

# **Jiangling Motors Corporation, Ltd.**



## **2010 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 confirm 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, Ding Ni, 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

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## 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	1,926,762
Profit Before Income Tax	2,026,297
Profit Attributable to the Equity Holders of the Company	1,706,304
Net Cash Generated From Operating Activities	2,716,444

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, 2010	Profit Attributable to the Equity Holders of the Company in 2010
As Prepared under the China GAAP*	6,127,276	1,711,614
Adjustment per IFRS:		
Staff Bonus and Welfare Fund appropriated from Net Profit of a Subsidiary	-	-5,310
As Restated in Conformity with IFRS	6,127,276	1,706,304

\* 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

	2010	2009	Change (%)	2008
Revenue	15,767,897	10,433,205	51.13	8,587,034
Profit Before Income Tax	2,026,297	1,238,840	63.56	899,784
Profit Attributable to the Equity Holders of the Company	1,706,304	1,052,529	62.11	782,356
Net Cash Generated From Operating Activities	2,716,444	3,112,232	-12.72	179,611
	End of Year 2010	End of Year 2009	Change (%)	End of Year 2008
Total Assets	11,237,715	8,294,346	35.49	5,963,778
Shareholders' Equity Attributable to the Equity Holders of the Company	6,127,276	4,843,947	26.49	4,050,382
Share Capital	863,214	863,214	0	863,214

2. Main financial ratios of the past three years

	2010	2009	Change (%)	2008
Basic Earnings Per Share (RMB)	1.98	1.22	62.11	0.91
Diluted Earnings Per Share (RMB)	1.98	1.22	62.11	0.91
Weighted Average Return on Net Asset Ratio	30.91%	23.66%	Up 7.25 percentage points	20.65%
Net Cash Per Share Generated From Operating Activities (RMB)	3.15	3.61	-12.72	0.21
	End of Year 2010	End of Year 2009	Change (%)	End of Year 2008
Net Assets Per Share Attributable to the Equity Holders of the Company (RMB)	7.10	5.61	26.49	4.69

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').

## 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	3,241,545	0.38%	-	-	-	-335,925	-335,925	2,905,620	0.34%
1.State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	3,237,000	0.37%	-	-	-	-336,000	-336,000	2,901,000	0.33%
Including:									
Domestic legal person shares	3,117,000	0.36%	-	-	-	-336,000	-336,000	2,781,000	0.32%
Domestic natural person shares	120,000	0.01%	-	-	-	-	-	120,000	0.01%
4. Management Shares	4,545	0.01%	-	-	-	75	75	4,620	0.01%
II. Unlimited tradable shares	859,972,455	99.62%	-	-	-	335,925	335,925	860,308,380	99.66%
1. A shares	515,972,455	59.77%	-	-	-	335,925	335,925	516,308,380	59.81%
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, 2010. JMC's total shares remained the same in 2010, and the changes in shareholding structure were caused by the following reasons

- i. the trading restriction on the limited tradable A shares of 336,000 shares was relieved on September 13, 2010;
- ii. locked management shares increased in the reporting period;
- iii. 120,000 shares with trading restriction held by Hubei Material Industry Company were transferred to Mr. Lai Qinghua in December 2010 according to judicial decision.

Change Table of Shares with Trading Restriction by December 31, 2010

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
Changsha Dazhi Investment Consulting Co.	120,000	120,000	-	0	Share Reform	2010.9.13
Jiangxi Jiangling Sales Company	60,000	60,000	-	0	Share Reform	2010.9.13
Shanghai Volkswagen Xinxiang Sales Service Company	36,000	36,000	-	0	Share Reform	2010.9.13
Huang Changxiang	42,000	42,000	-	0	Share Reform	2010.9.13
Li Wanlian	78,000	78,000	-	0	Share Reform	2010.9.13
Lai Qinghua	0	0	120,000	120,000	Share Reform	
Wu Yong	3,645	-	-	3,645	Management shares	2011.1.4
Xiong Chunying	900	-	-	900	Management shares	2011.1.4
Zhu Shuixing	0	0	75	75	Management shares	2011.1.4
Total	340,545	336,000	120,075	124,620		

## II. Shareholders

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

Total shareholders	JMC had 26,038 shareholders, including 19,879 A-share holders and 6,159 B-share holders, as of December 31, 2010.				
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	1.66	14,300,000	0	0
Shanghai Automotive Co., Ltd.	State-owned Legal person	1.51	13,019,610	0	0
National Social Security Fund- Portfolio 102	Domestic non-state-owned legal person	1.16	10,030,098	0	0



Bosera Emerging Growth Securities Investment Fund	Domestic non-state-owned legal person	1.10	9,499,905	0	0
Dragon Billion China Master Fund	Foreign legal person	1.07	9,202,496	0	0
Invesco Great Wall Selected Blue Chip Securities Investment Fund	Domestic non-state-owned legal person	0.72	6,254,471	0	0
Invesco Great Wall Domestic Demand II Securities Investment Fund	Domestic non-state-owned legal person	0.54	4,628,295	0	0
National Social Security Fund- Portfolio 103	Domestic non-state-owned legal person	0.52	4,450,000	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		14300,000		A share	
Shanghai Automotive Co., Ltd.		13,019,610		A share	
National Social Security Fund- Portfolio 102		10,030,098		A share	
Bosera Emerging Growth Securities Investment Fund		9,499,905		A share	
Dragon Billion China Master Fund		9,202,496		B share	
Invesco Great Wall Selected Blue Chip Securities Investment Fund		6,254,471		A share	
Invesco Great Wall Domestic Demand II Securities Investment Fund		4,628,295		A share	
National Social Security Fund- Portfolio 103		4,450,000		A share	
Notes on association among above-mentioned shareholders	Bosera Thematic Sector Equity Securities Investment Fund, Bosera Emerging Growth Securities Investment Fund and National Social Security Fund- Portfolio 102 are in custody of Bosera Fund Management Co., Ltd.; Invesco Great Wall Selected Blue Chip Securities Investment Fund and Invesco Great Wall Domestic Demand II 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.

