bank interest income and rental income, representing a decrease of 15.76% as compared to the corresponding period last year. The decrease was mainly due to no proceeds recovered by Qingling Zhuan Yong from other guarantors from the 2015 Litigation.

For the six months ended 30 June 2023, a gain of RMB1,178,000 was recognised from the share of results of associates and joint ventures, representing an increase of 117.02% as compared to the corresponding period last year, principally due to the growth on sales amount of the commercial truck industry.

For the six months ended 30 June 2023, basic earnings per share was RMB0.28 cents. The Company did not issue any new shares during the period.

### **Financial Position**

As at 30 June 2023, the total assets and total liabilities of the Group were RMB9,924,148,000 and RMB2,126,127,000, respectively.

The non-current assets were RMB5,093,162,000, mainly including time deposits, property, plant and equipment, interests in joint ventures and intangible assets.

The current assets amounted to RMB4,830,986,000, mainly including RMB1,292,177,000 of inventories, RMB477,000 of finance lease receivables, RMB1,817,829,000 of trade, bills and other receivables and prepayments, RMB12,448,000 of tax recoverable, RMB957,943,000 of time deposits and RMB750,112,000 of cash and cash equivalents.

The current liabilities amounted to RMB2,097,935,000, mainly including trade, bills and other payables of RMB1,813,305,000, tax liabilities of RMB2,712,000, contract liabilities of RMB195,352,000, refund liabilities of RMB73,420,000 and lease liabilities of RMB13,146,000.

As at 30 June 2023, the Group's non-current liabilities amounted to RMB28,192,000, mainly including lease liabilities.

Net current assets drop from RMB4,346,882,000 as at 31 December 2022 to RMB2,733,051,000 as at 30 June 2023, representing a decrease of 37.13%.

### **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 2023 was 27.26% (as at 31 December 2022: 32.92%).

Issued share capital as at 30 June 2023 maintained at RMB2,482,268,000 as no share was issued during the six months ended 30 June 2023.

For the six months ended 30 June 2023, 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 2023 was RMB7,458,987,000. The net asset per share (calculated by dividing the total equity attributable to owners of the Company by the number of ordinary shares in issue) as at 30 June 2023 was RMB3.01.

### **Significant Investment**

As at 30 June 2023, the Group's interests in joint ventures were RMB485,380,000 which mainly included the interest in 五十鈴(中國)發動機有限公司 (“**Isuzu Engine**”) of RMB425,515,000 and interests in associates were RMB43,324,000. For the six months ended 30 June 2023, the joint ventures and associates of the Group were under normal operation.

During the six months ended 30 June 2023, there were no significant acquisition or disposal of the Group.

### **Segment Information**

The revenue contributed by light-duty trucks and chassis, medium and heavy-duty trucks and chassis were RMB1,043,379,000 and RMB389,344,000 respectively, representing 74.08% of the total revenue. The revenue contributed by pick-up trucks and chassis was RMB371,452,000, representing 19.21% 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 2023, no asset of the Group was pledged for financial facilities (during the period ended 30 June 2022: nil).

## **Effects of Foreign Exchange Rate Changes**

As at 30 June 2023, the Group had bank balances of foreign currency of RMB115,989,000 and foreign currency trade, bills and other receivables and prepayments of RMB8,168,000.

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

## **Commitments**

As at 30 June 2023, the Group had capital commitments of RMB261,751,000 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 2023 (for the period ended 30 June 2022: nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2023, the Group had 2,856 employees. For the six months ended 30 June 2023, labour cost was RMB154,924,000. 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 2023, 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 2023, 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	Beneficial	100.00%	50.10%
		496,453,654	Owner		
Isuzu Motors Limited	H shares	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 2023.

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

As at 30 June 2023, 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 2023, none of directors, supervisors and chief executives of the Company, their spouse or children under 18 had any rights to subscribe for equity or debt securities of the Company, nor has any of them exercised such rights.

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

During the six months ended 30 June 2023, there were no purchase, redemption or sales of the Company's listed securities by the Company or any of its subsidiaries.

## **CORPORATE GOVERNANCE**

The Company puts high emphasis on 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 2023, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) without deviation.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company. Having made specific enquiry of all directors and supervisors of the Company, the Company confirmed all directors and supervisors of the Company have complied with the required standard set out in the Model Code during the six months ended 30 June 2023.

## **INDEPENDENT REVIEW**

The interim results for the six months ended 30 June 2023 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 2023 interim report containing all the financial information required by the Listing Rules will be dispatched to the shareholders and published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.qingling.com.cn](http://www.qingling.com.cn)) in due course.

## **DIRECTORS**

As at the date of this announcement, the Board comprises 11 directors, of which Mr. LUO Yuguang, Mr. YASUTA Tatsuya, Mr. NAKAMURA Osamu, Mr. KIJIMA Katsuya, Mr. LI Juxing, Mr. XU Song and Mr. LI Xiaodong are executive directors; and Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. LIU Tianni and Mr. LIU Erh Fei are independent non-executive directors.

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

Chongqing, the People's Republic of China, 30 August 2023