Jiangling Motors Corporation, Ltd.

2009 Annual Report

Important Note

The Board of Directors and its members, the Supervisory Board and its members, and the senior executives are jointly and severally liable for the truthfulness, accuracy and completeness of the information disclosed in the report and undertake that the information disclosed herein does not contain false statements, misrepresentations or major omissions.

Chairman Wang Xigao, President Yuan-Ching Chen, CFO Michael Joseph Brielmaier and Chief of Finance Department, Wu Jiehong, confirm that the Financial Statements in this Annual Report are truthful and complete.

All financial data in this report are prepared under International Financial Reporting Standards ('IFRS') unless otherwise specified.

The Annual Report is prepared in Chinese and English. In case of discrepancy, the Chinese version will prevail.

Abbreviations:

EVP	Executive Vice President
CFO	Chief Financial Officer
VP	Vice President

Contents

Chapter I Brief Introduction

Company's Chinese name: 江铃汽车股份有限公司

English name: Jiangling Motors Corporation, Ltd.

Abbreviation: JMC

Company legal representative: Mr. Wang Xigao

JMC's Board secretary: Mr. Wan Hong (Tel: 86-791-5235675)

Person for financial information disclosure:

Mr. Michael Joseph Brielmaier (Tel: 86-791-5266503)

JMC's securities affairs representative:

Mr. Quan Shi (Tel: 86-791-5266178)

Contact address: No. 509, Northern Yingbin Avenue, Nanchang City,

Jiangxi Province, P.R.C

Switchboard: 86-791-5266000

Fax: 86-791-5232839

E-mail: relations@jmc.com.cn

Company registered address & headquarters address:

No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C

Postal Code: 330001

JMC's website: http://www.jmc.com.cn

Newspapers for information disclosure: China Securities, Securities Times, Hong Kong Commercial Daily

Website designated by CSRC for publication of JMC's Annual Report:

http://www.cninfo.com.cn

Place for archiving Annual Report:

Securities Department, Jiangling Motors Corporation, Ltd.

Place of listing: Shenzhen Stock Exchange

Share's name: Jiangling Motors Jiangling B

Share's code: 000550 200550

Other Information:

1. JMC was registered with Nanchang Municipal Bureau of Industrial & Commercial

Administration on November 28, 1993. The company registration was changed with Jiangxi Provincial Bureau of Industrial & Commercial Administration on January 8, 1997, on October 25, 2003, on September 23, 2004, on January 11, 2006 and on June 21, 2007.

2. Business License Registration Number: 002473.

3. Taxation Registration Number:

(State Administration of Taxation) 360108612446943

(Nanchang Local Taxation) 360104612446943

4. Organization Code: 61244694-3.

5. Accounting Firm appointed by JMC for audit under both China General Acceptable Accounting Principles (‘China GAAP’) and International Financial Reporting Standards (‘IFRS’):

Name: PricewaterhouseCoopers Zhong Tian CPAs Limited Company
(‘PwC Zhong Tian’)

Headquarters address: 11th Floor, PricewaterhouseCoopers Center, 202 Hu Bin Road, Shanghai City, P.R.C.

Chapter II Operating Highlight

I. Certain Financial Indexes of the Reporting Year

Unit: RMB ‘000

Operating Profit	1,181,403
Profit Before Income Tax	1,238,840
Profit Attributable to the Equity Holders of the Company	1,052,529
Net Cash Generated From Operating Activities	3,112,232

Impact of IFRS adjustments on the net profit:

Unit: RMB ‘000

	Shareholders’ Equity Attributable to the Equity Holders of the Company as of December 31, 2009	Profit Attributable to the Equity Holders of the Company in 2009
As Prepared under the China GAAP*	4,843,947	1,056,132
Adjustment per IFRS:		
Staff Bonus and Welfare Fund appropriated from Net Profit of a Subsidiary	-	-3,603
As Restated in Conformity with IFRS	4,843,947	1,052,529

* Based on the financial statements audited by PwC Zhong Tian per the China GAAP.

II. Main accounting data and financial ratios of the past three years.

1. Main accounting data of the past three years Unit: RMB '000

	2009	2008	Change (%)	2007	
				After Adjustment*	Before Adjustment
Revenue	10,433,205	8,587,034	21.50	8,455,549	8,455,549
Profit Before Income Tax	1,238,840	899,784	37.68	857,198*	860,878
Profit Attributable to the Equity Holders of the Company	1,052,529	782,356	34.53	756,713*	753,445
Net Cash Generated From Operating Activities	3,112,232	179,611	1632.76	837,905	837,905
	End of Year 2009	End of Year 2008	Change (%)	End of Year 2007	
				After Adjustment*	Before Adjustment
Total Assets	8,294,346	5,963,778	39.08	6,125,140	6,125,140
Shareholders' Equity Attributable to the Equity Holders of the Company	4,843,947	4,050,382	19.59	3,526,990*	3,496,128
Share Capital	863,214	863,214	0	863,214	863,214

2. Main financial ratios of the past three years

	2009	2008	Change (%)	2007	
				After Adjustment*	Before Adjustment
Basic Earnings Per Share (RMB)	1.22	0.91	34.53	0.88*	0.87
Diluted Earnings Per Share (RMB)	1.22	0.91	34.53	0.88*	0.87
Weighted Average Return on Net Asset Ratio	23.66%	20.65%	Up 3.01 percentage points	23.08%*	23.19%
Net Cash Per Share Generated From Operating Activities (RMB)	3.61	0.21	1632.76	0.97	0.97
	End of Year 2009	End of Year 2008	Change (%)	End of Year 2007	
				After Adjustment*	Before Adjustment
Net Assets Per Share Attributable to the Equity Holders of the Company (RMB)	5.61	4.69	19.59	4.09	4.05

Note: The Return on Net Asset Ratio and Earnings Per Share were calculated in accordance with the No. 9 Rule about Information Disclosure of Companies Making Public Offering of Securities (revised in 2010) issued by China Securities Regulatory Commission (‘CSRC’).

* Starting from 2008, JMC has changed the accounting policy to recognize the FEIT reduction in relation to the purchase of domestically produced equipment with the income tax liabilities upon the receipt of the notices from tax bureau for approval of income tax reduction under IFRS, and has no longer recognized it as deferred income. So the three financial indexes, profit before income tax, profit attributable to the equity holders of the Company and shareholders' equity attributable to the equity holders of the Company, will be retrospectively adjusted due to the effect on above-mentioned change in accounting policy.

Chapter III Share Capital Changes & Shareholders

I. Table of the changes of shareholding structure

	Before the change		**Change (+, -)**					**After the change**	
	Shares	Proportion of total shares (%)	New shares	Bonus Shares	Reserve-converted shares	Others	Subtotal	Shares	Proportion of total shares (%)
I. Limited tradable A shares	271,372,145	31.44%	-	-	-	-268,130,600	-268,130,600	3,241,545	0.38%
1.State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	267,854,600	31.03%	-	-	-	-267,854,600	-267,854,600	-	-
3. Other domestic shares	3,513,000	0.4%	-	-	-	-276,000	-276,000	3,237,000	0.37%
Including:									
Domestic legal person shares	3,513,000	0.4%	-	-	-	-396,000	-396,000	3,117,000	0.36%
Domestic natural person shares	-	-	-	-	-	120,000	120,000	120,000	0.01%
4. Management Shares	4,545	0.01%	-	-	-	-	-	4,545	0.01%
II. Unlimited tradable shares	591,841,855	68.56%	-	-	-	268,130,600	268,130,600	859,972,455	99.62%
1. A shares	247,841,855	28.71%	-	-	-	268,130,600	268,130,600	515,972,455	59.77%
2. B shares	344,000,000	39.85%	-	-	-	-	-	344,000,000	39.85%
III. Total	863,214,000	100%	-	-	-	-	-	863,214,000	100%

JMC did not issue shares or derivative securities during the past three years as of December 31, 2009. JMC’s total shares remained the same in 2009, and the trading restriction on parts of the limited tradable A shares was relieved on May 20, 2009 thereby causing the changes in shareholding structure.

Change Table of Shares with Trading Restriction by December 31, 2009

Shareholder Name	Quantity of Shares with Trading Restriction at the Beginning of Year	Decrease of Shares with Trading Restriction in the Year	Increase of Shares with Trading Restriction in the Year	Quantity of Shares with Trading Restriction at the End of Year	Reason for Trading restriction	Listing Date
Jiangling Motor Holding Co., Ltd.	267,854,600	267,854,600	-	0	Share Reform	2009.5.20
Shanghai Fuyong Industry & Trade Co., Ltd.	240,000	240,000	-	0	Share Reform	2009.5.20
Changsha Machinery & Electronic Equipment Co., Ltd.	36,000	36,000	-	0	Share Reform	2009.5.20
Huang Changxiang	0	-	42,000	42,000	Share Reform	
Li Wanlian	0	-	78,000	78,000	Share Reform	
Wu Yong	3,645	-	-	3,645	Management shares	2010.1.4
Xiong Chunying	900	-	-	900	Management shares	2010.1.4
Total	268,135,145	268,130,600	120,000	124,545		

120,000 shares with trading restriction held by Hunan Xiangbei Sanxing Company were transferred to Mr. Huang Changxiang and Mr. Li Wanlian according to the agreement signed by them.

II. Shareholders

1. Total shareholders, top ten shareholders, and top ten shareholders holding unlimited tradable shares

Total shareholders	JMC had 27,813 shareholders, including 19,799 A-share holders and 8,014 B-share holders, as of December 31, 2009.				
Top ten shareholders					
Shareholder Name	Shareholder Type	Shareholding Percentage (%)	Shares at the End of Year	Shares with Trading Restriction	Shares due to mortgage or frozen
Jiangling Motor Holding Co., Ltd.	State-owned legal person	41.03	354,176,000	0	0
Ford Motor Company	Foreign legal person	30	258,964,200	0	0
Bosera Thematic Sector Equity Securities Investment Fund	Domestic non-state-owned legal person	1.54	13,304,508	0	0
Shanghai Automotive Co., Ltd.	State-owned Legal person	1.51	13,019,610	0	0
Dragon Billion China Master Fund	Foreign legal person	1.12	9,679,488	0	0
ChinaAMC Growth Securities Investment	Domestic non-state-owned	0.85	7,307,128	0	0

Fund	legal person				
China Life Insurance (Group) Company	State-owned Legal person	0.71	6,155,472	0	0
Bosera Emerging Growth Securities Investment Fund	Domestic non-state-owned legal person	0.70	6,000,000	0	0
PICC Life Insurance Company Limited	State-owned Legal person	0.61	5,298,970	0	0
Abn Amro Teda Evaluation Securities Investment Fund	Domestic non-state-owned legal person	0.59	5,050,573	0	0

Top ten shareholders holding unlimited tradable shares		
Shareholder Name	Shares without Trading Restriction	Share Type
Jiangling Motor Holding Co., Ltd.	354,176,000	A share
Ford Motor Company	258,964,200	B share
Bosera Thematic Sector Equity Securities Investment Fund	13,304,508	A share
Shanghai Automotive Co., Ltd.	13,019,610	A share
Dragon Billion China Master Fund	9,679,488	B share
ChinaAMC Growth Securities Investment Fund	7,307,128	A share
China Life Insurance (Group) Company	6,155,472	A share
Bosera Emerging Growth Securities Investment Fund	6,000,000	A share
China Life Insurance Company Ltd.	5,298,970	A share
Abn Amro Teda Evaluation Securities Investment Fund	5,050,573	A share
Notes on association among above-mentioned shareholders	Bosera Thematic Sector Equity Securities Investment Fund and Bosera Emerging Growth Securities Investment Fund are related funds.	

2. Controlling Shareholders

The controlling shareholders of JMC are Jiangling Motor Holding Co., Ltd. ('JMH') and Ford Motor Company ('Ford').

JMH was founded on November 1, 2004 and its registered capital is RMB 2 billion. Jiangling Motors Company (Group) ('JMCG') and Chongqing Changan Automobile Co., Ltd. held 50% of total equity of JMH respectively. And its legal representative is Mr. Xu Liuping. Main scope of business: manufacturing of automobiles, engines, chassis, and automotive components and parts, sales of self-produced products, as well as related after-sales services; industrial investment; management & agent for merchandise and technology export & import; property management; sales of household articles, mechanical & electronic equipment, artistic handicrafts, agricultural by-products and steel; consulting business in enterprise management.

Ford, founded in 1903, is a US-based listed company. Chairman: William Clay Ford, Jr. Main scope of business: design, manufacturing, assembly and sales of cars, trucks, parts and components, financing, leasing of vehicles and equipment, and insurance business.

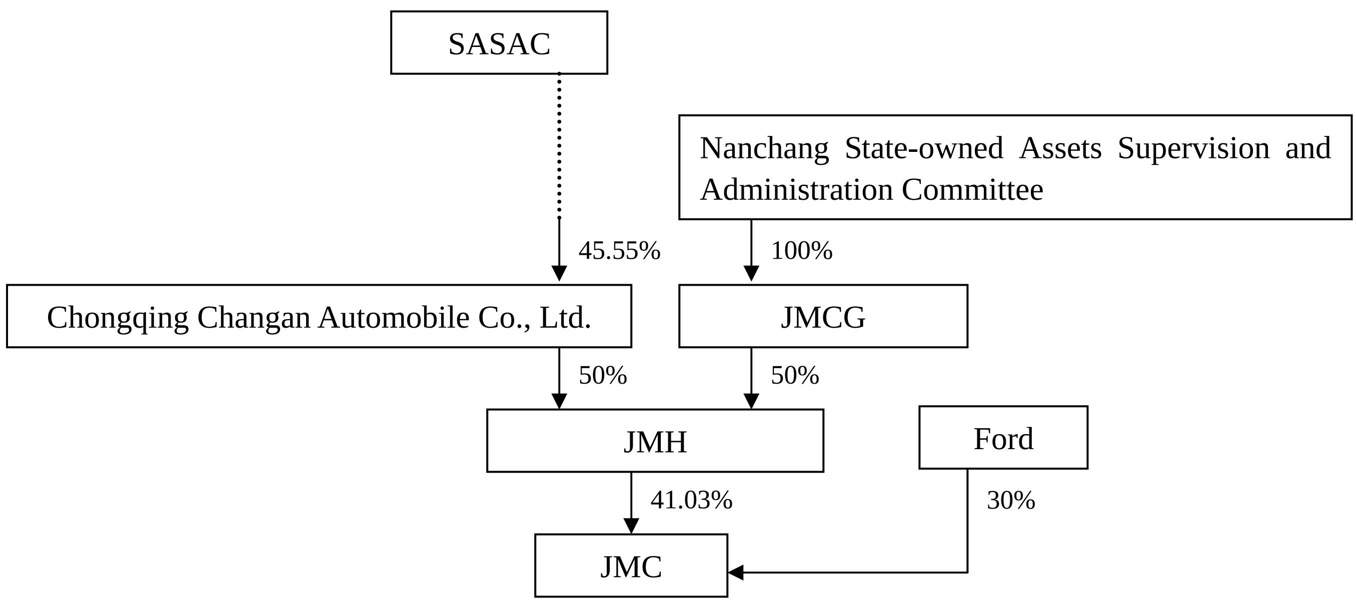
3. Actual Controlling Parties

The controlling shareholders of JMH are JMCG and Chongqing Changan Automobile Co., Ltd.

JMCG, founded on July 27, 1991, is a wholly state-owned enterprise with registered capital of RMB 1.36 billion and subordinate to Nanchang State-owned Assets Supervision and Administration Committee. Its legal representative is Mr. Wang Xigao. Main scope of business: manufacturing of automobiles, engines, chassis, specialty vehicle, transmission, other products, automotive quality testing, sales of self-produced products and raw materials, equipment, electronic products, parts and others, as well as related after-sales services and maintenance services; development of products derived from JMC brand light vehicle; oversea auto project-contracting, export equipment, material and related labor services.

Chongqing Changan Automobile Co., Ltd., founded on December 31, 1996, is a state-controlled enterprise with registered capital of RMB 2.33 billion and subject to the State-owned Assets Supervision and Administration Committee of the State Council (‘SASAC’). Its legal representative is Mr. Xu Liuping. Main scope of business: development, manufacturing, sales, import & export business of auto (including sedan), engine, automotive components, die, tools, installation of machinery, technological consultant services.