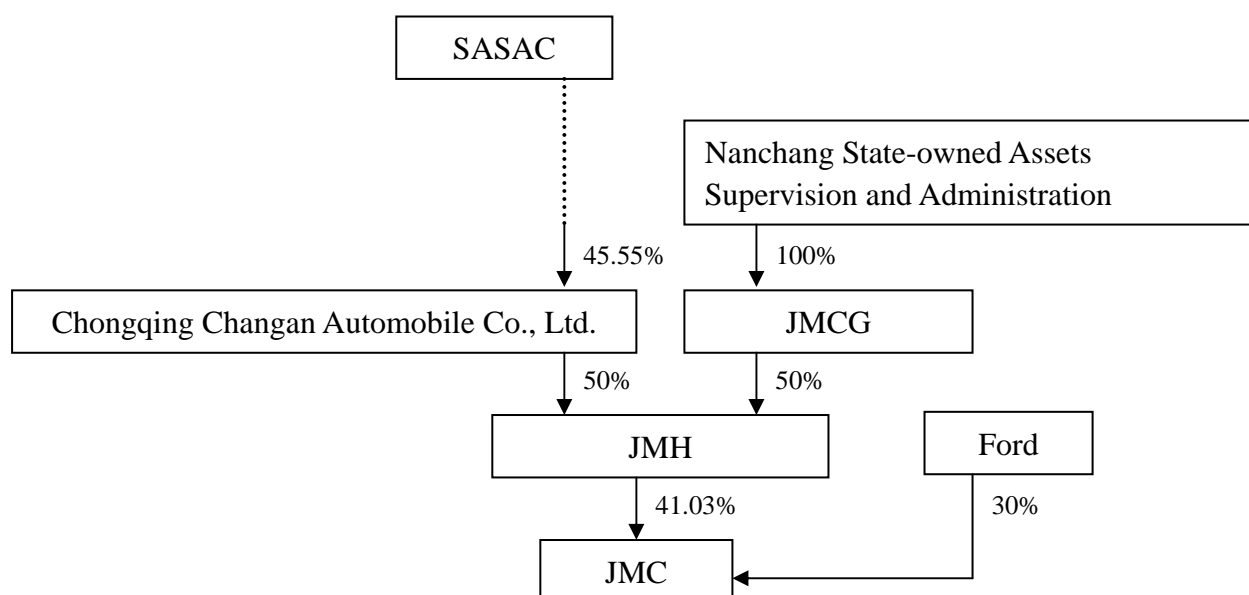
### 3. Actual Controlling Parties

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 1.5 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)
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
2010	23.30	35.24(10/25)	17.18(05/21)	27.54	239	557	13747

#### 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)
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
2010	13.29	27.49(10/25)	11.61(02/01)	22.48	239	87.05	1512

## 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, 2009	Shares as of Dec. 31, 2010	Share Change in Year 2010	Cause of Share Change
<b>Directors:</b>								
Chairman	Wang Xigao	Male	61	2008.6~2011.6	0	0	0	
Vice Chairman	John Lawler	Male	45	2010.12~2011.6	0	0	0	
Director	Ren Qiang	Male	51	2009.12~2011.6	0	0	0	
Director	Howard D. Welsh	Male	54	2008.6~2011.6	0	0	0	
Director & President	Yuan-Ching Chen	Male	59	2009.6~2011.6	0	0	0	
Director & EVP	Xiong Chunying	Female	47	2009.12~2011.6	1,200	1,200	0	
Independent Director	Zhang Zongyi	Male	47	2008.6~2011.6	0	0	0	
Independent Director	Shi Jiansan	Male	56	2008.6~2011.6	0	0	0	
Independent Director	Vincent Pun-Fong KWAN	Male	60	2008.6~2011.6	0	0	0	
<b>Supervisors:</b>								
Chief supervisor	Wu Yong	Male	60	2008.6~2011.6	4,860	4,860	0	
Supervisor	Alvin Qing Liu	Male	54	2008.6~2011.6	0	0	0	
Supervisor	Zhu Yi	Male	41	2008.6~2011.6	0	0	0	
Supervisor	Jin Wenhui	Male	44	2008.6~2011.6	0	0	0	
Supervisor	Xu Lanfeng	Female	42	2008.6~2011.6	0	0	0	
<b>Senior Management:</b>								
EVP	Tu Hongfeng	Male	63	2008.6~2011.6	0	0	0	
EVP	Liu Nianfeng	Female	50	2008.6~2011.6	0	0	0	
CFO	Michael Joseph Brielmaier	Male	55	2009.11~2011.6	0	0	0	
VP & Board Secretary	Wan Hong	Male	50	2008.6~2011.6	0	0	0	
VP	Zhong Wanli	Male	48	2008.6~2011.6	0	0	0	
VP	Zhou Yazhuo	Male	48	2008.6~2011.6	0	0	0	
VP	Li Qing	Male	46	2008.6~2011.6	0	0	0	
VP	Peter Dowding	Male	52	2009.7~2011.6	0	0	0	
VP	Wan Jianrong	Male	46	2010.7~2011.6	0	0	0	
VP	Zhu Shuixing	Male	46	2010.7~2011.6	100	100	0	
VP	William Marshall	Male	56	2011.1~2011.6	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)
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Wang Xigao	JMH	Vice Chairman	2004.11—	N
John Lawler	Ford	CFO of Ford Asia Pacific and Africa	2010.6—	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 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. John Lawler, born in 1966, holds a Bachelor's Degree in Business-Economics from Knox College, U.S.A. and a Master's Degree in Business-Finance from University of Iowa, U.S.A. In the past five years, Mr. John Lawler held various positions including Controller of North America Product Programs, Controller of US Marketing & Sales of Ford Motor Company, and CFO of Ford Asia Pacific and Africa. Mr. John Lawler was appointed as Vice Chairman of JMC in December 2010.

Mr. Ren Qiang, born in 1960, is a senior engineer equivalent to research fellow, and holds a Bachelor's Degree in Mechanical Manufacturing from Sichuan 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, Director of Jiangling Motor Holding Co. Ltd. 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 a senior 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, 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 Master of Business Administration Degree from Jiangxi University of Finance & Economics. 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.

Mr. Wan Jianrong, born in 1965, holds a Bachelor's Degree in Mechanical Manufacturing from the Central China Engineering College and a MBA from Jiangxi University of Finance & Economics. In the past five years, Mr. Wan Jianrong has held the positions of Manager for Engineer Plant of JMC, Assistant to the President and Vice President of JMC.

Mr. Zhu Shuixing, born in 1965, holds a Master's Degree in Pressure Processing from Northwestern Polytechnical University and a MBA from Jinan University. In the past five years, Mr. Zhu Shuixing has held the positions of Operation Officer of Amphenol East Asia Electronic Technology (Shenzhen) Limited, Assistant to the President and Vice President of JMC.