Ownership and control relations between the Company and the actual controlling parties are shown as follows:



III. Trading of JMC's share

1. Jiangling A shares

Year	First Transaction Price (RMB)	Highest Price of the Year (date)	Lowest Price of the Year (date)	Closing Price at the Year End (RMB)	Total Transaction Days	Total Volume (million shares)	Total Amount (RMB million)
2007	12.52	26.20(09/20)	11.36(02/02)	20.93	239	1225	20021
2008	20.92	23.99(01/10)	6.50(10/30)	8.4	245	358	4879
2009	8.60	25.41(12/09)	8.31(01/08)	22.98	242	901	14868

2. Jiangling B shares

Year	First Transaction Price (HK$)	Highest Price of the Year (date)	Lowest Price of the Year (date)	Closing Price at the Year End (HK$)	Total Transaction Days	Total Volume (million shares)	Total Amount (HK$ million)
2007	9.05	13.20(05/15)	8.36(02/01)	10.90	239	225.05	2437
2008	10.90	11.45(01/14)	3.20(10/31)	4.02	245	67.30	470
2009	4.08	14.91(11/16)	4.08(01/05)	13.28	242	140.58	1287

Chapter IV Directors, Supervisors, Senior Management and Employees

I. Directors, Supervisors and Senior Management

1. Basic Information

Position	Name	Gender	Age	Term of Office	Shares as of Dec. 31, 2008	Shares as of Dec. 31, 2009	Share Change in Year 2009	Cause of Share Change
Directors:								
Chairman	Wang Xigao	Male	60	2008.6～2011.6	0	0	0	
Vice Chairman	Robert J. Graziano	Male	51	2008.6～2011.6	0	0	0	
Director	Ren Qiang	Male	50	2009.12～2011.6	0	0	0	
Director	Howard D. Welsh	Male	53	2008.6～2011.6	0	0	0	
Director & President	Yuan-Ching Chen	Male	58	2009.6～2011.6	0	0	0	
Director & EVP	Xiong Chunying	Female	46	2009.12～2011.6	1,200	1,200	0	
Independent Director	Zhang Zongyi	Male	46	2008.6～2011.6	0	0	0	
Independent Director	Shi Jiansan	Male	55	2008.6～2011.6	0	0	0	
Independent Director	Vincent Pun-Fong KWAN	Male	59	2008.6～2011.6	0	0	0	
Supervisors:								
Chief supervisor	Wu Yong	Male	59	2008.6～2011.6	4,860	4,860	0	
Supervisor	Alvin Qing Liu	Male	53	2008.6～2011.6	0	0	0	
Supervisor	Zhu Yi	Male	40	2008.6～2011.6	0	0	0	
Supervisor	Jin Wenhui	Male	43	2008.6～2011.6	0	0	0	
Supervisor	Xu Lanfeng	Female	41	2008.6～2011.6	0	0	0	
Senior Management:								

EVP	Tu Hongfeng	Male	62	2008.6～2011.6	0	0	0	
EVP	Liu Nianfeng	Female	49	2008.6～2011.6	0	0	0	
CFO	Michael Joseph Brielmaier	Male	54	2009.11～2011.6	0	0	0	
VP & Board Secretary	Wan Hong	Male	49	2008.6～2011.6	0	0	0	
VP	Zhong Wanli	Male	47	2008.6～2011.6	0	0	0	
VP	Zhou Yazhuo	Male	47	2008.6～2011.6	0	0	0	
VP	Li Qing	Male	45	2008.6～2011.6	0	0	0	
VP	Peter Dowding	Male	51	2009.7～2011.6	0	0	0	

2. Positions at the shareholder entities held by the JMC directors and the supervisors:

Name	Shareholder Entity	Title	Term of Office	Compensation Paid by Shareholder Entity (Y/N)
Wang Xigao	JMH	Vice Chairman	2004.11—	N
Robert. J. Graziano	Ford	Vice President	2006.9—	Y
Wu Yong	JMH	Chief supervisor	2004.11—	N
Alvin Qing Liu	Ford	AP&A Vice President and General Counsel	2009.1	Y
Zhu Yi	JMH	Board member	2004.11—	N

3. Particulars about working experience of directors, supervisors and senior management in the past five years

Directors:

Mr. Wang Xigao, born in 1950, is a senior engineer equivalent to professor, and holds a Bachelor's Degree in Thermodynamics from Tsinghua University and a Bachelor's Degree in Economic Management from Fudan University. In the past five years, Mr. Wang Xigao held various positions including Vice-Chairman, Chairman of JMCG, Chairman of Jiangling-Isuzu Motors Company Limited, and Vice-Chairman of JMH. Since March 2004, Mr. Wang Xigao assumed the post of the Chairman of JMC.

Mr. Robert. J. Graziano, born in 1959, holds a Bachelor's Degree in Business-Marketing from Drake University, U.S.A. In the past five years, Mr. Graziano held various positions including product strategy and planning director of Ford North America, President and CEO of Ford Southern Africa, Executive Vice President and Representative Director of Mazda Motor Corporation, Vice President of Ford, President & CEO and Chairman & CEO of Ford Motor (China) Ltd. Mr. Robert. J. Graziano was appointed as Vice Chairman of JMC in April 2009.

Mr. Ren Qiang, born in 1960, is a senior engineer equivalent to research fellow, and holds a Bachelor's Degree in Mechanical Manufacturing from Sichuang University and a Master's Degree in Engineering from Chongqing University. In the past five years, Mr. Ren Qiang held various positions including Vice President of Changan Group, Deputy General

Manager of Chongqing Changan Automobile Company Limited and Executive Vice President of Jiangling Motor Holding Co. Ltd., and Vice President of Chongqing Changan Automobile Company Limited. Mr. Ren Qiang was appointed as Director of JMC in December 2009.

Mr. Howard D. Welsh, born in 1957, holds a Bachelor's Degree in Engineering from Pennsylvania State University and a MBA from University of Pittsburgh. In the past five years, Mr. Howard Welsh has held Vice President and CFO of Ford Motor (China) Ltd. Since December 2004, Mr. Howard Welsh assumed the post of Director of JMC.

Mr. Yuan-Ching Chen, born in 1952, holds mechanical engineering Degree from National Cheng Kung University of China Taiwan. In the past five years, Mr. Yuan-Ching Chen has held the positions of the President and Director of JMC. Mr. Yuan-Ching Chen was appointed as Director of JMC in June 2009.

Ms. Xiong Chunying, born in 1964, senior engineer, holds a Bachelor's Degree in Automobile Engineering from Jiangsu Engineering College, a Master's Degree in Industrial Economics from Jiangxi University of Finance and Economics and an EMBA Degree in China Europe International Business School. In the past five years, Ms. Xiong Chunying has held the positions of Executive Vice President of JMC and Director of JMCG. Ms. Xiong Chunying was appointed as Director of JMC in December 2009.

Mr. Zhang Zongyi, born in 1964, is a professor, professor of doctorate program and holds a Doctor Degree in Engineering from Chongqing University as well as a Doctor Degree in Economics from University of Portsmouth, U.K. In the past five years, Mr. Zhang Zongyi held various positions including Dean of the Economic and Business Administration School of Chongqing University, Vice President of Chongqing University and Dean of the Graduate School of Chongqing University, and an Independent Director of Southwest Securities Co., Ltd. Mr. Zhang Zongyi has been an Independent Director of JMC since June 2005.

Mr. Shi Jiansan, born in 1955, lawyer, holds a Jurisprudence Master Degree from East China University of Political Science and Law, and a Ph.D in Economics from Shanghai Academy of Social Sciences. In the past five years, Mr. Shi Jiansan held various positions including a partner of All Bright Law Office, an Independent Director of Sino-chem International Co., Ltd., a research fellow of Shanghai Academy of Social Sciences, a law advisor of Standing Committee of Shanghai Municipal People Congress, arbitrator of China International Economic and Trade Arbitration Commission and Shanghai Arbitration Commission. Mr. Shi Jiansan was appointed as Independent Director of JMC in June 2008.

Mr. Vincent Pun-Fong KWAN, born in 1951, professor, holds a Bachelor's Degree in Social Sciences from Hong Kong University, a Master Degree in Commerce from Hitotsubashi University, and a Doctor Degree in Business Administration from University of Western Sydney and is a certified Practicing Account (Australia). In the past five years, Mr. Vincent Pun-Fong KWAN held various positions including Chief Financial Officer of Yew Chung Education Foundation Limited and Director of Finet Holdings Limited. Mr. Vincent Pun-Fong KWAN was appointed as Independent Director of JMC in June 2008.

Supervisors:
Mr. Wu Yong, born in 1951, is a senior counselor for political work, and holds a Bachelor's Degree in Business Management. In the past five years, Mr. Wu Yong held various positions including Director, Vice Secretary of the Party Committee, Secretary of Discipline Inspection Committee of the Communist Party, Chairman of the Labor Union of JMCG, and Chairman of the Supervisory Committee of JMH. Mr. Wu Yong has been the Chief Supervisor of JMC since 1993.

Mr. Alvin Qing Liu, born in 1957, has a Jurisprudence Doctor Degree and a Master Degree in International Economics from Marquette University, U.S.A. and is a member of American Bar Association and was admitted to practice in the U.S. Federal Court for the Eastern District of Wisconsin. In the past five years, Mr. Alvin Qing Liu has held the positions including Vice President and General Counsel of Ford Motor (China) Ltd, Vice President and General Counsel of Ford Asia Pacific and Africa. Mr. Alvin Qing Liu has been a Supervisor of JMC since June 2002.

Mr. Zhu Yi, born in 1970, is an accountant, and holds a Bachelor's Degree in Business Management and a MBA from Jiangxi University of Finance & Economics. In the past five years, Mr. Zhu Yi used to be the Chief of JMCG Asset & Finance Department, Assistant to General Manager, Vice General Manager of JMCG, and Director of JMH. Mr. Zhu Yi has been a Supervisor of JMC since June 2002.

Mr. Jin Wenhui, born in 1967, is a senior engineer, and holds a Bachelor's Degree in Mechanical Manufacturing from Huazhong University of Science and Technology. In the past five years, he has held the positions of Chief of Manufacturing Department and Assistant to the President for JMC. Mr. Jin Wenhui has been a Supervisor of JMC since June 2002.

Ms. Xu Lanfeng, born in 1969, senior engineer, holds a Bachelor's Degree in Forging Technology and Equipment from Nanchang University and a MBA from University of International Business and Economics. In the past five years, Ms. Xu Lanfeng held various positions including Deputy Plant Manager of JMC Framing Plant, Deputy Chief of Manufacturing Department. Ms. Xu Lanfeng held the post of Supervisor of JMC in June 2008.

Senior management:
Mr. Tu Hongfeng, born in 1948, senior engineer, holds a College Degree. In the past five years, Mr. Tu Hongfeng held various positions including Director of JMCG, Director, EVP of JMC, and Director, General Manager of Jiangling-Isuzu Motors Company Limited.

Ms. Liu Nianfeng, born in 1961, holds a Bachelor of Science Degree in Engineering from ZheJiang University and a MBA from the University of Texas at Arlington. In the past five years, Ms. Liu has held the position of Director of JMCG and Executive Vice President of JMC.

Mr. Michael Joseph Brielmaier, born in 1956, holds a Bachelor's Degree in Accounting/Finance from the University of Michigan, United States of America, and a Master of Business Administration Degree from Emory University, Georgia, United States of America. In the past five years, Mr. Brielmaier has held various positions including CFO Ford/Volvo/Jaguar/Land Rover Operations in Japan, and Finance Controller Asia Pacific and Africa at Ford Motor Company, and CFO of JMC.

Mr. Wan Hong, born in 1961, is an engineer, and holds a College Degree in Management Engineering. In the past five years, Mr. Wan Hong has held the positions of Vice President and Board Secretary of JMC.

Mr. Zhong Wanli, born in 1963, holds a Bachelor’s Degree from Nanchang Aeronautical Institute and a Master’s Degree from Jiangxi University of Finance & Economics. In the past five years, Mr. Zhong Wanli has held the positions of President of Zhongtian Hi-tech Special Vehicle Co., Ltd., Deputy Director of China Sourcing Office for Ford (China), and Vice President of JMC.

Mr. Zhou Yazhuo, born in 1963, is a senior engineer, and holds a Bachelor’s Degree in Forging from the Central China Engineering College. In the past five years, Mr. Zhou Yazhuo has held the position of Vice President of JMC.

Mr. Li Qing, born in 1965, holds a Bachelor’s Degree in Marketing from Wuhan University of Technology and a MBA from University of South Australia and Jiangxi University of Finance & Economics. In the past five years, Mr. Li Qing has held the positions of Vice General Manager and General Manager of the former Jiangling Motors Sales General Company, General Manager of JMC Sales & Services Branch, and Vice President of JMC.

Mr. Peter Dowding, born in 1959, holds a Bachelor’s Degree in Mechanical Engineering from Polytechnic of the South Bank, United Kingdom. In the past five years, Mr. Peter Dowding has held various positions including Director of powertrain planning, Chief Engineer of Vehicle Evaluation & Verification laboratories, Powertrain Chief Engineer for North America Automobile Operations at Ford Motor Company, and Vice President of JMC.

4. Particulars about positions and concurrent positions in other entities other than shareholder entities:

Name/Title in the Company	Entity	Relationship with the Company	Title

Wang Xigao/Chairman	JMCG	The Chairman of JMCG also takes the post of the Company's Chairman	Chairman
	Jiangling-Isuzu Motors Company Limited	Shareholding Subsidiary	Chairman
Robert. J. Graziano/Director	Ford Motor (China) Ltd.	Ford wholly-owned subsidiary	Chairman & CEO
	Ford Motor Engineering & Research (Nanjing) Co., Ltd.	Ford wholly-owned subsidiary	Chairman
Ren Qiang /Director	Chongqing Changan Automobile Co., Ltd.	See the figure in Chapter III	Vice President
Howard D. Welsh/Director	Ford Motor (China) Ltd.	Ford wholly-owned subsidiary	Vice President & CFO
	Ford Motor Engineering & Research (Nanjing) Co., Ltd.	Ford wholly-owned subsidiary	Director
Yuan-Ching Chen/ Director	Jiangling-Isuzu Motors Company Limited	Shareholding Subsidiary	Director
Xiong Chunying/Director	JMCG	The Chairman of JMCG also takes the post of the Company's Chairman	Director
	Jiangling-Isuzu Motors Company Limited	Shareholding Subsidiary	Director
Zhang Zongyi/ Independent director	Chongqing University	No relationship	Vice President of Chongqing University and Dean of the Graduate School
	Southwest Securities Co., Ltd.	No relationship	Independent Director
Shi Jiansan/ Independent director	Shanghai Academy of Social Sciences	No relationship	Research Fellow
Vincent Pun-Fong KWAN / Independent Director	Yew Chung Education Foundation Limited and	No relationship	CFO
	Finet Holdings Limited		Director
Wu Yong/Chief Supervisor	JMCG	The Chairman of JMCG also takes the post of the Company's Chairman	Director
Zhu Yi/Supervisor	JMCG	The Chairman of JMCG also takes the post of the Company's Chairman	Vice General Manager
Tu Hongfeng/EVP	JMCG	The Chairman of JMCG also takes the post of the Company's Chairman	Director
	Jiangling-Isuzu Motors Company Limited	Shareholding Subsidiary	Director & General Manager
Liu Nianfeng/EVP	JMCG	The Chairman of JMCG also takes the post of the Company's Chairman	Director

Michael Joseph Brielmaier /CFO	Jiangling-Isuzu Motors Company Limited	Shareholding Subsidiary	Director

5. Annual Compensation

Directors and supervisors who did not concurrently hold other management positions in JMC were not paid by JMC. Director Wang Xigao, Supervisors Wu Yong and Zhu Yi were paid by JMCG. Directors Robert J. Graziano, Howard D. Welsh and Supervisor Alvin Qing Liu were paid by Ford. Director Ren Qiang was paid by Chongqing Changan Automobile Co., Ltd.

(1) In accordance with the Senior Executive Compensation & Incentive Plan of JMC approved by the Board of Directors and the Senior Executive Base Salary Plan of JMC agreed by the Compensation Committee, the compensation for the Chinese-side senior management consists of base salary, short-term incentive and long-term incentive, and the long-term incentive would be paid equally in a deferred period of three yeas. In 2009, the Company paid annual compensation before tax of approximately RMB 1,170 thousand to EVP Tu Hongfeng, paid Director & EVP Xiong Chunying and EVP Liu Nianfeng approximately RMB 870 thousand per person, paid VP & Board Secretary Wan Hong and VP Zhou Yazhuo approximately RMB 680 thousand per person, paid VP Li Qing approximately RMB 560 thousand. Two employee-representative supervisors, Mr. Jin Wenhui and Ms Xu Lanfeng, were paid about RMB 340 thousand and RMB 190 thousand respectively. The total compensation before tax paid by JMC for the aforesaid persons was about RMB 5.36 million in the reporting period, including the long-term incentive of RMB 530 thousand deferred from the previous years.

(2) JMC pays annual compensation for Ford-seconded senior management personnel to Ford in accordance with the revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates. In 2009, JMC should pay US$ 375 thousand to Ford for Director & President Yuan-Ching Chen, US$ 62.5 thousand for CFO Michael Joseph Brielmaier, RMB 750 thousand for VP Zhong Wanli, and US$ 187.5 thousand for VP Peter Dowding. These payments made by JMC to Ford do not reflect the actual salaries earned by Ford-seconded senior management.

(3) Pursuant to the resolutions of JMC 2003 Annual Shareholder’s Meeting, the annual compensation for the JMC independent directors is RMB 80 thousand per person, and JMC bears their travel-related expenses associated with JMC’s business.

6. Changes of Directors, Supervisors and Senior Management

Directors Changes:

Given that Mr. Mei Wei Cheng resigned from Vice Chairman position with the Company, Mr. Robert J. Graziano was elected as Vice Chairman of the Company at the fourth session of the sixth Board of Directors.

Given that Mr. Mei Wei Cheng resigned from his directorship in the Company due to his retirement, upon the approval of 2008 Annual Shareholders’ Meeting, Mr. Yuan-Ching

Chen was elected as a Director of the Company.

Given that Mr. Cui Yunjiang and Mr. Tu Hongfeng resigned from their directorship in the Company due to work reasons, upon the approval of 2009 Special Shareholders' Meeting, Mr. Ren Qiang and Ms. Xiong Chunying were elected as Directors of the Company.

Senior Management changes:
The fourth session of the sixth Board of Directors accepted Mr. Mustafa Menku's resignation from Vice President position with the Company. Per President Yuan Ching Chen's nomination, the Board of Directors appointed Mr. Ravichandran Swaminathan as a Vice President of the Company.

Per President Yuan-Ching Chen's nomination, the fifth session of the sixth Board of Directors appointed Mr. Peter Dowding as a Vice President of the Company.

The Board of Directors accepted Mr. Joseph Verga's resignation from the position of Chief Financial Officer, and per President Yuan Ching Chen's nomination, the Board of Directors appointed Mr. Michael Joseph Brielmaier as Chief Financial Officer of the Company.

Sequent event
The Board of Directors accepted Mr. Ravichandran Swaminathan's resignation from Vice President position with the Company due to work rotation on February 3, 2010.

7. Particulars about the directors' attendance to the Board meeting
The Board held 12 meetings during the reporting period, four in form of on-the-spot meeting and eight in form of paper meeting..

Name	Position	Required Board Attendance	Presence in Person	Presence in Form of Paper Meeting	Presence by Proxy	Absence	Not to present in person in two consecutive meetings (Y/N)
Wang Xigao	Chairman	12	4	8	0	0	N
Robert J. Graziano	Vice Chairman	12	4	8	0	0	N
Ren Qiang	Director	1	1	0	0	0	N
Howard D. Welsh	Director	12	4	8	0	0	N
Yuan-Ching Chen	Director	8	3	5	0	0	N
Xiong Chunying	Director	1	1	0	0	0	N
Zhang Zongyi	Independent Director	12	2	8	2	0	N
Shi Jiansan	Independent Director	12	4	8	0	0	N

Vincent Pun-Fong KWAN	Independent Director	12	3	8	1	0	N

II. Employees

At the end of 2009, JMC had a total of 8,324 employees, of which 5,687 were production workers, 358 sales personnel, 1,433 technical personnel, 111 finance personnel, 735 administrative staff. The employees with polytechnic school degrees or above accounted for 36% of the total. There were 1,066 persons with junior technical titles, 689 with intermediate technical titles and 138 with senior technical titles, altogether accounting for 23% of the total. There were 689 early-retired employees. JMC bore retirement benefits of 1,037 retired employees.

Chapter V Corporate Governance Structure

1. Status of the Corporate Governance in JMC

During the reporting period, the Company continued to improve its corporate governance in compliance with the Company law, the Code of Corporate Governance for Listed Companies in China, the Rules Governing Listing of Stock on Shenzhen Stock Exchange, as well as relevant laws and regulations. In order to regulate the administration of insider information of the Company, the Rules on Registration and Filing of Insiders of JMC has been formulated.

2. Independent Directors’ Performance of Duty

JMC has appointed three independent directors so far. The independent directors exercised their fiduciary duties regarding routine work and major decision-making of the Board of Directors. They studied every proposal reviewed by the Board of Directors thoroughly and raised their opinions, inquired about major events which required opinions from the independent directors and issued their written opinions, and actively engaged in the affairs of Compensation Committee and Audit Committee in the reporting period, to protect the interests of the Company and all shareholders.

The independent directors of the Company did not object to any proposal and issue of the Company reviewed at Board meetings in the reporting period.

3. Separation between JMC and the Controlling Shareholders in respect of Personnel, Assets and Finance, and Independence concerning Organization and Business:

(1) With respect to personnel matters, the positions of chairman and president are held by different individuals; JMC’s senior management do not hold positions other than director positions with its controlling shareholders; JMC senior management personnel are paid by JMC; labor, personnel matters and compensation management of JMC are completely independent.

(2) With respect to assets, JMC assets are complete. The assets utilized by JMC, including production system, supporting production system and peripheral facilities, and non-patent technology, are owned and/or controlled by JMC.

(3) With respect to finance, JMC has an independent finance department and independent accounting system, and has a uniform and independent accounting system and financial control system for its branches and subsidiaries. JMC has its own bank accounts, and there are no bank accounts jointly owned by JMC and its controlling shareholders. JMC pays taxes independently in accordance with relevant laws.

(4) With respect to organization, JMC's organization is independent, complete and scientifically established with a sound and efficient operating mechanism. The establishment and the operation of JMC's corporate governance are strictly carried out per the Articles of Association of JMC. Production and administrative management are independent from the controlling shareholders. JMC has established an organization structure that meets the need for ongoing development.

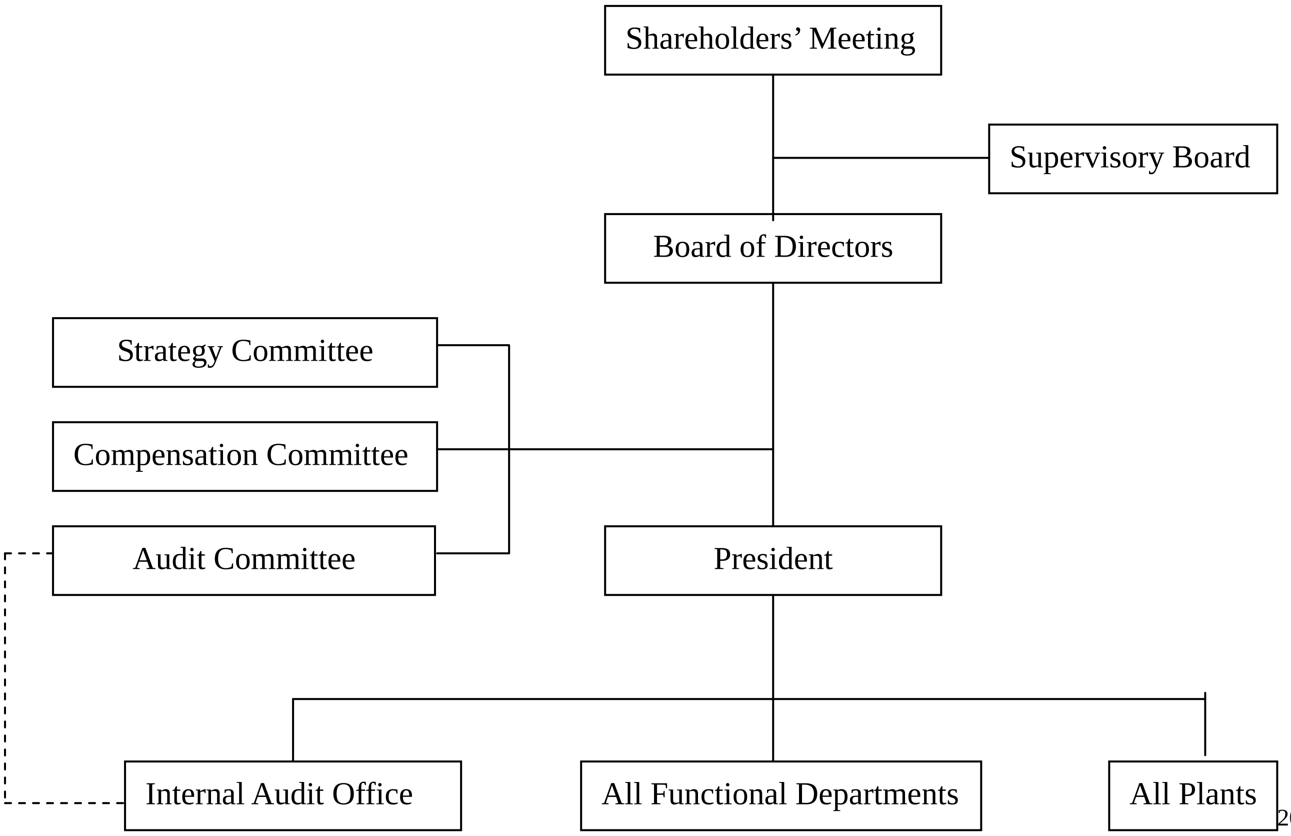
(5) With respect to business, JMC has independent purchasing, production and sales systems. The purchasing, production and sales of main materials and products are carried out through its own purchasing, production & sales functions. JMC is independent from the controlling shareholders in respect to its business, and has independent and complete business and self-sufficient operating capability. In principle, controlling shareholders did not engage in production or sales of similar products in competition with JMC.

4. Internal Control Self-assessment Report of JMC

(1) Briefing

Per the request of Internal Control Guidance for Listed Companies published by Shenzhen Stock Exchange, JMC's internal control policies have been established and the internal control is optimized continuously.

i. Internal Control Organizational Framework



ii. Internal Audit

JMC established an Internal Audit Office in 2001, which is staffed with 9 people. As defined in the Internal Audit Work Manual, the Internal Audit Office is responsible for: supervising and reviewing the implementation of the internal control policies; assessing the effectiveness of the internal control; forecasting and identifying risk the company may or will encounter; providing recommendations on corrective actions for issues identified by internal and external auditors; tracking the corrective actions, and auditing dealers' implementation of marketing programs. The Internal Audit Office reports to the Audit Committee regarding the annual Internal Control Work Plan, audit findings and corrective actions at least twice each year.

iii. 2009 JMC internal Control Status

Senior management took lead in setting up a cross-function team to implement internal control policies. Internal control self-assessment procedures have been established and the Internal Audit Office conducted the year end testing. The following conclusions were reached: company procedures were followed strictly; no major issues or frauds were found; and for minor issues, corrective actions were put into place as planned.

(2) Key Internal Control Activities

i. Internal Control Status of Subsidiary Joint Venture Company

JMC at present owns a subsidiary joint venture company (Jiangling-Isuzu Motors Company Limited), holding a 75% equity interest.

The Subsidiary Joint Venture Company has established and optimized its internal control policies. JMC performs an effective management and control on the subsidiary by assigning board directors, management personnel and an external auditor to review these appropriate controls, and this has been proven to be effective.

ii. Internal Control Status over Related Party Transaction

JMC complies with the Related Party Transaction Procedure for related party transaction approval and transaction disclosure.

iii. Internal Control Status of External Guarantee

With the exception of a Board approved guarantee to Ford Automotive Finance (China) Ltd. to cover a vehicle pledge for the dealers in 2007, the Company has no other outside guarantee this year.

iv. Internal Control Status of External Equity Capital Fund Usage

There is no funding plan involving external equity this year.

v. Internal Control Status of Company Major Investment

The approval of major company investment is reviewed carefully and adheres to the requirements of the Company Charter and Authorization Delegation. There are no unusual events.

vi. Internal Control Status of Company Information Disclosure

The Information Disclosure Management Policy has been established and improved, to define the scope, content and responsibilities associated with major information disclosure. JMC is adhering to this policy for disclosure of information on a timely basis.

(3) The Issues in Key Internal Control Activities and Action Plan

JMC's business is steadily developing and its management governance continue to improve. Per the requests of regulation and Internal Control Guidance, the internal control policies are established and optimized continuously. No major issues associated with key internal control activities were found in the report period.

(4) General Assessment of the Internal Control Status

Internal Audit Office conducted reviews on the implementation of company internal control policies and the conclusions are as follows:

i. The company internal control policies are complete and effective;
ii. The company operates according to its policies;
iii. For the minor issues identified, the operating departments implemented corrective actions according to the plan.

(5) Supervisory Board's Opinions on Company Internal Control Self-assessment Report of JMC

Per the request of Internal Control Guidance for Listed Companies published by Shenzhen Stock Exchange as well as other related regulations, the Supervisory Board expressed its opinions on the Internal Control Self-assessment Report as follows:

i. The Company has established an integrated and complete internal control system in accordance with relevant requirements of Shenzhen Stock Exchange and considering the Company's actual situation. The control of operation is effective.
ii. Internal control organization of the Company is complete. An internal audit department has been set up and is sufficiently provided with professional staffs. It ensures the effective implementation of internal control policies and internal control supervision.
iii. The issues in internal control are addressed objectively and accurately, and corrective action plans are made appropriately.

(6) Independent Directors' Opinions on Company Internal Control Self-assessment of JMC

The independent directors reviewed the Company's Internal Control Self-assessment Report and its related material. The following opinions are expressed:

i. The company's internal control policies are integrated and conform with the requirements of government laws, regulations and supervisory agencies.
ii. The key internal control initiatives follow the requirements of the company's internal control policies. The internal control is strict, sufficient and effective, supporting appropriate business operation and management.
iii. Corrective action plans are established appropriately to address issues in internal control and the internal control system is continuously improved.

We believe that the company's internal control policies are integrated and complete. The Internal Control Self-assessment Report reflects the company actual status.

5. Compensation & Incentive Mechanism for Senior Management in the Reporting Period

In accordance with the Senior Executive Compensation & Incentive Plan of JMC approved by the Board of Directors on December 18, 2006 and the Senior Executive Base Salary

Plan of JMC agreed by the Compensation Committee on March 2007, the compensation for senior management consists of base salary, short-term incentive and long-term incentive. The base salary grade of senior management is in line with his/her position, and the funding of the short-term incentives and long-term incentives are all derived from an incentive fund based on the pre-tax profit. The short-term incentives will be paid in that year, and the long-term incentives will be paid equally in a deferred period of three years. These plans are applicable only to the Chinese-side senior management.

Chapter VI Introduction to Shareholders' Meetings

The 2008 Annual Shareholders' Meeting of JMC was held in the conference room on the fourth floor of the Administration Building of JMC on June 25, 2009. Resolutions passed at the 2008 Annual Shareholders' Meeting are as follows:

1. approved the 2008 Work Report of Board of Directors;
2. approved the 2008 Work Report of the Supervisory Board;
3. approved the 2008 Financial Statements;
4. approved the Proposal on the Profit Distribution for Year 2008;
5. approved the N800 Program;
6. approved the Proposal on continuing to appoint PricewaterhouseCoopers Zhong Tian CPAs Company Limited as JMC's A & B share auditor for year 2009 & year 2010 with annual audit fee of RMB 1.32 million;
7. approved the Proposal on the routine related party transaction framework with Ford Motor Company;
8. approved the Proposal on the routine related party transaction framework with Jiangling Motors Company (Group);
9. approved the Proposal on the routine related party transaction framework with JMCG Interior Trim Factory;
10. approved the Proposal on the routine related party transaction framework with JMCG Import and Export Co., Ltd.;
11. approved the Proposal on the routine related party transaction framework with JMCG Finance Company;
12. approved the Proposal on the routine related party transaction framework with Jiangling-Lear Interior Trim Factory;
13. approved the Proposal on the routine related party transaction framework with GETRAG (Jiangxi) Transmission Company;
14. approved the Proposal on the routine related party transaction framework with Jiangxi Jiangling Chassis Company;
15. approved the Proposal on the routine related party transaction framework with Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.;
16. approved the Proposal on the routine related party transaction framework with Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.
17. approved E802 Engine Program, and
18. approved the Proposal on electing Mr. Yuan-Ching Chen as a Director of the sixth Board of Directors of JMC.

Public announcement on the resolutions of the Annual Shareholders' Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on June 26, 2009.

The 2009 Special Shareholders' Meeting of JMC was held in the conference centre on the second floor of the Administration Building of JMC on December 15, 2009. Resolutions passed at the 2009 Special Shareholders' Meeting are as follows:
1. approved the Proposal on JMCG Finance Co. deposit limit increase;
2. approved the Proposal on electing Mr. Ren Qiang as a Director of the Sixth Board of Directors of JMC, and
3. approved the Proposal on electing Ms. Xiong Chunying as a Director of the Sixth Board of Directors of JMC.

Public announcement on the resolutions of the Special Shareholders' Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on December 16, 2009.

Chapter VII Report of the Board of Directors

I. Management Discussion and Analysis

1. Operating Results

JMC's core business is production and sales of light commercial vehicles and related components. Its major products include JMC series light truck and pickup and Transit series commercial bus. The Company also produces engines, castings and other components.

In 2009, JMC achieved record sales volume of 114,688 units including 46,252 JMC brand light trucks, 34,851 JMC brand pickups and SUV, and 33,585 Ford Transit commercial vehicles. Total sales volume was up 21% from same period last year. Total production volume was 117,955 units, including 48,620 JMC brand light trucks, 35,183 JMC brand pickups and SUV, and 34,152 Transits.

The Company's sales increase is primarily explained by industry strength. JMC brand light truck sales volume increased 19% compared with same period last year, JMC brand pickup and SUV sales volume increased 21%, Transit sales volume increased 22%.

In 2009, the Company achieved a share of 0.8% of China's automotive market, decreasing by 0.2 percentage point from year ago level. (In 2009, the Company achieved a share of 2.2% of China's commercial automotive market, decreasing by 0.4 percentage points from last year's level.) JMC light trucks (including pickup) accounted for 5% of the light truck market, down 0.5 percentage points from a year ago. Transit, along with the JMC brand Yunba microbus, achieved about 15.2% of the light bus market, increasing 2.3 percentage points from last year's level. (Data source for above analysis: China Association of Automobile Manufacturers and the Company sales records)

Table below breaks down Revenue & Cost of Goods Sold from Core Business.

Unit: RMB'000

Product	Turnover	Cost in core business	Gross Margin	Y-O-Y turnover change (%)	Y-O-Y Change in costs of core business (%)	Y-O-Y gross margin change (points)
I. Vehicle	9,636,400	7,131,510	26.0%	24.2	18.7	3.4
II. Components	688,787	507,702	26.3%	9.6	3.3	4.5
Total	10,325,187	7,639,212	26.0%	23.1	17.6	3.5
Including: Related party transaction	580,140	428,937	26.1%	-27.2	-34.3	8

Details pertaining to core business classified according to region:

Unit: RMB'000

Region	Turnover	Y-O-Y turnover change (%)
North-east China	501,010	18.9
North China	1,108,713	9.1
East China	5,119,456	21.8
South China	1,667,921	38.1
Central China	817,403	34.5
North-west China	437,803	25.1
South-west China	672,881	16.4

2. Operating Results of Subsidiaries

Name of Subsidiaries	**Business**	**Main Products**	**Registered Capital**	**Assets (RMB'000)**	**Turnover (RMB'000)**	**Operating Profit (RMB'000)**	**Net Profit (RMB'000)**
Jiangling-Isuzu Motors Company, Ltd.	Manufacturing	N series Light Truck, T series Pickup, Microbus, SUV	$ 30 million	1,875,582	5,535,602	86,871	96,080

3. Main Suppliers and Customers

The total value of purchases from the top 5 suppliers was RMB1,457 million, accounting for 20% of JMC's total annual buy. The total sale value to the top 5 customers was RMB 1,655 million, accounting for 16% of JMC's total turnover.

4. Operational Challenges and Resolutions

Regarding competition, the Company continued to experience market share pressure from lower price competitors in all its segments. In response, the Company lowered prices of 07 Euro III Diesel Pickup and 09 Euro III Diesel Pickup in the Second Quarter and 07 Euro III Gas Pickup and 09 Baowei in the Third Quarter. Through marketing measures, such as V348 customer test drive, V348 sales contest and VE83 price promotion in some areas, in 2009 Transit market share increased. In the Fourth Quarter, the company introduced a new product (VE Pump Engine) to combat competitor's action and to recover market share. At the same time, JMC entered new light truck segment with N900 and conducted nation-wide promotional events. In addition, the company was also in the process to launch newly developed DMS sales system to enhance customer information management.

In 2010, the company will remain focused on: (1) insuring steady cash flow; (2) defending market share and accelerating sales promotion to existing and new products; (3) balancing management of controllable that the company's long term development remains consistent with company objectives; (4) strengthening corporate governance and application of appropriate risk assessment and control mechanisms.

The company anticipates continuation of market pressures in 2010 including competitive pricing reduction, new vehicle entries in selected market segments, government policy revision and more stringent regulatory requirements.

The company will leverage previously established processes and work groups to reduce existing production cost and eliminate operating waste throughout the enterprise. Additionally, we are providing emphasized focus on maximizing part sourcing localization and cost reduction for the new products we are introducing in 2010. The Company's management priorities in 2010 remains focused on (1) leveraging existing product platforms to generate new revenue streams, (2) introducing new products, and 3) expanding production capacity in line with growing sales forecasts. The Company will also continue to execute several key approved projects with the support of our technology partners. These programs include the N900 project (the next generation truck product which is developed independently), the N350 project (the next generation pickup and SUV vehicle product which is developed independently), the N800 project (the next generation truck product which is developed independently), A4 Press Line Project which supports our vehicles with locally produced sheet metal stampings and engines to meet future regulatory requirements. These actions will introduce competitive and profitable products into the light commercial vehicle market and effectively upgrade the manufacturing capability.

Furthermore, the company is continuing efforts to ensure sustainable growth, including studying project opportunities for adding incremental products and expanding export and OEM sales.