Mr. William John Marshall, born in 1955, holds a Bachelor's Degree in Engineering Electrical from Monash University of Australia. Mr. William John Marshall held various positions including MP&L Area Manager and Launch Manager of Ford Australia, Body Manufacturing Manager and FPS/Lean Manufacturing Manager of Ford FAP & A. Mr. William John Marshall was appointed as Vice President of JMC since January 2011.

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

Name/Title in the Company	Entity	Relationship with the	Title
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		Company	
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
Ren Qiang /Director	Chongqing Changan Automobile Co., Ltd.	See the figure in Chapter III	Deputy General Manager
Howard D. Welsh/Director	Ford Motor (China) Ltd.	Ford wholly-owned subsidiary	Director, Vice President & CFO
	Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Ford wholly-owned subsidiary	Director
	Changan Ford Mazda Automobile Co., Ltd.	Ford holds 35% shares	Director
	Changan Ford Mazda Engine Co., Ltd.	Ford holds 25% shares	Vice Chairman
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
	Wolff Engine (Jiangxi) Co., Ltd.	Wholly-owned subsidiary of JMCG	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
Alvin Qing Liu/Supervisor	Changan Ford Mazda Automobile Co., Ltd.	Ford holds 35% shares	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
Wan Jianrong	Wolff Engine (Jiangxi) Co., Ltd.	Wholly-owned subsidiary of JMCG	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 John Lawler, 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 years. In 2010, the Company paid annual compensation before tax of approximately RMB 1,330 thousand to EVP Tu Hongfeng, paid Director & EVP Xiong Chunying and EVP Liu Nianfeng approximately RMB 960 thousand per person, paid VP & Board Secretary Wan Hong and VP Zhou Yazhuo approximately RMB 730 thousand per person, paid VP Li Qing approximately RMB 760 thousand, paid VP Wan Jianrong approximately RMB 570 thousand, paid VP Zhu Shuixing approximately RMB 630 thousand. Two employee-representative supervisors, Mr. Jin Wenhui and Ms Xu Lanfeng, were paid about RMB 500 thousand and RMB 210 thousand respectively. The total compensation before tax paid by JMC for the aforesaid persons was about RMB 7.38 million in the reporting period, including the long-term incentive of RMB 920 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 2010, JMC should pay US\$ 375 thousand per person to Ford for Director & President Yuan-Ching Chen, CFO Michael Joseph Brielmaier and VP Peter Dowding, RMB 750 thousand for VP Zhong Wanli,. 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 Change:

Given that Mr. Robert J. Graziano resigned from his directorship in the Company due to work reasons, upon the approval of 2010 Second Special Shareholders' Meeting, Mr. John Lawler was elected as a Director of the Company.

#### Senior Management changes:

Based on President Yuan-Ching Chen's nomination, the ninth session of the sixth Board of Directors appointed Mr. Wan Jianrong and Mr. Zhu Shuixing as Vice Presidents of the Company.

Based on President Yuan Ching Chen's nomination, the eleventh session of the sixth Board of Directors appointed Mr. William John Marshall as a Vice President of the Company. This appointment shall enter into effect as of January 1, 2011.

#### 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
John Lawler	Vice Chairman	1	1	0	0	0	N
Ren Qiang	Director	12	3	8	1	0	N
Howard D. Welsh	Director	12	4	8	0	0	N
Yuan-Ching Chen	Director	12	4	8	0	0	N
Xiong Chunying	Director	12	3	8	1	0	N
Zhang Zongyi	Independent Director	12	4	8	0	0	N
Shi Jiansan	Independent Director	12	4	8	0	0	N
Vincent Pun-Fong KWAN	Independent Director	12	4	8	0	0	N

#### II. Employees

At the end of 2010, JMC had a total of 9,830 employees, of which 7,146 were production workers, 365 sales personnel, 1,486 technical personnel, 116 finance personnel, 717 administrative staff. The employees with polytechnic school degrees or above accounted for 31% of the total. There were 1,057 persons with junior technical titles, 690 with intermediate technical titles and 144 with senior technical titles, altogether accounting for

19% of the total. There were 608 early-retired employees. JMC bore retirement benefits of 1,016 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. JMC fulfilled its social responsibilities positively and made a report on 2010 Corporate Social Responsibilities

### **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

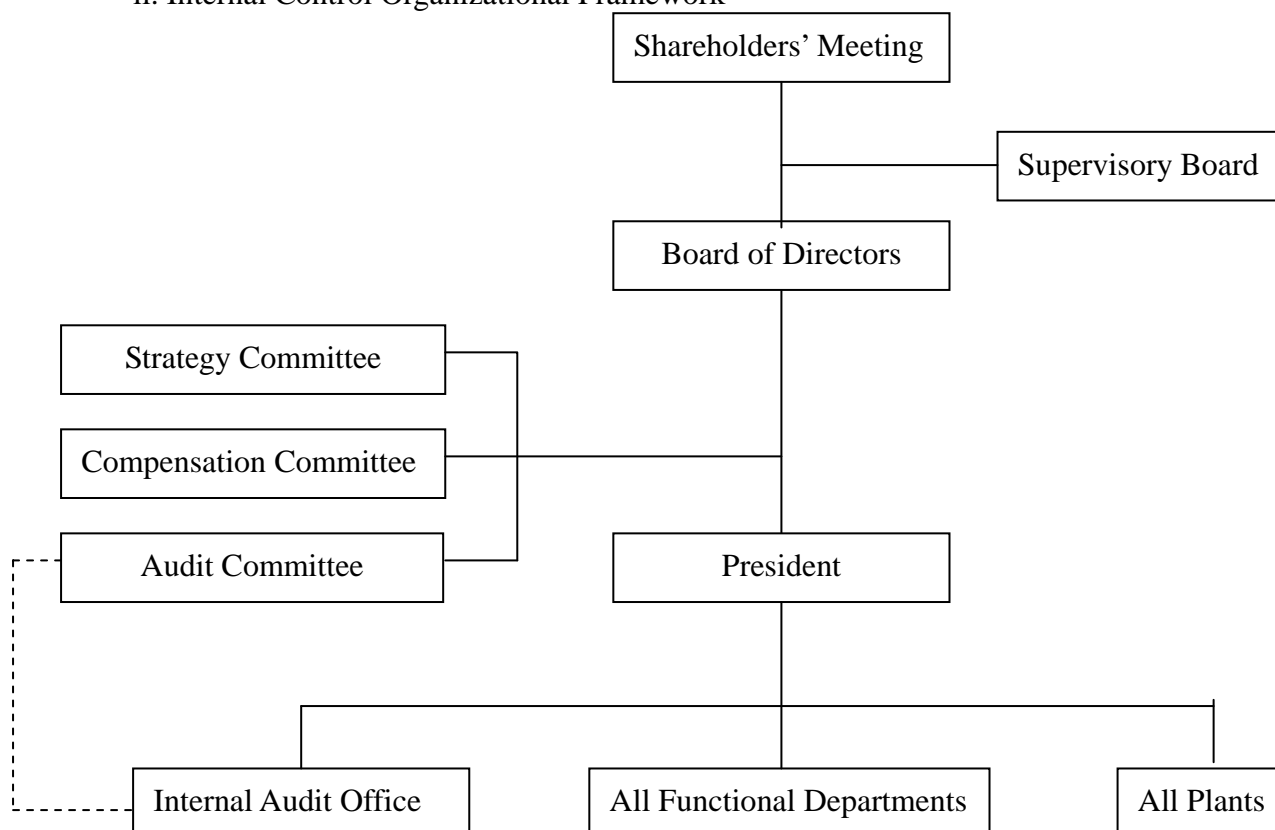
Per the request of Internal Control Guidance for Listed Companies published by Shenzhen Stock Exchange, JMC's internal control policies have been established and the internal control is optimized continuously.