5. Investment in the reporting period

i. In 2009, JMC did not raise equity funding, nor did it use equity funding raised in previous years.

ii. Self funded major projects:

Project Name	**Total Investment Approval (RMB Mils)**	**Investment Committed (RMB Mils)**	**Investment To Be Committed (RMB Mils)**	**Planned Job#1 Date**
N350	598	389	209	Second Half, 2011
JX4D24 Engine for N350	30	15	15	Second Half, 2010
N900	200	180	20	First Half, 2010
Stage IV JX493 Engine N Series Light Truck Program	25.2	2.7	22.5	First Half, 2011
N800	725	104.7	620.3	Second Half, 2014
V348 2010 MY Program	17	8.3	8.7	Second Half, 2010
V348 China Stage IV Heavy Duty Truck Program	59	41.8	17.2	Second Half, 2010
E802 Engine Program	419	26.3	392.7	First Half, 2012
A4 Press Line	384	215	169	First Half, 2010
JX4D24 Engine	350	315	-	Completed
JX4D24 Engine Phase II	315	1	314	Second Half, 2012
Frame Press Line	53	42	-	Completed
CAL Program	47.1	37	5	First Half, 2010
MP&L Parts Market Place	22	18.9	-	Completed
A3 Stamping Line Die Storage Facility Location	5.7	5.2	-	Completed
Vehicle storage and delivery facility Phase I	35	8.8	24.5	First Half, 2010
High Speed Milling Machine	11.7	0.7	11	Second Half, 2010
PDM Program	10.5	6.1	4.4	Second Half, 2010
V348 A4 Line Die Modification Program	10	3.1	6.9	Second Half, 2010
Stage V and VI Emissions Facilities Program	26.6	0.1	26.5	Second Half, 2010
Total	3,343.8	1,420.7	1,866.7	

The spending will be funded from cash reserves.

6. Product Development

As a result of intensified efforts to develop and implement new vehicle programs, product development efforts are focused on responding to market needs as well as regulatory compliance. The N900, N350 and N800 programs will reflect market driven improvements including increased payloads, new styling, improved powertrain, while continuing to deliver the premium standards expected by our customers. The JX4D24 project will expand company engine manufacturing capacity and capability by machining major in-house PUMA engine components and delivering an engine that can achieve future emissions requirements.

7. Financial Results

Revenue in 2009 was RMB 10,433 million, up 21% from last year. This increase primarily reflects higher vehicle sales and optimized sales structure, partially offset by price reduction due to severe competition.

Under IFRS, net profit was RMB 1,053 million, up 35% from last year. Distribution cost was RMB 770 million, up 46% from last year, primarily reflecting volume-related changes including vehicle delivery costs, warranty, promotion expenses and advertisement expenditure.

Cash flow from operations was positive RMB 3,112 million, reflecting favorable profit and operating-related working capital changes. Cash flow from investing activities was negative RMB 416 million, reflecting primarily spending for capital goods such as facilities, equipment and tooling. Financing cash flow was negative RMB 294 million, primarily reflecting our annual dividend payment.

At the end of 2009, the Company held a total of RMB 3,914 million in cash and cash equivalents, increasing RMB 2,402 million from the end of 2008. The balance of bank borrowing was RMB 33 million; decreasing RMB 14 million from 2008 year end.

Total assets were RMB 8,294 million, up 39% from RMB 5,964 million at year-end 2008. The improvement primarily reflects higher cash and cash equivalents as a result of higher profits generated from operating activities and improved working capital.

Total liabilities, excluding minority interest, were RMB 3,347 million, up 85% from RMB 1,813 million at year end 2008. This reflects mainly an increase in accounts payables.

Shareholder equity was RMB 4,947 million at December 31, 2009, up RMB 796 million from year-end 2008. This increase is mainly explained by net profit earned in the reporting period, offset partially by dividend payments.

8. 2010 Year Plan

The Company is projecting revenue at RMB 12,000 million for 2010. The intensified competition resulting from new market entries and the launch of new models will require increased levels of marketing expense to support volume and market share growth. Additionally, R&D and capital expenditures are projected to be higher as we progress with new product programs and capacity expansion actions.

In 2010, the Company will continue to focus on generating cash and profits, enhance formulation of new product development strategies and execute plans for future growth. Specific actions include:

i. Accelerate efforts to strengthen our brands through enhancing the Company's distribution network, including brand-specific shop expansion and development of JMC Cares service strategy.
ii. Work with our technology partners to timely execute the N900, JX4D24, N350, N800 and A4 Press Line projects.
iii. Increase cost reduction efforts by focusing on customer value and eliminating waste.
iv. Develop product plans to add new products for introduction in the Chinese market.
v. Expand the export and OEM component sales business.

II. Routine Work of the Board of Directors

1. Board Meetings and Resolutions in the Reporting Period

The Board of Directors approved in form of paper meeting the following resolutions on March 16, 2009:

i. approved to submit to the 2008 Annual Shareholders' Meeting the proposal on year 2008 profit distribution;
ii. approved the 2008 Annual Report of JMC and the extracts from the Annual Report;
iii. approved the 2008 Work Report of the Board of Directors of JMC;
iv. approved the 2008 Financial Statements of JMC, and
v. approved the Internal Control Self-assessment Report of JMC.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on March 18, 2009.

The fourth session of the sixth Board of Directors was held in the conference center on the second floor of the Administration Building of JMC on March 31, 2009. The following resolutions were passed at the meeting:

i. approved the V348 2010 MY Program;
ii. approved the E802 Engine Program, and submitted it to the Shareholders' Meeting for approval;
iii. approved the V348 A4 Line Die Modification Program, and
iv. Whereas Mr. Mei Wei Cheng resigned from Vice Chairman position with the Company, the Board of Directors elected Mr. Robert J. Graziano as Vice Chairman of the Company.
    The Board of Directors accepted Mr. Mustafa Menku's resignation from Vice President position with the Company. Based on President Yuan Ching Chen's nomination, the Board of Directors appointed Mr. Ravichandran Swaminathan as a Vice President of the Company.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on April 2, 2009.

The Board of Directors approved in form of paper meeting the following resolution on

April 22, 2009: approved JMC 2009 First Quarter Report

The Board of Directors approved in form of paper meeting the following resolutions on June 1, 2009:

i. approved the V348 China Stage IV Heavy Duty Truck Program;
ii. Given that Mr. Mei Wei Cheng would like to resign from his directorship in the Company due to his retirement, and Ford Motor Company, the Company's shareholder, nominated Mr. Yuan-Ching Chen as a director candidate, the Board of Directors agreed to submit the aforesaid director nomination by Ford to the Shareholders' Meeting for approval, and
iii. approved the Notice on Holding 2008 Annual Shareholders' Meeting of JMC.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on June 3, 2009.

The fifth session of the sixth Board of Directors was held in the conference center on the second floor of the Administration Building of JMC on June 25, 2009. The following resolutions were passed at the meeting:

i. approved Stage V and VI Emissions Facilities Program, and
ii. Per President Yuan-Ching Chen's nomination, the Board of Directors appointed Mr. Peter John Dowding as a Vice President of the Company.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on June 27, 2009.

The Board of Directors approved in form of paper meeting the following resolution on August 23, 2009: approved the JMC 2009 Half-year Report.

The sixth session of the sixth Board of Directors was held in the conference center on the second floor of the Administration Building of JMC on September 30, 2009. The following resolutions were passed at the meeting:

i. approved the Stage IV JX493 Engine N Series Light Truck Program;
ii. approved the Dealer Management System Phase II Program;
iii. approved to increase JMC's deposit limit in JMCG Finance Company (the "Finance Company"). Limit of JMC's deposit balance with the Finance Company shall be adjusted to the lower of the following: 1) RMB 200 million or 2) 12% of JMC's total cash balance. And the Board of Director approved to limit the amount settled through the Finance Company on annual basis not to exceed 80% of JMC's gross revenue in the same period. This proposal is subject to the approval of Shareholders' Meeting, and
iv. approved the JMC Rules on Registration and Filing of Insiders.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on October 13, 2009.

The Board of Directors approved in form of paper meeting the following resolution on October 21, 2009: accepted Mr. Joseph Verga's resignation from the position of Chief

Financial Officer, member of the Executive Committee and Secretary of the Audit Committee of the Company due to work rotation. And per President Yuan Ching Chen's nomination, the Board of Directors appointed Mr. Michael Joseph Brielmaier as Chief Financial Officer, member of the Executive Committee and Secretary of the Audit Committee of the Company.

Public announcement on the resolution of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on October 23, 2009.

The Board of Directors approved in form of paper meeting the following resolution on October 26, 2009: approved the JMC 2009 Third Quarter Report.

The Board of Directors approved in form of paper meeting the following resolution on October 26, 2009: given that Mr. Cui Yunjiang would like to resign from his directorship in the Company due to work reasons and Jiangling Motor Holding Co., Ltd. ("JMH") has nominated Mr. Ren Qiang as a director candidate, the Board of Directors agreed to submit the aforesaid director nomination by JMH to the shareholders' meeting for approval.
Public announcement on the resolution of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on October 28, 2009.

The Board of Directors approved in form of paper meeting the following resolution on November 19, 2009:

i. given that Mr. Tu Hongfeng would like to resign from his directorship with the Company due to work reasons and Jiangling Motor Holding Co., Ltd. ("JHC") has nominated Ms. Xiong Chunying as a director candidate, the Board of Directors agreed to submit the aforesaid director nomination by JHC to the shareholders' meeting for approval, and
ii. approved the Notice on Holding 2009 Special Shareholders' Meeting of JMC.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on November 20, 2009.

The seventh session of the sixth Board of Directors was held in the conference center on the second floor of the Administration Building of JMC on December 15, 2009. The following resolutions were passed at the meeting:

i. approved the 2010 budget of the Company;
ii. given that Mr. Cui Yunjiang had resigned from his Director position in the Company due to work reasons, per the joint nomination by the Chairman and Vice Chairman, the Board of Directors approved Mr. Ren Qiang as a member of both the Strategy Committee and the Audit Committee under the Board.

    Given that Mr. Tu Hongfeng had resigned from his Director position in the Company due to work reasons, per the joint nomination by the Chairman and Vice Chairman, the Board of Directors approved Ms. Xiong Chunying as a member of the Strategy Committee under the Board.

Given that Mr. Joseph Verga had resigned from his position in the Company due to work reasons, the Board of Directors approved to nominate Mr. Michael Joseph Brielmaier as a Director of Jiangling-Isuzu Motors Company, Ltd., a subsidiary of JMC;

iii. approved the 2009 Year-end Eight Accounting Provisions & Write-off proposal;
iv. agreed to authorize CFO Michael Joseph Brielmaier with full power to handle the loan & financing matters between JMC and financial institutions. The duration of the authorization is from December 15, 2009 to December 31, 2010, and
v. approved the proposal on holding a celebration ceremony for annual sales revenue exceeding RMB 10 billion and sales volume over 100 thousand units.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on December 17, 2009.

2. Board of Directors' implementation of the Resolutions of the Shareholders' Meetings

According to the 2008 year profit distribution plan approved by the 2008 shareholders' meeting, the announcement on the implementation of the 2008 year dividend distribution was published in China Securities, Securities Times and Hong Kong Commercial Daily on July 11, 2009, and it has been put into effect.

The 2008 year dividend distribution plan was as follows:

Based on the Company's total share capital of 863,214,000 shares, a cash dividend of RMB 3 (including tax; individual shareholders, investment funds, and qualified foreign institutional investors holding the Company's A shares will receive an after-tax cash dividend of RMB 2.7 per 10 shares) per 10 shares is to be distributed to shareholders. For other non-resident enterprises, the Company will not withhold nor pay the income tax on their behalf, and the taxpayer shall pay the tax in the place where the income is received. Equity record date and ex-dividend date for A shares were July 17 and July 20, 2009 respectively; Last transaction date, ex-dividend date and equity record date for B shares were July 17, July 20, and July 22, 2009 respectively. The cash dividends on B shares were paid in Hong Kong Dollars converted at HKD1.00 = RMB0.8816, being the middle rate of the exchange rates between HK dollar and RMB quoted by the People's Bank of China on the first business day (June 26, 2009) immediately after the relevant resolutions were passed at the Company's Shareholders' Meeting.

JMC did not convert capital reserve into share capital in the reporting period.

3. Audit Committee's Works

A. Work Summary Report of the Audit Committee
According to Audit Committee Work Rules, the Audit Committee diligently executed its duties and delivered guiding opinions. The primary tasks during the reporting period were as follows:

i. The Audit Committee reviewed the company's internal control work plan and internal control implementation results regularly.

ii. The Audit Committee reviewed the Eight Accounting Provisions and Write-off proposal, and agreed to submit these to the Board for approval.
iii. The Audit Committee reviewed the certified auditor audit plan, letter of engagement, risks and controls, etc.
iv. The Audit Committee has coordinated the certified auditor, so that the audit and associated financial report can be submitted within the appointed period.
v. Before the certified auditor's on-site audit and after receiving the certified auditor's initial opinion on 2009 financial reports, the Audit Committee reviewed the company's financial reports. The Committee met with the certified auditors at a face-to-face meeting to communicate potential items which may affect accounting estimation, audit adjustment items and important accounting policies, and it believes that these are truthful, accurate and fully reflect the company's actual status.
vi. The Audit Committee has submitted the 2009 External Auditor Summary Report to Board of Directors for review.
vii. The Audit Committee reviewed the internal control self-assessment report and agreed to submit this to the Board for approval.

B. Written opinions on JMC financial statements

The Audit Committee reviewed the unaudited financial statements prepared by the Company and issued its written opinions on January 16, 2010 as follows:

The Audit Committee reviewed the Financial Statements compiled by JMC and believes that the Financial Statements have in all material respects reflected the actual company status. The Audit Committee will continue to keep in close contact with auditor. After receiving the auditor's initial audit comments, Audit Committee will review Company Financial Statements a second time.

The Audit Committee reviewed the financial statements prepared by JMC after the external auditor issued its initial audit opinions, and issued its written opinions on February 10, 2010 as follows:

i. Financial statements have been prepared according to China New GAAP and the company's financial policies.
ii. The financial status reported for December 31, 2009 including Balance Sheet, Income Statement and Cash Flow is accurate and truthful.

The Audit Committee made resolutions on the audited 2009 financial statements on February 24, 2010 as follows:

The Audit Committee has reviewed the financial statements after the certified auditor issued its final audit opinions. The Audit Committee believes that the financial status reported for December 31, 2009 including Balance Sheet, Income Statement and Cash Flow is accurate and truthful. The Audit Committee supports submitting to the Board approval.

C. 2009 External Auditor Work Summary Report

The Audit Committee has reviewed the 2009 Annual Audit Work Plan submitted by PWC via a communication with the PWC lead auditor. Agreement was achieved regarding timing and content, and both parties believe that the plan ensures a comprehensive completion of the 2009 audit.

The external auditor thoroughly communicated with operating management and the Audit Committee Members regarding: accounting policies implementation, sales revenue recognition, major accounting estimation for warranty accrual, financial treatment of product development expenses, related party transaction recognition and fairness and information disclosure. They have also discussed about issues identified and their corrective actions. As a result, all parties have a more in-depth understanding of the business status, finance status and internal control. Therefore, a solid foundation was laid for a fair audit conclusion by the external certified public auditor.

The Audit Committee believes that the external certified auditor has executed the audit work consistent with the requirements of China Certified Auditor Independent Audit Principles. The audit period is adequate and the allocation of personnel resources is sufficient to deliver an audit report which accurately reflects the finance status on December 31, 2009, the operating results, and 2009 cash flow. The audit conclusions conform to the company’s actual status.

4. 2009 Diligence Report of the Compensation Committee

In the reporting period, the Compensation Committee exercised its duties as follows:

i. reviewed and approved the Proposal on 2008 Year-end Bonus for Senior Executives;
ii. reviewed and approved the KPI of JMC Senior Executives in 2009;
iii. reviewed and approved 2008 Diligence Report of the Compensation Committee.

The Compensation Committee’s opinions on the annual compensation of the directors, supervisors and senior management disclosed in this Report are as follows:

The 2009 annual compensation for the Chinese-side senior management was paid upon the principles promulgated in the Senior Executive Compensation & Incentive Plan of JMC and the Senior Executive Base Salary Plan of JMC. The 2009 annual compensation for Ford-seconded senior management personnel was paid in accordance with revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates. The annual compensation for the director and supervisor that the Company paid abided by JMC salary management system.

In the reporting period, the annual compensation of the directors, supervisors and senior executives disclosed in this Report was complied with JMC salary management system, and there was neither breach nor inconsistency of this system.

5. Proposal on 2009 Year Profit Distribution Plan

Details on the profit available for appropriation of the Company in 2009 prepared in accordance with the China GAAP and International Financial Reporting Standard (‘IFRS’) are as follows:

Unit: RMB’000

	China GAAP	IFRS
Retained earning at Dec. 31, 2008	1,916,118	1,912,909
2009 net profit	1,056,132	1,052,529
Allocation of dividend for 2008	-258,964	-258,964

Staff bonus and welfare fund	-3,603	-
Retained earning at Dec. 31, 2009	2,709,683	2,706,474

The upper limit of profit available for distribution was based on the lower of the un-appropriated profit calculated in accordance with the China GAAP and that calculated in accordance with IFRS. Therefore, the Company's retained earnings available for distribution as of December 31, 2009 was RMB 2,706,474 thousand.

The Board approved to submit to the 2009 Annual Shareholders' Meeting the following proposal on year 2009 profit distribution:

(1). to appropriate for the dividend distribution from the profit available for distribution, which shall be equal to RMB 0.49 per share and shall apply to the Company's total share capital; and

(2). to carry forward the un-appropriated portion to the following fiscal year.

Profit distribution proposal: a cash dividend of RMB 4.9 (including tax) will be distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2009, total cash dividend distribution amounts shall be RMB 422,974,860.

B share dividend shall be paid in Hong Kong Dollars and converted based on the HKD-to-RMB standard exchange rate published by the People's Bank of China on the first working day following the approval on the profit distribution proposal by the Shareholders' Meeting of the Company.

The Board decided not to convert capital reserve to share capital this time.

Table of cash dividend in the past three years

Unit: RMB'000

	Cash dividend (Including tax)	Profit attributable to the equity holders of the Company	Cash dividend as % of profit attributable to the equity holders of the Company	Retained earnings available for distribution at year-end
2008	258,964	782,356	33.10%	1,912,909
2007	258,964	756,713	34.22%	1,404,836
2006	439,376	625,039	70.30%	983,003
Cumulative cash dividend for the last three year as % of the last three year average net profit				132.71%

6. The independent directors' explanation and independent opinions on the Company's outside guarantee and implementation of relevant regulations

The Company Board of Directors approved on December 13, 2007 to provide guarantee to Ford Automotive Finance (China) Ltd. ('FAFC') with vehicle pledge for Suzhou Hejun Auto Trading Limited, Shanghai Jiuha Auto Industrial Limited, Wuxi Jiangling Auto Sales Limited and Shenzhen Shuncheng Jiangling Auto Trading Limited with a total credit line no more than RMB 55.5 million. Please see details in the announcement published in China

Securities, Securities Times and Hong Kong Commercial Daily on December 18, 2007.

During the reporting period, total guarantee the Company provided for the aforesaid four dealers was RMB 66,320 thousand. Balance of the guarantee was 0 as of December 31, 2009.

We believed that the risk derived from the vehicle pledge provided for such credit facilities is offset because the Company has received the cash payment of the vehicles from FAFC on behalf of the dealers. The Company has no other outside guarantee except the aforesaid guarantee provided for the dealers in the reporting period.

7. Others

JMC continues to designate China Securities, Securities Times and Hong Kong Commercial Daily as the newspapers for information disclosure.

Chapter VIII Report of the Supervisory Board

I. Work of the Supervisory Board

Pursuant to the relevant regulations in the Company Law, Securities Law and JMC Articles of Association as well as consistent with the spirit of being responsible to the shareholders, the Supervisory Board earnestly fulfilled its duties stipulated by the laws and regulations and energetically worked to perform its functions fully in 2009. The committee held 5 meetings during the reporting period. The details for these meetings are as follows:

1. The Supervisory Board reviewed and passed in form of paper meeting the following resolutions on March 16, 2009:

i. reviewed and passed the 2008 annual work report of the Supervisory Board;
ii. reviewed the Internal Control Self-assessment Report and expressed its opinions on this Report, and
iii. reviewed and passed the 2008 Annual Report of JMC and the extracts from the Annual Report

2. The Supervisory Board reviewed and passed the following resolution in form of paper meeting on April 22, 2009: reviewed and passed the 2009 First Quarter Report of JMC.

3. The Supervisory Board reviewed and passed the following resolution in form of paper meeting on August 23, 2009: reviewed and passed the 2009 Half-year Report of JMC.

4. The Supervisory Board reviewed and passed the following resolution in form of paper meeting on October 26 2009: reviewed and passed the 2009 Third Quarter Report of JMC.

5. A Supervisory Board meeting was held in the Administration Building of JMC on December 15, 2009. The following resolution was reviewed and passed at this meeting: regarding the 2009 Year-end Eight Accounting Provisions & Write-off proposal approved

by the Board of Directors of the Company, the Supervisory Board believed that it is consistent with the Company's actual needs and situation.

II. Supervisory Board's independent opinion on the following matters during the reporting period:
1. JMC's operation in conformity with laws
JMC operated in conformity with the laws and regulations, such as the Company Law, the Securities Law and the Articles of Association in 2009. The decision-making procedure was standardized and legal, and a relatively complete internal control system was established. No behaviors violating laws, regulations and the Articles of Association or harming JMC's interest by the Directors, President and other senior management in carrying out their duties were found.

2. JMC's financial status
PwC Zhong Tian audited JMC's 2009 financial statements and issued unqualified audit reports. We believe the reports reflect JMC's financial status, operating results and asset changes objectively and accurately.

3. In 2009, JMC's procedure for asset sales was legal and the sales prices were reasonable. There were no insider trading, deals, or situations harmful to shareholders' interest or will lead to a JMC's asset loss.

4. JMC's related transactions: negotiated arm-length prices applied in imported component purchasing. The pricing for localized components was determined through the process of inviting public bidding, discussion and business negotiation. The prices were adjusted periodically, were fair and reasonable.

5. Please see the Article 4, Chapter V for the independent opinions from the Supervisory Board on the Internal Control Self-assessment Report on of JMC.

Chapter IX Major Events

1. JMC had no major litigation or arbitration issue in 2009.

2. JMC had no securities investment in 2009. There was neither the equity in other listed companies nor the equity in non-listed finance companies in the reporting period.

3. JMC had no major purchase or sale of assets in 2009.

4. Major Related Transactions

i. Routine related party transactions
A. JMC purchased certain raw materials, auxiliary materials and components from related parties. Transactions with annual value over RMB 30 million are listed as below:

Transaction Parties	Pricing Principle	Settlement Method	Amount (RMB'000)	As % of Total Purchases

Jiangxi Jiangling Chassis Company	Contracted price	60 days after delivery	334,828	4.64%
Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	Contracted price	Prepayment	320,627	4.45%
GETRAG (Jiangxi) Transmission Company	Contracted price	60 days after delivery	272,183	3.77%
JMCG Interior Trim Factory	Contracted price	60 days after delivery	269,247	3.73%
Ford	Contracted price	D/P	247,914	3.44%
Jiangling-Lear Interior Trim Factory	Contracted price	60 days after delivery	191,736	2.66%
JMCG	Contracted price	60 days after delivery	154,720	2.14%
Visteon Climate Control (Nanchang) Co., Ltd.	Contracted price	60 days after delivery	118,121	1.64%
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of sold goods	99,260	1.38%
Nanchang Jiangling Huaxiang Auto Components Company	Contracted price	60 days after delivery	90,013	1.25%
Nanchang JMCG Liancheng Auto Component Co.	Contracted price	60 days after delivery	85,558	1.19%
Jiangxi JMCG Industrial Company	Contracted price	60 days after delivery	52,469	0.73%
Jiangling Material Company	Contracted price	Pay on delivery	34,549	0.48%

Necessity and continuity: the purchase of the imported components will immediately stop when the respective localization is achieved, and these components will be substituted by localized ones; some components from other related parties were unique parts for JMC’s Transit series, N series and T series, and other general components were purchased through open bidding.

B. The sales of products by JMC to related parties with annual value over RMB 30 million:

Transaction Parties	Pricing Principle	Settlement Method	Amount (RMB’000)	As % of Total Revenue
JMCG Import and Export Co., Ltd.	Contracted price	40% of prepayment and the remains paid during 20 days after delivery	354,112	3.39%
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of	112,135	1.07%

		purchased goods		
JMCG Interior Trim Factory	Contracted price	Monthly Netting off payment of purchased goods	46,637	0.45%
Jiangxi Jiangling Material Utilization Co., Ltd.	Market price	Monthly settlement	34,991	0.34%
JMH	Market price	30 days after invoicing	32,592	0.31%

Necessity and continuity: because JMCG Import and Export Co., Ltd. has a mature network and human resources to support import & export trade, JMC will continue to use its sales network to sell products to overseas markets; because either Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd. or JMCG Interior Trim Factory has rich experience and skilled workers to design and manufacture specialty vehicles, JMC will continue supplying second-class chassis or relevant components to them for specialty vehicles manufacture to promote JMC's sales volume.

In the above mentioned pricing principle, market price means that it is based on the market price of similar products, and contracted price means that for unique products or services for which comparable market data is difficult to obtain, prices are determined through the process of supplier quotes, cost assessment and negotiations.

C. Management Compensations
Pursuant to revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates, in 2009, the Company should pay approximately US$ 3,469 thousand and RMB 2,473 thousand to Ford as service fee for expatriate secondees and Chinese secondees assigned by Ford, and should pay approximately US$ 213 thousand to Ford Otosan as service fee for expatriated secondees assigned by Ford Otosan.

Pursuant to an agreement between the Company and JMH on January 1, 2009, the Company should pay approximately RMB 690 thousand to JMH as service fee for the employees assigned by JMH.

D. Sales Promotion
In 2009, JMC paid RMB 6.59 million for sales promotion to JMCG Import & Export Co., Ltd. The spending is primarily used to expand oversea market and promote JMC's production sales abroad.

E. Purchasing Agency
JMCG Import & Export Co., Ltd. was the import agent of JMC for acquiring import materials, equipment and technology services. In 2009, JMC paid JMCG Import & Export Co., Ltd. commission of RMB 6.04 million pursuant to the Exclusive Import Agency Agreement signed by them.

F. Project Construction and Maintenance
In 2009, JMC paid RMB 34.90 million for projection construction and maintenance to JMCG Jiangxi Engineering Construction Co., Ltd.

G. Working Meal
In 2009, JMC paid RMB 12.59 million for working meal to Jiangxi JMCG Industrial Company.

ii. The Company had no major related party transaction concerning transfer of assets or equity in 2009.

iii. Creditor's rights, liabilities and guarantees between JMC and related parties.
A. Balance of accounts due to or due from major related parties with value over RMB 30 million:

Item	Related Parties	Amount (RMB '000)	Ratio to the Balance of the Item
Prepayment	Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	148,592	81.68
Accounts and bills payable	Jiangxi Jiangling Chassis Company	106,022	5.19
Accounts and bills payable	GETRAG (Jiangxi) Transmission Company	91,252	4.47
Accounts and bills payable	Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	81,172	3.97
Accounts and bills payable	JMCG Interior Trim Factory	69,488	3.40
Accounts and bills payable	Jiangling-Lear Interior Trim Factory	65,306	3.20
Accounts and bills payable	JMCG	44,497	2.18
Accounts and bills payable	Visteon Climate Control (Nanchang) Co., Ltd.	43,719	2.14
Accounts and bills payable	Ford	41,087	2.01
Accounts and bills payable	Nanchang Jiangling Huaxiang Auto Components Company	33,883	1.66
Accounts and bills payable	Nanchang JMCG Liancheng Auto Component Co.	30,173	1.48

B. Deposit
At the end of year 2009, JMC had a deposit of RMB 186.02 million in JMCG Finance Company and charged interest according to same period bank deposit interest rate (RMB at 0.36%-1.35%, US$ at 0.05%). JMC received a total of RMB 2.53 million in interest from JMCG Financial Company in 2009.

C. Guarantee

JMCG Finance Company provided a guarantee for portions of JMC's bank loans, of which the maximum was US$ 2.28 million. As of December 31, 2009, JMCG Finance Company provided a guarantee for JMC's bank loans of US$ 1.18 million.

vi. Other major related party transactions in 2009

According to the Joint Development Agreement and the 2nd Amendment Contract to the Joint Development Agreement signed by JMC and Ford, JMC is to pay technology development fee totaling US$ 40 million to Ford. JMC has paid off the technology development fee as of December 31, 2009.

According to the V348 Transit Vehicles Series Technology Licensing Contract ("V348 TLC") signed by JMC and Ford as well as Supplemental Agreement to V348 TLC jointly signed by Ford, Ford Global Technologies, LLC., Ford Otosan and JMC, JMC is to pay licensing fee annually reflecting 2.6% of V348 Transit net sales revenue. Ford Global Technologies, LLC. shall receive 67.31% of the licensing fee and Ford Otosan shall receive the reminder 32.69%. JMC bore a licensing fee of US$ 3.75 million (equal to RMB 25.61 million) in 2009.

5. Major Contracts and Execution

i. There was neither entrustment, contract or lease of assets from other companies, nor entrustment, contract or lease of JMC's assets to other companies from which profit was generated to exceed 10% of 2009 total profit in the reporting period.

ii. The Company Board of Directors approved on December 13, 2007 to provide guarantee to Ford Automotive Finance (China) Ltd. ("FAFC") with vehicle pledge for Suzhou Hejun Auto Trading Limited, Shanghai Jiuha Auto Industrial Limited, Wuxi Jiangling Auto Sales Limited and Shenzhen Shuncheng Jiangling Auto Trading Limited with a total credit line of no more than RMB 55.5 million.

The table below summarizes JMC outside guarantees in 2009.

Outside Guarantees (excluding the guarantees to the subsidiaries of the Company)						
Name	Date（Signature Date of the Agreement）	Amount (RMB)	Type of Guarantee	Term of Guarantee	Whether Has Been Executed Completely (Y/N)	Whether For A Related Entity (Y/N)
Suzhou Hejun Auto Trading Limited	December 24, 2007	0	Pledge	12 months	N	N
Shanghai Jiuha Auto Industrial Limited	December 24, 2007	0	Pledge	12 months	N	N
Wuxi Jiangling Auto Sales Limited	December 24, 2007	0	Pledge	12 months	N	N
Shenzhen Shuncheng Jiangling Auto Trading Limited	December 24, 2007	0	Pledge	12 months	N	N
Total amount of the guarantees in the reporting period			66,319,210			
Balance of the guarantees as of the end of the reporting period			0			

Guarantees to the subsidiaries of the Company	
Total amount of the guarantees to the subsidiaries of the Company in the reporting period	0
Balance of the guarantees to the subsidiaries of the Company as of the end of the reporting period	0
Total Guarantees (including the guarantees to the subsidiaries of the Company)	
Total Amount	0
As % of the Company's net assets	0
Including:	
Guarantees offered to shareholders, actual controlling parties and its related parties	0
Guarantees directly or indirectly offered to guaranteed parties whose ratio of liabilities to assets exceed 70%	0
Amount of the guarantees exceeding 50% of the Company's net assets	0
Subtotal of the aforesaid three items	0

iii. JMC did not entrust other people with cash asset management in the reporting period.

6. Commitments of the Company or the shareholder holding 5% or more of the Company shares

Item	Promisor	Content of Commitments	Implementation of commitments
Share reform	JMH	*	In the reporting period, JMH exercised its commitments sincerely and did not breach the promise.
Trading Restriction on Shares		None	N/A
Acquisition report or Statement of changes in equity		None	N/A
Major asset restructuring		None	N/A
Initial Public Offering		None	N/A
Other commitments		None	N/A

*JMH, which holds 41.03% of JMC total shares, issued letters of commitment, and declared and promised the following:

(1) according to the requirements of Rules on Implementing the Full Tradable Share Reform of the Listed Companies, legal commitments will be fulfilled in accordance with provisions of the stock exchange laws and regulations;

(2) the promisor ensures that it will compensate losses resulting from partial or complete non-fulfillment of its promises to other shareholders; and

(3) the promisor will fulfill its commitments faithfully and accept relevant legal responsibility, and it will not transfer its shares unless the transferee agrees and accepts liability to undertake the responsibility of the promise.

JMH promises specifically to pay the consideration on behalf of the unlisted-share holders who oppose the Share Reform or did not express their opinions. The above-mentioned unlisted-share holders should repay the consideration paid by JMH and the interest, or obtain written consent from JMH, if they want to list their shares.

7. Appointment or Dismissal of Accounting Firms

Upon the approval of 2008 Annual Shareholders' Meeting, JMC continues to appoint PwC Zhong Tian as JMC's A & B share auditor for year 2009 & year 2010. The firm has offered JMC audit services for nine consecutive years.

The compensation paid to the accounting firm is as follows:

Accountant Firm	Year 2009	Out of Pocket Expense
PwC ZhongTian	RMB 1.32 million (Both A & B share)	Included in audit fee.

8. Neither JMC nor its Directors or senior management were punished by regulatory authorities in 2009.

9. Other Major Event

JMC has been recognized as a Jiangxi Province hi-tech enterprise in April 2009. In compliance with the provisions of the relevant regulations issued by the State, enterprise income tax rate for JMC will be 15% during the period from January 1, 2009 to December 31, 2011. Public announcement on the aforesaid event was published in China Securities, Securities Times and Hong Kong Commercial Daily on August 5, 2009.

10. External research and media interview to the Company

In the reporting period, JMC welcomed institutional investors including 68 persons and discussed operating highlights with them. The Company does not disclose, reveal or divulge major information not yet disclosed to special person or entities.

Table of external research, communication and media interviews with the Company is as follows:

Date	Place	Communication Method	Object	Information Discussed and Materials offered
February 27, 2009	In the Company	Oral Communication	Three analysts from China Asset Management Co., Ltd., Haitong Securities Company Limited, China Universal Asset Management Co., Ltd.	JMC Operating highlights
March 5, 2009	In the Company	Oral Communication	An analyst from Orient Securities Company Limited	JMC Operating highlights
March 11, 2009	In the Company	Oral Communication	Three analysts from China Asset Management Co., Ltd., Everbright Securities Co., Ltd.	JMC Operating highlights
March 13, 2009	In the Company	Oral Communication	An analyst from China International Capital Corporation Limited.	JMC Operating highlights

March 19, 2009	In the Company	Oral Communication	Five analysts from E Fund Management Co., Ltd., China Post & Capital Fund Management Co., Ltd., GF Securities Co., Ltd., Fullgoal Fund Management Co., Ltd., Donghai Securities Co., Ltd.	JMC Operating highlights
April 14	In the Company	Oral Communication	Three analysts from Penghua Fund Management Co., Ltd., First State Cinda Fund Management Co., Ltd., China Merchants Securities Co., Ltd.	JMC Operating highlights
April 29	In the Company	Oral Communication	An analyst from Harvest Fund Management Co., Ltd.	JMC Operating highlights
May 6	In the Company	Oral Communication	An analyst from Bopo Consulting Company	JMC Operating highlights
June 9	In the Company	Oral Communication	Two analysts from Lianhe Securities Co., Ltd., Fullgoal Fund Management Co., Ltd.	JMC Operating highlights
July 8, 2009	In the Company	Oral Communication	Eleven analysts from Shenyin & Wanguo Securities Co., Ltd., Everbright Securities Co., Ltd., SYWG Bnp Paribas Asset Management Co., Ltd., Abn Amro Teda Fund Management Co., Ltd., Bosera Fund Management Co., Ltd., Huaan Fund Management Co., Ltd., Harvest Fund Management Co., Ltd.	JMC Operating highlights
July 22, 2009	In the Company	Oral Communication	Two analysts from GF Fund Management Co., Ltd., China Galaxy Securities Limited	JMC Operating highlights
August 4, 2009	In the Company	Oral Communication	Four analysts from BOC International (China) Limited, China Post Fund Management Co., Ltd., Soohow Asset Management Co., Ltd.	JMC Operating highlights
August 18, 2009	In the Company	Oral Communication	An analyst from Rongtong Fund Management Co., Ltd.	JMC Operating highlights
August 19, 2009	In the Company	Oral Communication	Two analysts from China Post Fund Management Co., Ltd., Lion Fund	JMC Operating highlights

			Management Co., Ltd.	
August 27, 2009	In the Company	Oral Communication	Six analysts from Everbright Securities Co., Ltd., Changsheng Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., PICC, Bosera Fund Management Co., Ltd., E Fund Management Co., Ltd.	JMC Operating highlights
September 9, 2009	In the Company	Oral Communication	Five analysts from Dongxing Securities Co., Ltd., Huatai Securities Co., Ltd., China Galaxy Securities Limited, Guoyuan Securities Co., Ltd.	JMC Operating highlights
October 16, 2009	In the Company	Oral Communication	An analyst from Value Star Asset Management Ltd.	JMC Operating highlights
October 20, 2009	In the Company	Oral Communication	An analyst from Bohai Securities Co., Ltd.	JMC Operating highlights
October 28, 2009	In the Company	Oral Communication	Three analysts from Bosera Fund Management Co., Ltd., Zhonghai Fund Management Co., Ltd.	JMC Operating highlights
October 29, 2009	In the Company	Oral Communication	Eight analysts from Everbright Securities Co., Ltd., China Life Asset Management Company Limited, Galaxy Asset Management Co., Ltd., China Pacific Asset Management Co., Ltd., Haitong Securities Company Limited, Yimin Asset Management Co., Ltd.	JMC Operating highlights
November 3, 2009	In the Company	Oral Communication	An analyst from Shanghai Huiheng Investment Company	JMC Operating highlights
November 4, 2009	In the Company	Oral Communication	An analyst from Invesco Great Wall Fund Management Co., Ltd.	JMC Operating highlights
November 9, 2009	In the Company	Oral Communication	Two analysts from CITIC-Prudential Fund Management Co., Ltd.	JMC Operating highlights
December 1, 2009	In the Company	Oral Communication	An analyst from GF Securities Co., Ltd.	JMC Operating highlights

Chapter X Financial Statements

Jiangling Motors Corporation, Ltd.
Consolidated Financial Statements
31 December 2009

PRICEWATERHOUSECOOPERS

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Independent Auditor's Report

2010/SH-032/BMC/LLF

To the shareholders of Jiangling Motors Corporation, Ltd.