##### i. Internal Control Roles and Responsibilities

Board Committee takes full responsibility for the establishment, improvement and implementation of the internal control system. Audit Committee established under the guidance of the Board examines the company's accounting policies, financial condition and finance disclosure procedure; reviews the financial status and its disclosure; audits the internal control and management authorization systems; and supervises the company's internal control system and its implementation.

Supervision Commission reviews and comments on the internal control self-assessment report. Management organizes and leads the daily operation and execution of the internal control.

##### ii. Internal Control Organizational Framework



### iii. 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.

### iv. 2010 JMC internal Control Status

Senior management took the lead in setting up a cross-functional team to implement internal control policies. Internal control self-assessment procedures have been established and the Internal Audit Office conducted testing on key processes based on risk assessment result. 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 institutes effective management and control on the subsidiary by assigning board directors, management personnel and an external auditor to review these appropriate controls and internal auditor to review its overall 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

The Company had no outside guarantee in 2010.

### iv. Internal Control Status of External Equity Capital Fund Usage

There was no funding plan involving external equity in 2010.

### 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 were 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 expanding rapidly and its management governance continues to improve. Per the requests of regulation and Internal Control Guidance, the internal control policies were established and optimized continuously. No major issues associated with key internal control activities were identified in the report period.

### (4) General Assessment of the Internal Control Status

Board Committee made the following comments:

- i. The company's internal control system is complete and effective;
- ii. The company's operation is robust and confirms with laws and regulations
- iii. Internal control provided reasonable assurance on the accuracy and integrity of the financial reports and the achievement of the company strategies and operational objectives.

### (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 2009 Annual Shareholders' Meeting of JMC was held in the conference room on the fourth floor of the Administration Building of JMC on June 30, 2010. Resolutions passed at the 2009 Annual Shareholders' Meeting are as follows:

1. approved the 2009 Work Report of Board of Directors;
2. approved the 2009 Work Report of the Supervisory Board;
3. approved the 2009 Financial Statements;
4. approved the Proposal on the Profit Distribution for Year 2009;
5. approved the Capacity Expansion Program;

Public announcement on the resolutions of the Annual Shareholders' Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on July 1, 2010.

The 2010 Special Shareholders' Meeting of JMC was held in the conference centre on the second floor of the Administration Building of JMC on September 15, 2010. Resolutions passed at the 2010 Special Shareholders' Meeting are as follows:

1. approved the Proposal on capacity investment in Xiaolan site;
2. approved the Proposal on continuing to appoint PricewaterhouseCoopers Zhong Tian CPAs Company Limited as JMC's A & B share auditor for year 2011 & year 2012.

Public announcement on the resolutions of the Special Shareholders' Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on September 16, 2010.

The 2010 Second Special Shareholders' Meeting of JMC was held in the conference centre on the second floor of the Administration Building of JMC on December 15, 2010. Resolutions passed at the 2010 Second Special Shareholders' Meeting are as follows:

1. approved the Proposal on electing Mr. John Lawler as a Director of the Sixth Board of Directors of JMC;
2. approved the Proposal on Amendment to the Articles of Association 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, 2010.

## 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 2010, JMC achieved record sales volume of 178,999 units including 66,224 JMC brand light trucks, 60,417 JMC brand pickups and SUVs, and 52,358 Ford Transit commercial vehicles. Total sales volume was up 56% from same period last year. Total production volume was 182,954 units, including 67,627 JMC brand light trucks, 61,688 JMC brand pickups and SUVs, and 53,639 Transits.

The Company's sales increase is primarily explained by industry and market share growth. JMC brand light truck sales volume increased 43% compared with same period last year, JMC brand pickup and SUV sales volume increased 73%, Transit sales volume increased 56%.

In 2010, the Company achieved a share of 1.0% of China's total vehicle industry, up 0.2 percentage point from a year ago (In 2010, the Company achieved a share of 2.7% of China's commercial vehicle industry, up 0.5 percentage point compared with 2009). JMC light trucks (including pickup) accounted for 6.6% of the light truck market, up 1.6 percentage points from a year ago. Transit, along with the JMC brand Yunba microbus, achieved about 20.5% of the light bus market, and increase of 5.4 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	14,540,887	10,821,355	25.6%	50.9	51.7	-0.4
II. Components	1,060,810	781,310	26.3%	54.0	53.9	0

Total	15,601,697	11,602,665	25.6%	51.1	51.9	-0.4
Including: Related party transaction	904,506	702,234	22.4%	55.9	63.7	-3.7

Details pertaining to core business classified according to region:

Unit: RMB'000

Region	Turnover	Y-O-Y turnover change (%)
North-east China	786,181	56.9
North China	1,581,243	42.6
East China	7,661,389	49.7
South China	2,597,140	55.7
Central China	1,259,815	54.1
North-west China	677,045	54.6
South-west China	1,038,884	54.4

## 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	2,507,993	8,309,791	174,438	141,605

## 3. Main Suppliers and Customers

The total value of purchases from the top 5 suppliers was RMB 2,585 million, accounting for 23% of JMC's total annual buy. The total sale value to the top 5 customers was RMB 2,313 million, accounting for 15% of JMC's total turnover.

## 4. Operational Challenges and Resolutions

In 2010, the Company continued to face competitive challenges with new product entries, intensifying cost pressures, and capacity constraint. The Company focused on initiating new product development and expanding production capacity, with appropriate assessment of the existing market conditions and future trend analysis.