Report on the financial statements

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

普　华　永　道

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Shanghai, the People’s Republic of China

4 March 2010

Jiangling Motors Corporation, Ltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009
(All amounts in RMB unless otherwise stated)

	Note	As at 31 December 2009	As at 31 December 2008
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,491,159	2,362,871
Lease prepayment	6	284,393	290,916
Intangible assets	7	31,856	35,680
Investments in associates	8	17,292	16,136
Other non-current assets		-	300
Deferred income tax assets	9	134,133	105,233
		2,958,833	2,811,136
Current assets			
Inventories	10	1,059,798	1,057,873
Trade and other receivables	11	361,892	583,161
Cash and cash equivalents	12	3,913,823	1,511,608
		5,335,513	3,152,642
Total assets		**8,294,346**	**5,963,778**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	863,214	863,214
Share premium		816,609	816,609
Other reserves	14	457,650	457,650
Retained earnings		2,706,474	1,912,909
		4,843,947	4,050,382
Minority interest in equity		102,906	100,708
Total equity		**4,946,853**	**4,151,090**
LIABILITIES			
Non-current liabilities			
Borrowings	15	7,601	8,056
Retirement benefit obligations	16	70,475	72,602
Warranty provisions	17	122,361	99,079
		200,437	179,737
Current liabilities			
Trade and other payables	18	3,079,345	1,580,530
Current income tax liabilities		28,716	-
Borrowings	15	25,447	39,117
Retirement benefit obligations	16	13,548	13,304
		3,147,056	1,632,951
Total liabilities		**3,347,493**	**1,812,688**
Total equity and liabilities		**8,294,346**	**5,963,778**

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

Jiangling Motors Corporation, Ltd.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Revenue	19	10,433,205	8,587,034
Sales tax		(180,523)	(145,542)
Cost of sales		(7,706,608)	(6,645,062)
Gross profit		**2,546,074**	**1,796,430**
Distribution costs		(770,236)	(526,315)
Administrative expenses		(601,360)	(599,519)
Other income	22	6,925	167,327
Operating profit		**1,181,403**	**837,923**
Finance income	23	55,635	59,943
Finance costs	23	(3,648)	(3,398)
Finance income-net	23	51,987	56,545
Share of profit of associates		5,450	5,316
Profit before income tax		**1,238,840**	**899,784**
Income tax expense	24	(163,492)	(105,019)
Profit for the year		**1,075,348**	**794,765**
Profit attributable to:			
Equity holders of the Company		1,052,529	782,356
Minority interest		22,819	12,409
		1,075,348	**794,765**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**1,075,348**	**794,765**
Total comprehensive income attributable to:			
Equity holders of the Company		1,052,529	782,356
Minority interest		22,819	12,409
		1,075,348	**794,765**
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
- Basic and diluted	25	1.22	0.91

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

Jiangling Motors Corporation, Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in RMB unless otherwise stated)

	Note	Attributable to equity holders of the Company					
		Share Capital	**Share Premium**	**Other Reserves**	**Retained Earnings**	**Minority Interest**	**Total Equity**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008		863,214	816,609	442,331	1,404,836	88,299	3,615,289
Profit for the year		-	-	-	782,356	12,409	794,765
Dividend relating to 2007	26	-	-	-	(258,964)	-	(258,964)
Transfer to statutory reserve	14	-	-	15,319	(15,319)	-	-
Balance at 31 December 2008		**863,214**	**816,609**	**457,650**	**1,912,909**	**100,708**	**4,151,090**
Balance at 1 January 2009		863,214	816,609	457,650	1,912,909	100,708	4,151,090
Profit for the year		-	-	-	1,052,529	22,819	1,075,348
Dividend relating to 2008	26	-	-	-	(258,964)	(20,621)	(279,585)
Balance at 31 December 2009		**863,214**	**816,609**	**457,650**	**2,706,474**	**102,906**	**4,946,853**

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

Jiangling Motors Corporation, Ltd.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2009	2008
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	27	3,257,196	315,394
Interest paid		(2,242)	(2,467)
Income tax paid		(142,722)	(133,316)
Net cash generated from operating activities		3,112,232	179,611
Cash flows from investing activities			
Purchase of held-to-maturity investments		-	(239,409)
Purchase of property, plant and equipment ("PPE")		(489,283)	(615,870)
Proceeds from disposal of PPE	27	11,837	35,834
Interest received		50,185	64,348
Dividends received		11,238	-
Proceed from repayment of held-to-maturity investments		-	240,009
Net cash used in investing activities		(416,023)	(515,088)
Cash flows from financing activities			
Proceeds from borrowings		45,000	79,107
Repayments of borrowings		(59,125)	(79,560)
Dividends paid to the Company's shareholders		(258,350)	(258,647)
Dividends paid to minority shareholders of a subsidiary		(20,621)	-
Other cash paid relating to financing activities		(831)	(459)
Net cash used in financing activities		(293,927)	(259,559)
Net increase/(decrease) in cash and cash equivalents		2,402,282	(595,036)
Cash and cash equivalents at beginning of year		1,511,608	2,106,912
Effects of exchange rate changes		(67)	(268)
Cash and cash equivalents at end of year		**3,913,823**	**1,511,608**

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

1 General information

Jiangling Motors Corporation, Ltd. (the "Company") was established in the People's Republic of China (the "PRC") under the Company Law of the PRC and according to the approval of Hongban (1992) No. 005 of Nangchang Revolution and Authorization Group of Company's Joint Stock as a joint stock limited company to hold certain operational assets and liabilities of the automotive manufacturing business of Jiangxi Motors Manufacturing Factory, which was owned by Jiangling Motors Corporation Group ("JMCG"). The legal representative's operating license of the Company is No.002473.

The address of the Company's registered office is No.509, Northern Yingbin Avenue, Nanchang, Jiangxi Province, the PRC.

In December 1993, the Company issued 494,000,000 domestic ordinary shares ("A share"). In addition, the Company issued 25,214,000 A shares as bonus shares to the existing shareholders in 1994. The bonus shares were issued by utilisation of the Company's retained earnings.

In 1995, the Company issued 174,000,000 domestically listed foreign shares ("B share") and the Company issued 170,000,000 additional B shares in 1998.

As at 31 December 2009, the total issued shares of the Company are 863,214,000 shares, which are all listed on the Shenzhen Stock Exchange, the PRC.

The Company and its subsidiary (the "Group") are principally engaged in the development, manufacturing and selling of automobiles, engines and automobile related parts, dies and tools.

These group consolidated financial statements were authorised for issue by the Board of Directors on 4 March 2010.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). They have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

A Basis of preparation (continued)

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

- IFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- IAS 23 (amendment), 'Borrowing costs' (effective 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Group's current policy is to capitalise eligible borrowings costs, including borrowing costs of funds borrowed generally and used for the purpose of obtaining a qualifying asset, therefore the revised standard will have no impact on the presentation of the Group's consolidated financial statement.

- IFRS 8, 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As only a segment is presented based on the internal reporting provided to the chief operating decision-maker, it does not have a material impact on the Group's accounts. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM has been identified as the executive committee that makes strategic decisions, which comprised the president and most of the vice presidents of the Group. There has been no impact on the measurement of the Group's profits, assets and liabilities. As the strategic executive committee considers the Group's business as a whole in allocating resources and assess performance, it does not have a material impact on the Group's accounts.

2 Summary of significant accounting policies (continued)

A Basis of preparation (continued)

(b) Standards, amendments and interpretations to existing standards that have been effective but are not currently relevant for the Group.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- IFRS 2 (amendment), 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: presentation'.
- IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39(amendment), 'Financial instruments: recognition and measurement'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: recognition and measurement'.

(c) Standards, amendments and interpretations to existing standards that have been issued, but are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This is not currently applicable to the Group as no such non-cash distributions have been made.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

2 Summary of significant accounting policies (continued)

A Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that have been issued, but are not yet effective and have not been early adopted by the Group(continued)

- IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Group will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's financial statements.

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

B Consolidation

(1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

(3) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2 H for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2 Summary of significant accounting policies (continued)

B Consolidation (continued)

(3) Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

C Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

D Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income/(expenses)'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

2 Summary of significant accounting policies (continued)

E Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	35-40 years
Plant and machinery	10-15 years
Motor vehicles	6-10 years
Moulds	5 years
Others	5-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2 H).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income/(expenses) – net' in the statement of comprehensive income.

Assets under construction represent buildings under construction and plant and equipment pending installation, and are stated at cost. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

F Lease prepayment

Lease prepayments represent upfront prepayments made for the land use rights, and are expensed in the statement of comprehensive income on a straight line basis over the period of the lease or when there is impairment, the impairment is expensed in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

G Intangible assets

(1) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(b) management intends to complete the intangible asset and use or sell it;
(c) there is an ability to use or sell the intangible asset;
(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

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Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

No development costs were capitalised by the Group during the year ended 31 December 2009.

(2) Technical know-how

Technical know-how referred to after-sale management model are initially recorded at costs incurred to acquire and are amortised over the estimated useful lives of 6 years.

H Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

I Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2 Summary of significant accounting policies (continued)

J Financial assets

(1) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. As at 31 December 2009, the Group only has loans and receivables which comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position (Notes 2 O and 2 P).

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, these are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2 Summary of significant accounting policies (continued)

J Financial assets (continued)

(2) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income within ‘other income/(expenses) – net’ in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as ‘gains and losses from investment securities’.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available for sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group’s right to receive payments is established.

K Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

L Impairment of financial assets

(1) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

L Impairment of financial assets (continued)

(1) Assets classified as available for sale (continued)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (1) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated statement of comprehensive income. Impairment losses recognised in the separate consolidated statement of comprehensive income on equity instruments are not reversed through the separate consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated statement of comprehensive income.

Impairment testing of trade receivables is described in Note 2 O.

M Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has no derivative instruments that qualifying for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

N Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling prices in the ordinary course of business, less applicable variable costs of completion and distribution costs.

O Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 Summary of significant accounting policies (continued)

P Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Q Share capital

Share capital consists of “A” and “B” ordinary shares.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

R Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

S Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

T Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Summary of significant accounting policies (continued)

T Current and deferred income tax(continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

U Employee benefits

(1) Pension obligations

The Group contributes on a monthly basis to a defined contribution retirement scheme managed by the PRC government. The contribution to the scheme is charged to the statement of comprehensive income as and when incurred. The Group’s obligations are determined at a certain percentage of the salaries of the employees.

In addition, the Group provides supplementary pension subsidies to certain qualified employees. Such supplementary pension subsidies are considered as under defined benefit plans. The liability recognised in the statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows according to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the period in which they arise.

(2) Housing fund and other benefits

The Group’s full-time employees are entitled to participate in a state-sponsored housing fund. The fund can be used by the employees for the purchase of apartment accommodation, or may be withdrawn upon their retirement. The Group is required to make annual contributions to the state-sponsored housing fund equivalent to a certain percentage of the employees’ salaries.

(3) Profit sharing and bonus plan

The Group recognises a liability and expense for bonus plans based on a formula that takes into consideration the profit attributable to the Company’s shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 Summary of significant accounting policies (continued)

V Provisions

Provisions, mainly warranty costs, are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

W Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(1) Sales of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the products and collectability of the related receivables is reasonably assured.

(2) Interest income

Interest income is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

(3) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

2 Summary of significant accounting policies (continued)

X Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Y Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Z Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate. Government grants not relating to future costs are recognised on receipt basis.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight line basis over the expected lives of the related assets.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by Finance Department under policies approved by the Board of Directors.

(1) Market risk

(a) Currency risk

The Group is not significantly exposed to foreign exchange risk as all of its assets and liabilities are denominated in RMB except for an insignificant amount of bank deposits and borrowings which are denominated in U.S. dollar and Japanese Yen.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(1) Market risk (continued)

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at 31 December 2009, substantially all of its bank deposits and borrowings were at fixed rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2009, if the interest rate of the Group's bank deposits had been increased/decreased by 10% and all other variables were held constant, the Group's net profit and owners' equity would increase/decrease by approximately RMB4,363,000 for the year ended 31 December 2009.

As at 31 December 2009, if the interest rate of the Group's bank borrowings had been increased/decreased by 10% and all other variables were held constant, the Group's net profit and owners' equity would decrease/increase by approximately RMB239,000 for the year ended 31 December 2009.

(2) Credit risk

The Group does not have a significant exposure to any individual customer or counterparty.

As at 31 December 2009, the Group had cash deposits of approximately RMB186,016,000 (2008: RMB75,238,000) placed with Jiangling Motor Group Finance Company ("JMCF"), which is a non-bank financial institution and a subsidiary of JMCG (Note 12). The Group's other bank deposits are deposited in major banks which are state-owned entities incorporated in the PRC. Management believes all these financial institutions have high credit quality without significant credit risk.

All the Group's trade and other receivables have no collateral. However, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group assesses the credit quality of each customer by taking into account its financial position, past experience and other factors. Credit limit and terms are reviewed on periodic basis, and the financial department is responsible for such monitoring procedures. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. In this regards, the directors of the Company are satisfied that the risks is minimal as all customers are existing ones or related parties and have no default in the past and adequate allowance for doubtful debts, if any, has been made in the financial statements after assessing the collectability of individual debts. Further quantitative disclosures in respect of the impairment of trade and other receivables are set out in Note 11.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(3) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management regularly monitors the Group's undrawn borrowing facility (Note 15) and cash and cash equivalents (Note 12) on the basis of expected cash flow.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 15. Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB '000	**Between 1 and 2 years RMB '000**	**Between 2 and 5 years RMB '000**	**Over 5 years** RMB '000
At 31 December 2009				
Bank borrowings				
- Principals	25,447	447	1,341	5,813
- Interests	330	112	297	589
Trade and other payables	3,079,345	-	-	-
	3,105,122	559	1,638	6,402
At 31 December 2008				
Bank borrowings				
- Principals	39,117	448	1,343	6,265
- Interests	906	119	317	681
Trade and other payables	1,580,530	-	-	-
	1,620,553	567	1,660	6,946

3 Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total capital. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus borrowings. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios at 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Total borrowings	33,048	47,173
Total equity	4,946,853	4,151,090
Total capital	4,979,901	4,198,263
Gearing ratio	0.66%	1.12%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables and financial liabilities including trade and other payables, short-term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(1) Provisions

The Group provides warranties on automobile and undertakes to repair or replace items that fail to perform satisfactorily based on certain pre-determined conditions. Management estimates the related warranty claims based on historical warranty claim information including level of repairs and returns as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality controls, as well as parts and labour costs. Any increase or decrease in the provision would affect profit or loss in future years.

(2) Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 16.

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates and assumptions (continued)

(3) Taxation

The Group is subject to various taxes in the PRC, e.g. profit tax, value added tax, consumption tax, etc. Significant judgment is required in determining the provision for these taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initial recorded, such differences will impact the tax provisions in the period such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

As at 31 December 2009, the Group has deferred tax assets in the amount of approximately RMB134,133,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised for temporary differences arising from impairment provisions taken on inventory and receivables, accrued expenses and retirement benefit obligations. Should the Group be required to increase the tax rate, every 1% increment in tax rate would render a further write up of deferred tax asset in the amount of approximately RMB7,490,000.

5 Property, plant and equipment

	Buildings	Plant and Machinery	Motor Vehicles	Moulds	Electronic and other equipments	Assets under constructions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
At 1 January 2008							
Cost	654,535	1,806,859	59,923	706,159	886,340	661,343	4,775,159
Accumulated depreciation and impairment	(152,966)	(1,210,166)	(34,137)	(581,727)	(587,415)	(692)	(2,567,103)
Net book amount	501,569	596,693	25,786	124,432	298,925	660,651	2,208,056
Year ended 31 December 2008							
Opening net book amount	501,569	596,693	25,786	124,432	298,925	660,651	2,208,056
Additions	-	-	-	-	712	592,536	593,248
Transfers	53,683	264,784	11,911	249,906	193,543	(773,827)	-
Disposals	(18,877)	(615)	(1,080)	-	(479)	-	(21,051)
Other deduction	-	-	-	(239)	-	(185,148)	(185,387)
Impairment charge (Note 20,27)	-	(45)	-	-	(474)	-	(519)
Depreciation charge (Note 20,27)	(16,102)	(63,758)	(6,064)	(71,360)	(74,192)	-	(231,476)
Closing net book amount	520,273	797,059	30,553	302,739	418,035	294,212	2,362,871
At 31 December 2008							
Cost	682,944	2,056,176	66,936	955,826	1,057,654	294,904	5,114,440
Accumulated depreciation and impairment	(162,671)	(1,259,117)	(36,383)	(653,087)	(639,619)	(692)	(2,751,569)
Net book amount	520,273	797,059	30,553	302,739	418,035	294,212	2,362,871
Year ended 31 December 2009							
Opening net book amount	520,273	797,059	30,553	302,739	418,035	294,212	2,362,871
Additions	-	-	-	-	300	418,538	418,838
Transfers	37,058	77,892	10,985	15,913	55,896	(197,744)	-
Disposals	(292)	(4,266)	(336)	(574)	(348)	-	(5,816)
Other deduction	-	-	-	-	-	(10,500)	(10,500)
Impairment charge (Note 20,27)	-	-	-	(370)	-	-	(370)
Depreciation charge (Note 20,27)	(17,598)	(86,729)	(6,954)	(80,497)	(82,086)	-	(273,864)
Closing net book amount	539,441	783,956	34,248	237,211	391,797	504,506	2,491,159
At 31 December 2009							
Cost	719,661	2,110,971	75,241	970,431	1,106,927	505,198	5,488,429
Accumulated depreciation and impairment	(180,220)	(1,327,015)	(40,993)	(733,220)	(715,130)	(692)	(2,997,270)
Net book amount	539,441	783,956	34,248	237,211	391,797	504,506	2,491,159

5 Property, plant and equipment (continued)

For the year ended 31 December 2009, depreciation expense of approximately RMB237,909,000 (2008: RMB201,700,000) was charged in cost of sales, RMB1,188,000 (2008: RMB1,700,000) in distribution costs and RMB34,767,000 (2008: RMB28,076,000) in administrative expenses.

6 Lease prepayment

Lease prepayments represent the Group's interests in land which are held on leases of 50 years. The movement is as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Opening net book amount	290,916	139,813
Addition	1,974	171,324
Disposals	-	(14,848)
Amortisation charge (Note 20,27)	(8,497)	(5,373)
Closing net book amount	284,393	290,916
Cost	329,863	327,889
Accumulated amortisation	(45,470)	(36,973)
Net book amount	284,393	290,916

All amortisation expense was charged in administrative expenses.

7 Intangible assets

	After-sale management model	Software	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008				
Opening net book amount	29,274	5,447	1,266	35,987
Addition	-	7,891	-	7,891
Amortisation charge (Note 20, 27)	(6,162)	(1,769)	(267)	(8,198)
Closing net book amount	23,112	11,569	999	35,680
At 31 December 2008				
Cost	36,978	13,523	1,600	52,101
Accumulated amortisation	(13,866)	(1,954)	(601)	(16,421)
Net book amount	23,112	11,569	999	35,680
Year ended 31 December 2009				
Opening net book amount	23,112	11,569	999	35,680
Addition	-	6,000	-	6,000
Amortisation charge (Note 20, 27)	(6,162)	(3,395)	(267)	(9,824)
Closing net book amount	16,950	14,174	732	31,856
At 31 December 2009				
Cost	36,978	19,523	1,600	58,101
Accumulated amortisation	(20,028)	(5,349)	(868)	(26,245)
Net book amount	16,950	14,174	732	31,856

For the year ended 31 December 2009, amortisation expense of approximately RMB9,621,000 (2008: RMB8,027,000) was charged in administrative expenses and RMB203,000 in distribution costs (2008: RMB171,000).

8 Investments in associate

(a) Movement of investment in associate is set out as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the year	16,136	17,764
Share of profit (Note 27)	5,450	5,316
Dividends receivables	-	(6,944)
Dividends received	(4,294)	-
At end of the year	17,292	16,136

In March 1996, the Company entered into a Sino-foreign equity joint venture agreement with Visteon International Holding Co., Ltd. ("Visteon") to form Jiangxi Fuchang Climate Systems Co., Ltd. ("Jiangxi Fuchang"). The tenure of Jiangxi Fuchang is 30 years, and its principal activities include manufacture and sale of air-conditioners and spare parts for motor vehicles. On 1 June 2008, Visteon transferred its equity interests of Jiangxi Fuchang to Visteon Motor Climate Control Holding (Hong Kong) Co., Ltd. ("Visteon Hong Kong"), a subsidiary of Visteon, and Jiangxi Fuchang was renamed as Visteon Climate Control (Nanchang) Co., Ltd. ("Visteon Climate Control Nanchang").

Visteon Climate Control Nanchang has a registered capital of USD5.6 million, of which Visteon Hong Kong has an 80.85% interest and the Company has the remaining 19.15% interest. As the Company has 2 out of 6 seats in the board, Visteon Climate Control Nanchang is regarded as a 19.15% owned associate of the Company.

(b) The Group's share of assets, liabilities, revenue and results of its associates are as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Total assets	25,302	22,159
Total liabilities	(8,010)	(6,023)
Net assets	17,292	16,136

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Revenue	37,743	33,039
Profit for the year	5,450	5,316

9 Deferred income tax assets

Deferred income taxes are calculated in full on temporary differences under the liability method using applicable tax rate as stated in the following.

As the Company is qualified as a high-tech enterprise and approved by the relevant tax authorities in 2009, the Company is entitled to a preferential Enterprise income tax ("EIT") rate of 15% from 2009 to 2011.

According to the Notice of Enterprise Income Tax Rate Transition Regulation issued by the State Council of the PRC, Jiangling Isuzu Motor Corporation, Ltd. ("Jiangling Isuzu"), a subsidiary of the Company, applied 18% EIT rate in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Deferred tax assets	135,163	105,756
Deferred tax liabilities	(1,030)	(523)
Deferred tax assets (net)	134,133	105,233

The gross movement on the deferred income tax account is as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the year	105,233	107,902
Credited/(charged) to the statement of comprehensive income (Note 24)	28,900	(2,669)
At end of the year	134,133	105,233

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Provision for impairment of assets	Retirement benefits obligation	Accrued expenses	Depreciation of property, plant and equipment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	5,411	13,963	70,665	9,770	8,093	107,902
Credited/(charged) to the income statement	(2,883)	623	1,151	1,426	(2,463)	(2,146)
At 31 December 2008	2,528	14,586	71,816	11,196	5,630	105,756
Credited/(charged) to the income statement	(856)	4,389	20,052	(11,196)	17,018	29,407
At 31 December 2009	1,672	18,975	91,868	-	22,648	135,163

9 Deferred income tax assets (continued)

Deferred tax liabilities

	Depreciation of property, plant and equipment
	RMB'000
At 1 January 2008	
Charged to the income statement	(523)
At 31 December 2008	(523)
Charged to the income statement	(507)
At 31 December 2009	(1,030)

The amounts shown in the statement of financial position include the followings:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Deferred tax assets to be recovered after more than 12 months	18,228	15,083

10 Inventories

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Raw materials	490,890	619,757
Work in progress	98,696	85,652
Finished goods	470,212	352,464
	1,059,798	1,057,873

For the year ended 31 December 2009, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB7,696,686,000 (2008: RMB6,642,141,000).

11 Trade and other receivables

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Trade receivables	67,296	168,077
Less: Provision for impairment of trade receivables	(337)	(841)
Trade receivables – net	66,959	167,236
Notes receivables	87,081	220,609
Other receivables	18,650	42,749
Less: Provision for impairment of other receivables	(44)	(60)
Other receivables – net	18,606	42,689
Prepayments	181,909	145,683
Dividends receivables	-	6,944
Interest receivables	7,337	-
	361,892	583,161

Refer to Note 30 for details of receivables from related parties. The carrying amounts of the Group's trade and other receivables are denominated in RMB.

The carrying amounts of accounts receivable approximate their fair values.

As at 31 December 2009, trade and other receivables of approximately RMB381,000 (2008: RMB901,000) were impaired and provided for.

Movement on the provision for impairment of trade and other receivables is as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the year	(901)	(1,758)
Reversal for impairment of receivables	520	641
Receivables written-off during the year as uncollectible	-	216
At end of the year	(381)	(901)

As at 31 December 2009, trade receivables of approximately RMB381,000 were past due and provided for impairment, and the amount of approximately RMB3,726,000 (2008: RMB3,113,000) were past due but not impaired. The aging analysis of these trade receivables is as below:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Up to three months	3,726	3,113

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

12 Cash and cash equivalents

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Cash at bank and in hand	997,032	662,474
Short-term bank deposits (a)	2,916,791	849,134
	3,913,823	1,511,608

As at 31 December 2009, the Group had cash deposits of approximately RMB186,016,000 (2008: RMB75,238,000) placed JMCF (Note 30 (iii)). The interest rates range from 0.05% to 1.35% per annum (2008: 0.05% to 1.71%). JMCF, a non-bank financial institution, is a subsidiary of JMCG.

(a) Short-term bank deposits can be withdrawn at the discretion of the Group without any restriction.

13 Share capital

	Number of shares (thousands)	Tradable shares			Total
		"A" shares		"B" shares	
		Restricted	Non-restricted		
		RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008					
Balance at 1 January 2008	863,214	316,693	202,521	344,000	863,214
Transfer	-	(45,321)	45,32	-	-
Balance at 31 December 2008	863,214	271,372	247,842	344,000	863,214
Year ended 31 December 2009					
Balance at 1 January 2009	863,214	271,372	247,842	344,000	863,214
Transfer	-	(268,130)	268,130	-	-
Balance at 31 December 2009	863,214	3,242	515,972	344,000	863,214

All the "A" and "B" shares are registered, issued and fully paid ordinary shares of RMB1 each.

All the "A" and "B" shares rank pari passu in all respects.

13 Share capital (continued)

In January 2006, the Company implemented the share reform scheme (the “Share Reform Scheme”) in accordance with relevant PRC regulations after which the Company’s shares would become tradable in the stock market.

With the approval from State-Owned Assets Supervision and Administration Committee of Guozichanquan [2006] No. 36, the shareholders of the Company approved the Share Reform Scheme on 16 January 2006.

On 25 January 2006, the change on the nature of the shares relating to the Share Reform Scheme was approved by the Ministry of Commerce of the PRC of Shangzipi [2006] No. 387.

According to the Share Reform Scheme, registered tradable A-share shareholders of the Company as at 13 February 2006 received cash consideration of RMB13.40 per 10 shares on 14 February 2006, and subsequently these previously non-tradable A shares became tradable with conditions.

14 Other reserves

	Statutory surplus reserve fund (a)	**Reserve fund**	**Others (b)**	**Total**
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2008	416,288	18,627	7,416	442,331
- Profit appropriation	15,319	-	-	15,319
At 31 December 2009 and 2008	431,607	18,627	7,416	457,650

(a) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the Company, it is required to appropriate 10% of its annual net profit, after offsetting any prior years’ losses as determined under the Accounting Standards for Business Enterprises in the PRC, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the Company’s share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years’ losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by them. The fund is non-distributable except for liquidation situation.

Pursuant to the Articles of Association of the Company, approximately RMB15,319,000 was appropriated to the statutory surplus reserve fund from the net profit for the year ended 31 December 2008. As the balance of the statutory surplus reserve fund has reached 50% of the Company’s share capital after the above appropriation, there are no further appropriations to the statutory surplus reserve fund for the year ended 31 December 2009.

(b) The Group owned 20% equity interests in Jiangxi Fujiang After-Sales Services Co., Ltd. (“Jiangxi Fujiang”) prior to 30 September 2006 and has been accounted for as an associate of the Group. On 30 September 2006, the Group acquired the remaining 80% equity interests in Jiangxi Fujiang. Thereafter, Jiangxi Fujiang became wholly owned by the Group. In this connection, the difference between the carrying amount of Jiangxi Fujiang and the attributable share of the fair value of Jiangxi Fujiang before this acquisition is recorded as "other reserve" in 2006.

15 Borrowings

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Current		
Bank borrowings		
- secured (a)	447	448
- unsecured	25,000	38,669
	25,447	39,117
Non-current		
Bank borrowings - secured (a)	7,601	8,056
Total borrowings	33,048	47,173

(a) Bank borrowings of USD1,178,715 (equivalent to approximately RMB8,048,000) (2008: USD1,244,199, equivalent to approximately RMB8,504,000) were guaranteed by JMCF (Note 30 (v)).

The interest rate of bank borrowings is ranging from 1.5% to 6.72% per annum (2008: 1.50% to 6.99%).

The fair value of borrowings approximates their carrying values.

The maturity of non-current borrowings is as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Between 1 and 2 years	447	448
Between 2 and 5 years	1,341	1,343
Over 5 years	5,813	6,265
	7,601	8,056

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
RMB	25,000	25,000
US dollar	8,048	22,173
	33,048	47,173

The Group has the following undrawn borrowing facilities:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Fixed rate		
- Expiring within one year	2,264,049	1,156,138

16 Retirement benefits obligations

The amount of early retirement and supplemental benefit obligations recognised in the statement of financial position is as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Present value of defined benefits obligations		
Defined benefit obligations	86,585	88,633
Unrecognised past service cost	(2,562)	(2,727)
Liability on the statement of financial position	84,023	85,906

The movement of early retirement and supplemental benefit obligations for the year ended 31 December 2009 is as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the year	85,906	84,691
For the year		
-Current service cost	632	346
-Interest cost	2,653	3,501
-Payment	(13,994)	(15,021)
-Past service cost	159	2,850
-Actuarial loss	8,667	9,539
At end of the year	84,023	85,906
Current	13,548	13,304
Non-current	70,475	72,602
	84,023	85,906

The material actuarial assumptions used in valuing these obligations are as follows:

(1) Discount rate adopted: 4.00% (2008: 3.25%)
(2) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post: 0% to 5% (2008: 0% to 5%)
(3) Mortality: average life expectancy of residents in the PRC

Based on the assessment and IAS 19, the Group estimated that, at 31 December 2009, a provision of RMB84,023,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB84,023,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB13,548,000 (2008: RMB13,304,000) has been included under current liabilities.

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 4.09%/4.59%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.71%/2.35%
Rate of mortality	Increase/decrease by 1 year	Decrease/increase by 0.48%/0.51%

17 Warranty provisions

The movement on the warranty provisions is as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
At beginning of the year	99,079	106,910
Charged for the year (Note 20)	105,253	66,101
Utilised during the year	(81,971)	(73,932)
At end of the year	122,361	99,079

The above represents the warranty costs for repairs and maintenance, which are estimated based on present after-sale service policies and prior years' experience on the incurrence of such cost. The warranty period is the sooner of two years and fifty thousand kilometres since the motor vehicles are sold to consumer.

18 Trade and other payables

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Trade payables	2,043,471	1,024,072
Payroll and welfare payable	102,881	98,710
Dividend payables	5,539	4,930
Other payables	851,561	396,841
Provision related to distribution costs	75,893	55,977
	3,079,345	1,580,530

Refer to Note 30 for details of amount due to related parties.

19 Revenue and segment information

The Group principally derives its turnover from the manufacture, assembly and sale of automobiles, related spare parts and components, and sales are made principally in the PRC. Revenue represents the total invoiced value of goods supplied to customers, net of value-added tax, returns and allowances.

Management has determined the operating segment based on the reports reviewed by the strategic executive committee that are used to make strategic decisions. The committee considers the business from the product perspective as all the Group's sales are made in the PRC. Since the Group principally derives its turnover from the sale of automobiles, the committee considers the automobile business as a whole in allocating resources and assessing performance. Accordingly, no segment information is presented.

20 Expenses by nature

	Year ended 31 December	
	2009	**2008**
	RMB'000	RMB'000
Raw materials and consumables used	6,902,503	5,978,661
Employee benefit expenses (Note 21)	533,630	460,101
Depreciation on property, plant and equipment (Note 5,27)	273,864	231,476
Impairment charges of property, plant and equipment (Note 5,27)	370	519
Repairs and maintenance expenditure on property, plant and equipment	78,544	66,450
Research and development expenditure	309,363	275,368
Amortisation of lease prepayment (Note 6,27)	8,497	5,373
Amortisation of intangible assets (Note 7,27)	9,824	8,198
Impairment charges for inventories (Note 27)	961	9,018
Reversal of impairment in trade and other receivables (Note 27)	(520)	(642)
Provision of warranty (Note 17)	105,253	66,101
Others	855,915	670,273
Total cost of sales, distribution costs and administrative expenses	9,078,204	7,770,896

21 Employee benefit expenses

	Year ended 31 December	
	2009	**2008**
	RMB'000	RMB'000
Wages and salaries	406,637	348,096
Social security costs	31,695	26,875
Pension costs – defined contribution plans	40,421	30,277
Pension costs – defined benefit plan (Note 16)	12,111	16,236
Others	42,766	38,617
	533,630	460,101

The employees of the Group participated in a retirement benefit plan organised by the municipal and provincial governments under which the Group was required to make defined contributions monthly to this plan.

In addition, the Group also paid certain pension subsidies to certain retired employees. In accordance with the Group's early retirement programs, the Group was also committed to make periodic benefit payments to certain early-retired employees until they reach their legal retirement ages.

22 Other income

	Year ended 31 December	
	2009	**2008**
	RMB'000	RMB'000
Government grants (a)	-	164,417
Others	6,925	2,910
	6,925	167,327

(a) In June 2008, the Group received unconditional grants of approximately RMB164,417,000 from the local government of Xiaolan Economic Development Zone of Nanchang city in compensation of the Group's expenditures on research and development of new products. Such amounts are considered to be government grants relating to expenses and credited in the consolidated statement of comprehensive income.

23 Finance income and cost

	Year ended 31 December	
	2009	**2008**
	RMB'000	RMB'000
(a) Finance income		
Interest income on bank deposits	52,016	45,045
Interest income on credit sales	3,619	14,898
	55,635	59,943
(b) Finance cost		
Interest expense on bank loans	(2,844)	(2,446)
Bank charges	(804)	(952)
	(3,648)	(3,398)
Net finance income	51,987	56,545

24 Taxation

(a) Enterprise income tax ("EIT")

The Group applicable tax rate was stated in Note 9. For the year ended 31 December 2009, the applicable EIT rates of the Company and its subsidiary are 15% and 20% respectively.

The amounts of income tax expense charged to the statement of comprehensive income represented:

	Year ended 31 December	
	2009	**2008**
	RMB'000	RMB'000
Current tax	(192,392)	(102,350)
Deferred tax (Note 9)	*28,900*	(2,669)
	(163,492)	(105,019)

24 Taxation (continued)

(a) Enterprise income tax (continued)

The difference between the actual income tax charge in the statement of comprehensive income and the amounts which result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Profit before tax	1,238,840	899,784
Tax calculated at a tax rate of 15% (2008: 18%)	(185,826)	(161,961)
Company which is subject to different tax rate	(4,222)	-
Tax concessions	17,920	25,090
Expense not deductible for tax purposes	(1,712)	(2,081)
Income not subject to tax	19,330	24,284
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	(8,982)	9,649
Tax charge	(163,492)	(105,019)

(b) Value-added tax ("VAT")

Output VAT is levied at a general rate of 17% on the selling price of goods. Input VAT paid on purchase of goods can be used to offset the output VAT to determine the net VAT payable.