With regard to competition, the Company continued to experience market share pressure

from competitive new product and pricing actions in all of its segments. In response, the Company tactically lowered price for N600 light truck in the first quarter and 07 model pickup and Transit classic logistic models in the third quarter and introduced a brand new N350 SUV Yusheng in the fourth quarter. Additionally, the Company also initiated proactive marketing programs and accelerated network expansion in the tier 2 markets that helped to boost sales.

To pursue steady growth, the company continued to focus on (1) enhancing sales promotion programs to support sales and market share of present and new products, (2) reducing component costs for all car line, (3) balancing management of controllable expenses, including operating, capacity-related, and new product development-related spending, while ensuring achievement of company's annual volume/profit targets and long term growth objectives, (4) ensuring steady cash flow, and (5) strengthening corporate governance and application of appropriate risk assessment and control mechanisms.

The Company anticipates continued market pressures in the near future, including competitive new product entries in selected market segments, competitive pricing penetration, raw material prices and labor cost increases, and government policy revisions and more stringent regulatory requirements. To combat these challenges, the Company continues to leverage previously established processes and work groups to reduce existing product costs and eliminate operating waste throughout the enterprise. Additionally, we are maximizing part sourcing localization and cost reduction for new products. The company's management also specifically focused on (1) improving quality and customer satisfaction to protect core product sales and market share, (2) introducing new products to penetrate into new segments to gain sales and profit growth, and (3) expanding production capacity to meet market demand. Moreover, the Company continued to execute several approved major projects with the support of our technology partners. These programs include the N350 Pick-up project, the N800 project (the next generation truck product which is a self developed product), and the JX4D24, E802 engine manufacturing projects which support our vehicles with engines to meet future regulatory requirements. These actions will introduce competitive and profitable products to ensure the Company's steady volume and profit growth in the future.

Finally, the company is continuing its efforts to strengthen dealer network development and pursue export and OEM sales growth.

#### 5. Investment in the reporting period

- i. In 2010, JMC did not raise equity funding, nor did it use equity funding raised in previous years.

ii. Self funded major projects:

<b>Project Name</b>	<b>Total Investment Approval (RMB Mils)</b>	<b>Investment Committed (RMB Mils)</b>	<b>Investment To Be Committed (RMB Mils)</b>	<b>Planned Job#1 Date</b>
N350	598.0	507.0	91.0	Second Half, 2011
JX4D24 Engine for N350	30.0	18.5	3.5	Second Half, 2011
N900	200.0	187.0	13.0	First Half, 2012
Stage IV JX493 Engine N Series Light Truck Program	25.2	22.4	2.8	First Half, 2011
N800	725.0	199.5	525.5	Second Half, 2014
V348 2010 MY Program	17.0	16.4	-	Completed
V348 China Stage IV Heavy Duty Truck Program	59.0	48.7	0.7	First Half, 2011
E802 Engine Program	419.0	72.7	346.3	First Half, 2013
A4 Press Line	384.0	310.8	73.2	First Half, 2011
JX4D24 Engine Phase II	315.0	3.0	312.0	Second Half, 2012
CAL Program	47.1	37.0	5.1	First Half, 2011
Vehicle storage and delivery facility Phase I	35.0	21.4	13.6	First Half, 2011
PDM Program	10.5	8.0	2.5	First Half, 2011
V348 A4 Line Die Modification Program	10.0	7.4	2.6	Second Half, 2011
Stage V and VI Emissions Facilities Program	26.6	19.6	7.0	First Half, 2011
Capacity Expansion Program	566.5	98.6	467.9	First Half, 2013
V348 FVL KD Supply Program	8.5	2.4	6.1	First Half, 2011
N350 SUV AT Program	98.0	4.1	93.9	Second Half, 2012
2.2L Global Puma Engine 4C Localization Program	30.0	0.4	29.6	Second Half, 2011
Casting Plant Melting Technical Improvement Program	10.0	4.4	5.6	First Half, 2011
N330 Program Long Lead Funding	39.0	2.6	36.4	First Half, 2011

V348 Transit Emission Update Program Long Lead Funding	135.0	90.8	44.2	First Half, 2011
VE83 Transit Emission Update Program	7.5	4.9	2.6	Second Half, 2011
N800 Long Wheel Base Vehicle Program	91.0	6.3	84.7	First Half, 2013
Capacity Investment in Xiaolan Site	2,133.0	11.0	2,122.0	First Half, 2013
IT Strategy Proposal	45.0	6.7	38.3	Year-End,2012
Xiaolan Site Test Track Program	79.6	0.2	79.4	First Half, 2013
Capacity Expansion Investment	33.2	5.3	27.9	Second Half, 2011
Phase II Investment of Vehicle Emission Test Lab	45.0	-	45.0	Year-End,2012
Total	6,222.7	1,717.1	4,482.4	

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, etc. The JX4D24, JX493, and E802 projects will further expand the Company's engine development capability, engine manufacturing capacity and ensure the Company is compliance with stringent emission regulations.

## 7. Financial Results

Revenue in 2010 was RMB 15,768 million, up 51% from last year; net profit was RMB 1,706 million (per International Accounting Standards), up 62% from last year. Distribution cost was up RMB 249 million, up 32% from last year, primarily reflecting volume-related changes including vehicle delivery costs, warranty, promotion expenses and advertisement expenditure. Administrative expenses increased by RMB 229 million, up 38% from same period last year, primarily reflecting higher research and development fees.

Cash flow from operations was positive RMB 2,716 million, reflecting favorable profit and operating-related working capital changes. Cash flow from investing activities was negative RMB 373 million, reflecting primarily spending for capital goods such as facilities, equipment and tooling. Financing cash flow was negative RMB 444 million, primarily explained by dividend payment.

At the end of 2010, the Company held a total of RMB 5,813 million in cash and cash equivalents, increasing RMB 1,899 million from the end of 2009. The balance of bank borrowing was RMB 32 million; decreasing about RMB 1 million from 2009 year end.

Total assets were RMB 11,238 million, up 35% from RMB 8,294 million at year end 2009. 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, were RMB 4,995 million, up 49% from RMB 3,347 million at year end 2009. This reflects mainly an increase in accounts payables associated with volume growth.

Shareholder equity was RMB 6,243 million at December 31, 2010, up RMB 1,296 million from year-end 2009. This increase is mainly explained by net profit earned in the reporting period and dividend payments partially offset the equity increase.