(c) Consumption Tax ("CT")

The Group's automobile sale is subject to CT at 5% on the selling price of goods.

25 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2009	**2008**
Profit attributable to equity holders of the Company (RMB '000)	1,052,529	782,356
Weighted average number of ordinary shares in issue (thousands)	863,214	863,214
Basic earnings per share	1.22	0.91

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2009.

26 Dividends

A final dividend for 2008 of RMB258,964,000 (RMB0.3 per share) was paid in 2009.

A final dividend for 2009 of RMB 4.9 per ten shares, amounting to a total dividend of RMB 422,974,860 is proposed at the Directors' Meeting on 4 March 2010, and such dividend is to be approved by the shareholders at the Annual General Meeting. These financial statements do not reflect this dividend payable.

Jiangling Isuzu (a 75% subsidiary of the Company) paid a dividend of RMB82,483,000 in 2009.

27 Cash generated from operations

	Year ended 31 December	
	2009	**2008**
	RMB'000	RMB'000
Profit before tax	1,238,840	899,784
Depreciation (Note 5,20)	273,864	231,476
Amortisation of lease prepayment (Note 6,20)	8,497	5,373
Amortisation of intangible assets (Note 7,20)	9,824	8,198
Impairment charge of PPE (Note 5,20)	370	519
Reversal of impairment in trade and other receivables (Note 20)	(520)	(642)
Impairment for write-down of inventories (Note 20)	961	9,018
(Gain)/loss on disposals of PPE and lease prepayment	(6,091)	65
Interest expense (Note 23)	3,648	3,398
Interest income (Note 23)	(55,635)	(59,943)
Net foreign exchange transaction gain	(50)	(2,520)
Share of profit of associates (Note 8)	(5,450)	(5,316)
Investment income of held-to-maturity investment	-	(600)
Changes in working capital:		
- Increase in inventories	(12,495)	(209,779)
- Decrease in trade and other receivables	199,954	96,095
- Increase/(decrease) in warranty provisions	23,282	(7,831)
- Increase/(decrease) in trade and other payables	1,580,080	(653,116)
- (Decrease)/increase in pensions and other retirement benefits	(1,883)	1,215
Cash generated from operations	3,257,196	315,394

In the cash flow statement, proceeds from disposal of PPE and lease prepayment comprise:

	Year ended 31 December	
	2009	**2008**
	RMB'000	RMB'000
Net book amount	5,816	35,899
Gain/(loss) on disposal of PPE and lease prepayment	6,091	(65)
Offset with trade and other payables	(70)	-
Proceeds from disposal of property, plant and equipment	11,837	35,834

28 Contingencies

At 31 December 2009, the Group did not have any significant contingent liabilities.

29 Commitments

Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Contracted but not provided for:		
Purchases of buildings, plant and machinery	282,320	430,000

30 Related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Jiangling Motor Holdings Co. Ltd. (“JMH”), which owns 41.03% of the Company’s shares, and Ford, which owns 30% of the Company’s shares, are major shareholders of the Company as at 31 December 2009. In addition, Chongqing Changan Automobile Corporation Ltd. (“Changan Auto”) and JMCG hold 50% equity interest of JMH, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, Changan Auto and its subsidiaries, JMCG and its subsidiaries, Ford and its subsidiaries in the ordinary course of business during the year ended 31 December 2009.

30 Related party transactions (continued)

For the year ended 31 December 2009, related parties, other than the subsidiary, and their relationship with the Group are as follow:

Name of related Party	Relationship
JMCG	Shareholder of JMH; the same Chairman as the Company
Ford Motor (China) Co., Ltd.	Subsidiary of Ford
Ford Trading Company	Subsidiary of Ford
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Subsidiary of Ford
Ford Global Technologies, LLC	Subsidiary of Ford
Ford Otosan Company	Subsidiary of Ford
Ford Motor Company of Australia Limited	Subsidiary of Ford
JMCG Interior Trim Factory	Subsidiary of JMCG
Jiangxi JMCG Industrial Co.	Subsidiary of JMCG
JMCG Construction & Development Co.	Subsidiary of JMCG
JMCG Property Management Co.	Subsidiary of JMCG
Jiangxi Jiangling Chassis Company	Subsidiary of JMCG
Jiangling Material Co.	Subsidiary of JMCG
Land Wind Sales Company	Subsidiary of JMH
JMCG Import & Export Co., Ltd.	Subsidiary of JMCG
Nanchang Gear Co., Ltd.	Subsidiary of JMCG
Jiangling-Lear Interior Trim Factory	Subsidiary of JMCG
Nanchang Jiangling Hua Xiang Auto Components Co.	Subsidiary of JMCG
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Subsidiary of JMCG
JMCF	Subsidiary of JMCG
Jiangling Metal Casting Co.	Subsidiary of JMCG
JMCG Special Purpose Vehicle Plant	Subsidiary of JMCG
Jiangling Auto Component Co.	Subsidiary of JMCG
Jiangxi Jiangling Material Utilization Co., Ltd.	Subsidiary of JMCG
JMCG Industry Co. Printing Plant	Subsidiary of JMCG
JMCG Industrial Co. Shangrao Motor parts Plant	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Xinchen Auto Component Co.	Subsidiary of JMCG
Jiangling New-power Auto manufacturing Co.	Subsidiary of JMCG
Jiangling Overseas Motors Sales&Service Co., Ltd.	Subsidiary of JMCG
JMCG Hequn Costume Co., Ltd.	Associate of JMCG
Nanchang JMCG Trading Co.	Associate of JMCG
Nanchang JMCG Liancheng Auto Component Co.	The same Chairman as the Company
Visteon Climate Control Nanchang	Associate of the Company
GETRAG (Jiangxi) Transmission Company	Associate of JMCG
GETRAG Ford Transmissions Gmbh	Joint venture of Ford
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Associate of JMCG
Jiangxi JMCG Aowei Auto Component Co.	Associate of JMCG
Nanchang JMCG Tianren Auto Component Co.	Associate of JMCG
Changan Ford Mazda Automobile Co., Ltd.	Associate of Ford

30 Related party transactions (continued)

i) Purchases of goods, provision of services

Purchase of goods	**Year ended 31 December**	
	2009	**2008**
	RMB'000	RMB'000
JMCG	154,720	140,501
Ford	247,914	245,410
JMCG Interior Trim Factory	269,247	244,471
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	99,260	82,243
Jiangxi JMCG Industrial Co.	52,469	98,707
Jiangling Material Co.	34,549	35,277
Visteon Climate Control Nanchang	118,121	106,672
Jiangxi Jiangling Chassis Company	334,828	288,446
Jiangling-Lear Interior Trim Factory	191,736	151,146
Jiangling Metal Casting Co.	14,613	12,836
Nanchang Gear Co., Ltd.	6,365	5,781
Nanchang Jiangling Hua Xiang Auto Components Co.	90,013	68,723
Jiangling Auto Component Co.	9,008	8,068
Ford Trading Company	-	116,844
JMCG Industrial Co. Shangrao Motor Parts Plant	3,565	3,567
JMCG Industry Co. Printing Plant	2,318	2,035
JMCG Special Purpose Vehicle Plant	1,215	1,163
GETRAG (Jiangxi) Transmission Company	272,183	218,678
Ford Otosan Company	1,572	5,292
Nanchang JMCG Liancheng Auto Component Co.	85,558	56,995
JMCG Hequn Costume Co., Ltd.	2,456	4,413
GETRAG Ford Transmissions Gmbh	-	3,839
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	320,627	247,365
Nanchang JMCG Xinchen Auto Component Co.	16,102	5,532
Jiangxi JMCG Aowei Auto Component Co.	21,167	-
Nanchang JMCG Tianren Auto Component Co.	3,119	700
Others	657	17
	2,353,382	2,154,721

30 Related party transactions (continued)

i) Purchases of goods, provision of services (continued)

Provision of services and others	**Year ended 31 December**	
	2009	**2008**
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.		
- commission expenses	6,038	5,921
- services	6,591	-
JMCG Construction & Development Co.		
- services	-	1,015
JMCG		
- rental expense	3,254	3,254
Ford Motor (China) Co., Ltd.		
- services	457	1,658
Ford		
- services	14,376	22,413
JMCG Jiangxi Engineering Construction Co., Ltd.		
- services	34,903	31,827
Jiangling-Lear Interior Trim Factory		
- services	1,424	-
GETRAG (Jiangxi) Transmission Company		
- services	360	10,500
Jiangxi JMCG Industrial Co.		
- services	12,588	11,416
JMCG Property Management Co.		
- services	1,967	1,739
Nanchang JMCG Liancheng Auto Component Co.		
- services	-	2,794
Ford Motor Research & Engineering (Nanjing) Co., Ltd.		
- services	3,150	2,297
Ford Motor Company of Australia Limited		
- services	1,424	1,448
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.		
- services	3,799	47
Visteon Climate Control Nanchang		
- services	1,326	-
Others	3,540	4,667
	95,197	100,996

30 Related party transactions (continued)

i) Purchases of goods, provision of services (continued)

Purchases of property, plant and equipment	**Year ended 31 December**	
	2009	**2008**
	RMB'000	RMB'000
Changan Ford Mazda Automobile Co., Ltd.	400	-
Visteon Climate Control Nanchang	500	-
Jiangling Overseas Motors Sales&Service Co., Ltd.	400	930
	1,300	930

ii) Sales of goods and provision of services

Sales of goods	**Year ended 31 December**	
	2009	**2008**
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	354,112	608,329
JMCG Interior Trim Factory	46,637	36,041
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	112,135	90,334
JMCG Property Management Co.	7,321	6,904
Jiangxi JMCG Industrial Co.	7,272	57,559
Jiangxi Jiangling Chassis Company	16,856	15,731
Land Wind Sales Company	1,933	2,253
Jiangxi Jiangling Material Utilization Co., Ltd.	34,991	41,724
JMH	32,592	51,277
GETRAG (Jiangxi) Transmission Company	5,945	36,140
Nanchang JMCG Liancheng Auto Component Co.	21,950	11,863
Jiangling-Lear Interior Trim Factory	2,899	1,363
Jiangling New-power Auto Manufacturing Co.	15,586	3,598
Jiangxi JMCG Aowei Auto Component Co.	1,211	-
Nanchang JMCG Trading Co.	3,507	-
Others	2,923	2,155
	667,870	965,271

Sales of property, plant and equipment	**Year ended 31 December**	
	2009	**2008**
	RMB'000	RMB'000
Nanchang JMCG Liancheng Auto Component Co.	11,160	-

	Year ended 31 December	
Rental income	**2009**	**2008**
	RMB'000	RMB'000
Jiangling Material Co.	264	132
Others	-	11
	264	143

30 Related party transactions (continued)

iii) Balances arising from sales/purchases of goods/services

Trade receivables from related parties	**31 December 2009**	**31 December 2008**
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	-	1,812
JMH	3,745	471
Jiangxi Jiangling Material Utilization Co., Ltd.	-	2,322
Nanchang JMCG Liancheng Auto Component Co.	6,514	3,199
Jiangling New-power Auto manufacturing Co.	3,846	1,126
JMCG Import & Export Co., Ltd.	632	517
	14,737	9,447

Notes receivables from related parties	**31 December 2009**	**31 December 2008**
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	10,000	-

Other receivables from related parties	**31 December 2009**	**31 December 2008**
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	381	1,910
Others	600	600
	981	2,510

Prepayment for purchasing of goods	**31 December 2009**	**31 December 2008**
	RMB'000	RMB'000
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	148,592	119,121
JMCG Import & Export Co., Ltd.	-	10,616
	148,592	129,737

Prepayment for construction in progress	**31 December 2009**	**31 December 2008**
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	43	3,789
JMCG Jiangxi Engineering Construction Co., Ltd.	2,724	1,800
	2,767	5,589

30 Related party transactions (continued)

iii) Balances arising from sales/purchases of goods/services (continued)

Trade payables to related parties	**31 December 2009**	**31 December 2008**
	RMB'000	RMB'000
JMCG Interior Trim Factory	69,488	48,027
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	81,172	48,894
Jiangling-Lear Interior Trim Factory	65,306	40,518
Visteon Climate Control Nanchang	43,719	22,614
JMCG	44,497	19,441
Jiangxi Jiangling Chassis Company	106,022	49,252
Nanchang Gear Co., Ltd.	1,791	1,634
Nanchang Jiangling Hua Xiang Auto Components Co.	33,883	17,217
Jiangling Metal Casting Co.	5,207	2,632
Jiangxi JMCG Industrial Co.	18,995	12,922
JMCG Industrial Co. Shangrao Motor parts Plant	1,312	587
Jiangling Auto Component Co.	2,603	1,284
JMCG Import & Export Co., Ltd.	1,590	1,984
Jiangling Material Co.	1,353	860
GETRAG (Jiangxi) Transmission Company	91,252	37,711
Nanchang JMCG Liancheng Auto Component Co.	30,173	14,466
Ford	41,087	7,171
Nanchang JMCG Xinchen Auto Component Co.	6,067	3,066
Jiangxi JMCG Aowei Auto Component Co.	8,964	-
Others	1,359	770
	655,840	331,050

Other payables to related parties	**31 December 2009**	**31 December 2008**
	RMB'000	RMB'000
Ford	26,400	83,804
Ford Otosan Company	2,445	6,992
Ford Motor (China) Co., Ltd.	2,415	3,041
JMCG Import & Export Co., Ltd.	7,034	801
GETRAG (Jiangxi) Transmission Company	1,288	10,500
JMCG Jiangxi Engineering Construction Co., Ltd.	8,892	5,584
Jiangling-Lear Interior Trim Factory	2,081	-
Ford Motor Company of Australia Limited	2,512	1,448
Ford Global Technologies,LLC	4,795	10,093
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	2,362	1,945
Nanchang JMCG Liancheng Auto Component Co.	866	2,543
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	1,103	642
Jiangxi JMCG Industrial Co.	1,016	981
Nanchang Jiangling Hua Xiang Auto Components Co.	1,906	391
Others	3,521	1,865
	68,636	130,630

30 Related party transactions (continued)

iii) Balances arising from sales/purchases of goods/services (continued)

Advance from related parties	31 December 2009	31 December 2008
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	21,882	4,280
Others	179	114
	22,061	4,394

Cash deposit in related parties	31 December 2009	31 December 2008
	RMB'000	RMB'000
JMCF (Note 12)	186,016	75,238

iv) Service fee paid to Ford, Ford Otosan Company and JMH for management staff

Pursuant to an agreement among the Company, Ford, Ford Otosan Company and Ford Motor (China) Co., Ltd. in 2008, some employees of Ford, Ford Otosan Company and Ford Motor (China) Co., Ltd. were assigned to the Company as management staff. During the year ended 31 December 2009, the Company has accrued approximately USD3,469,000 (equivalent to approximately RMB23,697,000), USD213,000 (equivalent to approximately RMB1,458,000) and RMB2,473,000 (2008: USD3,328,000 (equivalent to approximately RMB23,181,000), USD827,000 (equivalent to approximately RMB5,784,000) and RMB1,753,000) to Ford, Ford Otosan Company and Ford Motor (China) Co., Ltd. as service fee for these employees, respectively.

Pursuant to an agreement between the Company and JMH in January 2009, some employees of JMH were assigned to the Company as management staff. During the year ended 31 December 2009, the Company has accrued approximately RMB690,000 (2008: RMB619,000) to JMH as service fee for these employees.

v) Guarantee

As at 31 December 2009, bank loans of USD1,178,715 (equivalent to approximately RMB8,048,000) (2008: USD1,244,199, equivalent to approximately RMB8,504,000) were guaranteed by JMCF (Note 15).

vi) Key management remuneration

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and members of the Supervisory Board. During the year ended 31 December 2009, the total remuneration of the key management was about RMB5,604,000 (2008: RMB5,869,000).

30 Related party transactions (continued)

vii) Royalty fee

Pursuant to the joint development agreement, the Company agreed the payment of royalty fee to Ford at 1.8% of sale value of VE83 series automobiles with a maximum payment amount of USD40,000,000. As at 31 December 2009, the Company has paid all the royalty fee.

Pursuant to a development agreement among the Company, Ford, Ford Global Technologies, LLC and Ford Otosan Company in 2008, the Company agreed the payment of royalty fee to Ford at 2.6% of V348 series automobiles net sale till production stopped. The 67.31% and 32.69% of total royalty fee will be paid to Ford Global Technologies, LLC and Ford Otosan Company respectively. During the year ended 31 December 2009, the total royalty fee due to Ford Global Technologies, LLC and Ford Otosan Company was approximately USD3,750,000 (equivalent to approximately RMB25,614,000) (2008: USD2,315,000, equivalent to approximately RMB15,916,000). As at 31 December 2009, an outstanding amount of approximately USD1,159,000 will be paid in the future.

viii) Transaction with other state-owned entities

The Group's largest shareholder is JMH, which was established by state-owned enterprises, Changan Auto and JMCG, with the equity interests of 50% and 50%, respectively. The Group is thereby considered to be significantly influenced by the PRC Government, which controls a substantial number of entities in the PRC. For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned entities. Many state-owned entities have multi-layered corporate structure and the ownership structures change overtime. Nevertheless the Management believes that meaningful information relating to such kind of related parties transactions has been adequately disclosed.

Transactions with other state-owned entities

	Year ended 31 December	
	2009	**2008**
	RMB'000	RMB'000
Purchase of goods	748,389	858,508
Purchase of fixed assets	24,991	32,402
Purchase of services	40,074	51,688
Sales of goods	24,408	1,890
Interest income	49,491	43,171
Interest expense	1,951	2,446
Borrowings	45,000	79,107
Repayment of borrowings	59,125	79,560

30 Related party transactions (continued)

viii) Transaction with other state-owned entities (continued)

Balances with other state-owned entities

	31 December 2009	31 December 2008
	RMB'000	RMB'000
Cash and cash equivalents	3,727,807	1,436,370
Borrowings	33,048	47,173
Trade and other receivables	34,765	13,940
Trade and other payables	210,943	126,310

31 Principal subsidiary

As at the date of this report, the Group has the following subsidiary:

Entity	Place and date of incorporation	Percentage of equity interest held	Principal activities
Jiangling Isuzu	Nanchang, PRC / 10 March 1993	75%	Manufacture and sale of automobiles and spare parts

Chapter XI Catalog on Documents for Reference

1. Originals of 2009 financial statements signed by legal representative and Chief Financial Officer.
2. Originals of the Independent Auditor's Reports signed by Independent accountants and stamped by the accounting firm.
3. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC in 2009.
4. The Annual Report in the China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
March 6, 2010