## 8. 2011 Year Plan

The Company is projecting revenue at RMB 20,000 million for 2011. The intensified competition resulting from new market entries and the launch of news 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 2011, the Company will continue to focus on achieving sales and profit targets, enhancing formulation of new product development strategies and executing 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 to achieve volume and market share targets.
- ii. Improve product quality and customer satisfaction.
- iii. Increase product cost reduction efforts and improve operating efficiencies to achieve cost targets.
- iv. Solidify product cycle plan, timely deliver new product/engine programs and capacity projects.
- v. Deliver recruiting, retention and training objectives that help to strengthen employees' overall competence to support future growth.

## 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 resolution on February 3, 2010: accepted Mr. Ravichandran Swaminathan's resignation from Vice President position with the Company due to work rotation.

The Board of Directors approved in form of paper meeting the following resolutions on March 4, 2010:

- i. approved to submit to the 2009 Annual Shareholders' Meeting the proposal on year 2009 profit distribution;
- ii. approved the 2009 Annual Report of the Company and the extracts from such Annual Report;
- iii. approved the 2009 Work Report of the Board of Directors of the Company;

- iv. approved the Company's 2009 Financial Statements, and
- v. approved the Company's Internal Control Self-assessment Report.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on March 6, 2010.

The eighth session of the sixth Board of Directors was held in the conference center on the second floor of the Administration Building of JMC on April 7, 2010. The following resolutions were passed at the meeting:

- i. approved the Capacity Expansion Program;
- ii. approved V348 FVL KD Supply Program with a total investment of RMB 8.5 million. The Board of Directors approved the V348 CKD Kit Supply Agreement with Ford Vietnam Limited, and authorized Ms. Xiong Chunying on behalf of the Company to sign the aforesaid agreement with Ford Vietnam Limited;
- iii. approved the N350 SUV AT Program;
- iv. approved the 2.2L Global Puma Engine 4C Localization Program;
- v. approved the Casting Plant Melting Technical Improvement Program;
- vi. approved to cancel the Five Axis High Speed CNC Milling Machine Program, and
- vii. approved an increased Dealer Credit Limit to RMB 600 million from RMB 400 million.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on April 10, 2010.

The Board of Directors approved in form of paper meeting the following resolution on April 22, 2010: approved JMC 2010 First Quarter Report

The Board of Directors approved in form of paper meeting the following resolutions on June 1, 2010: approved the Notice on Holding 2009 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, 2010.

The ninth 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 29, 2010. The following resolutions were passed at the meeting:

- i. approved the N330 Program long lead funding;
- ii. approved the V348 Transit Emission Update Program long lead funding;
- iii. approved the VE83 Transit Emission Update Program;
- iv. approved the N800 Long Wheel Base Vehicle Program;
- v. approved the Capacity Investment for Xiaolan Site;
- vi. approved to migrate JMC IT central system from QAD system to SAP system;
- vii. approved to continue appointing PricewaterhouseCoopers Zhong Tian CPAs Company Limited as JMC's A & B share auditor for year 2011 & year 2012, and

viii. Per President Yuan-Ching Chen's nomination, the Board of Directors appointed Mr. Wan Jianrong and Mr. Zhu Shuixing as Vice Presidents 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 July 1, 2010.

The Board of Directors approved in form of paper meeting the following resolutions on August 23, 2010:

- i. approved the JMC 2010 Half-year Report, and
- ii. approved the Notice on Holding 2010 Special Shareholders' Meeting of JMC.

The tenth 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 15, 2010. The following resolutions were passed at the meeting:

- i. approved the Xiaolan Site Test Track Program;
- ii. approved the Capacity Expansion Investment Program, and
- iii. approved the Proposal on Amendment to the Articles of Association of JMC and submitted it to the Shareholders' Meeting for approval.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on September 17, 2010.

The Board of Directors approved in form of paper meeting the following resolution on October 24, 2010: approved the JMC 2010 Third Quarter Report.

The Board of Directors approved in form of paper meeting the following resolution on November 16, 2010: approved a revised dealer credit limit of RMB 700 million from December 2010 through March 2011.

The Board of Directors approved in form of paper meeting the following resolution on November 23, 2010:

- i. Mr. Robert J. Graziano resigned from his directorship with the Company due to work reasons and Ford Motor Company has nominated Mr. John Lawler as a replacement director candidate. The Board of Directors agreed to submit the aforesaid director nomination by Ford Motor Company to the shareholders' meeting for approval, and
- ii. approved the Notice on Holding 2010 Second 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 25, 2010.

The eleventh 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, 2010. The following resolutions were passed at the meeting:

- i. elected Mr. John Lawler as the Vice Chairman of JMC and as a member of the Strategy Committee of the Board;
- ii. approved 2011 budget of the Company;



- iii. approved the Vehicle Emission Test Lab Phase II Program;
- iv. approved the Fourth Amendment to the Joint Development Agreement between Ford Motor Company and JMC, and authorized Ms. Xiong Chunying on behalf of the Company to sign the aforesaid agreement with Ford;
- v. approved the routine related party transaction with Nanchang Lianda Mechanical Co., Ltd.;
- vi. approved 2010 Year-end Eight Accounting Provisions & Write-off proposal;
- vii. 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 January 1, 2011 to December 31, 2011;
- viii. Based on President Yuan Ching Chen's nomination, the Board of Directors appointed Mr. William John Marshall as a Vice President of the Company. This appointment shall enter into effect as of January 1, 2011, and
- ix. approved to establish a Personnel Retention Fund which shall be accrued up to three years as equal to 0.15% of profit before tax, and authorized the Executive Committee to manage and use the Fund.

Public announcement on the resolutions of the Board Meeting was published in China Securities, Securities Times and Hong Kong Commercial Daily on December 17, 2010.

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

According to the 2009 year profit distribution plan approved by the 2009 shareholders' meeting, the announcement on the implementation of the 2009 year dividend distribution was published in China Securities, Securities Times and Hong Kong Commercial Daily on July 10, 2010, and it has been put into effect.

The 2009 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 4.9 (including tax) per 10 shares is to be distributed to shareholders.

Individual shareholders, investment funds, and qualified foreign institutional investors holding the Company's A shares will receive an after-tax cash dividend of RMB 4.41 per 10 shares; For other domestic residential 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.

Non-resident enterprises holding the Company's B share will receive an after-tax cash dividend of RMB 4.41 per 10 shares; For the B-share holders except non-resident enterprises, the Company will not withhold nor pay the income tax on their behalf.

The cash dividends on B shares shall be paid in Hong Kong Dollars converted at HKD1.00 = RMB0.8714, 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 (July 1, 2010) immediately

after the relevant resolutions were passed at the Company's Shareholders' Meeting.

Equity record date and ex-dividend date for A shares were July 15 and July 16, 2010 respectively; Last transaction date, ex-dividend date and equity record date for B shares were July 15, July 16, and July 20, 2010 respectively.

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 Related Party Transaction proposal, and submitted it to the Board for approval.
- iv. The Audit Committee approved retaining PWC as external auditor for 2011 and 2012 and its audit fees; agreed to submit this proposal to the Board and Shareholders Meeting for approval.
- v. The Audit Committee reviewed the certified auditor audit plan, letter of engagement, risks and controls, etc..
- vi. The Audit Committee has coordinated with the certified auditor, so that the audit and associated financial report can be submitted within the appointed period.
- vii. Before the certified auditor's on-site audit and after receiving the certified auditor's initial opinion and final opinion on 2010 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.
- viii. The Audit Committee has submitted the 2010 External Auditor Summary Report to Board of Directors for review.
- ix. 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 15, 2011 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 16, 2011 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, 2010 including Balance Sheet, Income Statement and Cash Flow is accurate and truthful.

The Audit Committee made resolutions on the audited 2010 financial statements on March 1, 2011 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, 2010 including Balance Sheet, Income Statement and Cash Flow is accurate and truthful. The Audit Committee supports submitting to the Board approval.

#### C. 2010 External Auditor Work Summary Report

The Audit Committee has reviewed the 2010 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 2010 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, 2010, the operating results, and 2010 cash flow. The audit conclusions conform to the company's actual status.

#### 4. 2010 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 2009 Year-end Bonus for Senior Executives;
- ii. reviewed and approved the KPI of JMC Senior Executives in 2010;
- iii. reviewed and approved 2009 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 2010 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 2010 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 2010 Year Profit Distribution Plan

Details on the profit available for appropriation of the Company in 2010 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, 2009	2,709,683	2,706,474
2010 net profit	1,711,614	1,706,304
Allocation of dividend for 2009	-422,975	-422,975
Staff bonus and welfare fund	-5,310	-
Retained earning at Dec. 31, 2010	3,993,012	3,989,803

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, 2010 was RMB 3,989,803 thousand.

The Board approved to submit to the 2010 Annual Shareholders' Meeting the following proposal on year 2010 profit distribution:

- (1). to appropriate for the dividend distribution from the profit available for distribution, which shall be equal to RMB 0.79 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 7.9 (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, 2010, total cash dividend distribution amounts shall be RMB 681,939,060.

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
2009	422,975	1,052,529	40.19%	3,989,803
2008	258,964	782,356	33.10%	1,912,909
2007	258,964	756,713	34.22%	1,404,836
Cumulative cash dividend for the last three year as % of the last three year average net profit				108.92%

6. The independent directors' explanation and independent opinions on the Company's outside guarantee and the Company's account receivables by related parties

Independent Director Zhang Zongyi, Shi Jiansan and Vincent Pun Fong Kwan expressed their opinions on the Company's outside guarantee and the Company's account receivables by related parties as follows:

- i. There is no outside guarantee during the reporting period;
- ii. We are aware of the cash flow occurring between the Company and its controlling shareholders and other related parties, and believe that: cash flow occurring between the Company and its controlling shareholders and other related parties resulted from normal business transactions. There was no illegal embezzlement of company funds.

7. Others

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

Foreign currency constitution of financial assets available-for-sale

Unit: RMB

Item	Amount on January 1, 2010	Provision accrued in 2010	Amount on December 1, 2010
Bank deposit	1,431,250	-	13,653
Other receivables	-	-2,774	554,776
Subtotal for financial assets	1,431,250	-2,774	568,429
Subtotal for financial liabilities	44,200,722	-	188,824,470

## 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 2010. 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 4, 2010:
  - i. reviewed and passed the 2009 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 2009 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, 2010: reviewed and passed the 2010 First Quarter Report of JMC.
3. The Supervisory Board reviewed and passed the following resolution in form of paper meeting on August 23, 2010: reviewed and passed the 2010 Half-year Report of JMC.
4. The Supervisory Board reviewed and passed the following resolution in form of paper meeting on October 24 2010: reviewed and passed the 2010 Third Quarter Report of JMC.
5. A Supervisory Board meeting was held in the Administration Building of JMC on December 15, 2010. The following resolution was reviewed and passed at this meeting: regarding the 2010 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 2010. 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 2010 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 2010, 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 2010.
2. JMC had no securities investment in 2010. 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 2010.

### 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
Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	Contracted price	Prepayment	592,883	5.23
GETRAG (Jiangxi) Transmission Company	Contracted price	60 days after delivery and invoicing	547,956	4.84
JMCG Interior Trim Factory	Contracted price	60 days after delivery and invoicing	513,523	4.53
Jiangxi Jiangling Chassis Company	Contracted price	60 days after delivery and invoicing	501,800	4.43
Ford	Contracted price	D/P	429,863	3.80
Jiangling-Lear Interior Trim Factory	Contracted price	60 days after delivery and invoicing	291,901	2.58
Nanchang JMCG Liancheng Auto Component Co.	Contracted price	60 days after delivery and invoicing	182,758	1.61
Visteon Climate Control (Nanchang) Co., Ltd.	Contracted price	60 days after delivery and invoicing	169,706	1.50
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of sold goods	169,112	1.49

Nanchang Jiangling Huaxiang Auto Components Company	Contracted price	60 days after delivery and invoicing	129,706	1.15
JMCG	Contracted price	60 days after delivery and invoicing	106,286	0.94
Jiangling Material Company	Contracted price	Pay on delivery	56,996	0.50
Jiangxi JMCG Industrial Company	Contracted price	60 days after delivery and invoicing	50,456	0.45
Jiangxi JMCG Aowei Auto Component Co.	Contracted price	60 days after delivery and invoicing	32,643	0.29

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	531,110	3.37
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of purchased goods	166,362	1.06
JMCG Interior Trim Factory	Contracted price	Monthly Netting off payment of purchased goods	76,163	0.48
Jiangxi Jiangling Material Utilization Co., Ltd.	Market price	Monthly settlement	61,869	0.39
JMH	Market price	30 days after invoicing	58,654	0.37
Nanchang JMCG Liancheng	Contracted	75 days after	39,216	0.25



Auto Component Co.	price	invoicing		
Jiangling New-power Auto manufacturing Co.	Contracted price	30 days after invoicing	31,077	0.20

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. JMC sell engines to JMH and Jiangling New-power Auto Manufacturing Co. to produce non-competitive products, which can increase JMC's profit. JMC sell stamping parts to Nanchang JMCG Liancheng Auto Component Co. and repurchase the parts after processed to utilize its stamping capacity.

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 2010, the Company should pay approximately US\$ 3,281 thousand and RMB 2,410 thousand to Ford as service fee for expatriate secondees and Chinese secondees assigned by Ford.

Pursuant to an agreement between the Company and JMH on January 1, 2009, the Company should pay approximately RMB 809 thousand to JMH as service fee for the employees assigned by JMH.

#### D. Purchasing Agency

JMCG Import & Export Co., Ltd. was the import agent of JMC for acquiring import materials, equipment and technology services. In 2010, JMC paid JMCG Import & Export Co., Ltd. commission of RMB 4.54 million pursuant to the Exclusive Import Agency Agreement signed by them.

#### E Project Construction and Maintenance

In 2010, JMC paid RMB 50.88 million for projection construction and maintenance to JMCG Jiangxi Engineering Construction Co., Ltd.

#### F. Working Meal

In 2010, JMC paid RMB 17.29 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 2010.

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.	249,596	81.54
Accounts and bills payable	GETRAG (Jiangxi) Transmission Company	168,818	5.41
Accounts and bills payable	Jiangxi Jiangling Chassis Company	153,987	4.94
Accounts and bills payable	Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	141,160	4.53
Accounts and bills payable	JMCG Interior Trim Factory	119,622	3.84
Accounts and bills payable	Jiangling-Lear Interior Trim Factory	112,566	3.61
Accounts and bills payable	Ford	108,679	3.49
Accounts and bills payable	Nanchang JMCG Liancheng Auto Component Co.	60,283	1.93
Accounts and bills payable	Visteon Climate Control (Nanchang) Co., Ltd.	60,002	1.92
Accounts and bills payable	Nanchang Jiangling Huaxiang Auto Components Company	45,189	1.45
Other payables	Ford	149,182	16.43

#### B. Deposit

At the end of year 2010, JMC had a deposit of RMB 167.55 million in JMCG Finance Company and charged interest according to same period bank deposit interest rate (RMB at 0.36%-1.17%). JMC received a total of RMB 4.98 million in interest from JMCG Financial Company in 2010.

#### 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, 2010, JMCG Finance Company provided a guarantee for JMC's bank loans of US\$ 1.11 million.

#### vi. Other major related party transactions in 2010

According to the Joint Development Agreement and the fourth Amendment to the Joint Development Agreement signed by JMC and Ford respectively in 1995 and December 2010, JMC is to pay technology development fee totaling US\$ 6.5 million (equal to RMB 44.2 million) to Ford. JMC has not paid the technology development fee as of December 31, 2010.

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 remainder 32.69%. JMC bore a licensing fee of US\$ 6.83 million (equal to RMB 45.88 million) in 2010.

#### 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 2010 total profit in the reporting period.

iii. The Company had no outside guarantee in 2010.

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.
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 2010 Special Shareholders' Meeting, JMC continues to appoint PwC Zhong Tian as JMC's A & B share auditor for year 2011 & year 2012. The firm has offered JMC audit services for ten consecutive years.

The compensation paid to the accounting firm is as follows:

Accountant Firm	Year 2010	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 2010.

### 9. 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
January 6, 2010	In the Company	Oral Communication	Four analysts from Huatai Securities Co., Ltd.	JMC Operating highlights
January 15, 2010	In the Company	Oral Communication	Four analysts from Haitong Securities Company Limited, Guotai Junan Securities Co., Ltd., Rongtong Fund Management Co., Ltd., Dacheng Fund Management Co., Ltd.	JMC Operating highlights
January 22, 2010	In the Company	Oral Communication	An analyst from GTJA-Allianz Fund Management Co., Ltd.	JMC Operating highlights
January 29, 2010	In the Company	Oral Communication	Four analysts from GF Securities Co., Ltd., PICC Asset Management Company Limited, Shenzhen Shangcheng Asset Management Ltd., CongRong Investment Management Co., Ltd., Shanghai	JMC Operating highlights
February 3, 2010	In the Company	Oral Communication	An analyst from Huachuang Securities Co., Ltd.	JMC Operating highlights
February 5, 2010	In the Company	Oral Communication	Five analysts from Industrial Securities Co., Ltd., China Asset Management Co., Ltd., Harvest Fund Management Co., Ltd., Orient Securities	JMC Operating highlights

			Company Limited	
March 10, 2010	In the Company	Oral Communication	Two analysts from China Securities Co., Ltd., Penghua Fund Management Co., Ltd.	JMC Operating highlights
March 17, 2010	In the Company	Oral Communication	Two analysts from Ping An Securities Company Ltd., Lion Fund Management Co.,Ltd.	JMC Operating highlights
March 19, 2010	In the Company	Oral Communication	Three analysts from China International Capital Corporation Limited., Guotai Asset Management Co., Ltd.	JMC Operating highlights
March 24, 2010	In the Company	Oral Communication	An analyst from Cinda Securities Co., Ltd.	JMC Operating highlights
March 31, 2010	In the Company	Oral Communication	An analyst from CSC Capital Partners	JMC Operating highlights
April 21, 2010	In the Company	Oral Communication	An analyst from Aijian Securities Co., Ltd.	JMC Operating highlights
April 22, 2010	In the Company	Oral Communication	An analyst from Sichuan Golden Nest Capital Management Co., Ltd.	JMC Operating highlights
May 6, 2010	In the Company	Oral Communication	Three analysts from China Merchants Securities Co., Ltd., UBS SDIC Fund Management Co., Ltd., Century Securities Co., Ltd.	JMC Operating highlights
July 13, 2010	In the Company	Oral Communication	Nine analysts from CITIC Securities Company Limited, China Merchants Fund Management Co., Ltd., China International Capital Corporation Limited, Sunshine Insurance Group Corporation Limited, Maida Investment Consulting Co., Ltd., China Life Insurance (Group) Company, Baoying Fund Management Co., Ltd., Penghua Fund Management Co., Ltd., HSBC JinTrust Fund Management Co., Ltd.	JMC Operating highlights
July 16, 2010	In the Company	Oral Communication	Two analysts from Shanghai Yongzhi Investment Management Co., Ltd.	JMC Operating highlights
July 22, 2010	In the Company	Oral Communication	Three analysts from GF Securities Co., Ltd., China Asset Management Co., Ltd.	JMC Operating highlights

August 13, 2010	In the Company	Oral Communication	An analyst from China Southern Fund Management Co., Ltd.	JMC Operating highlights
September 21, 2010	In the Company	Oral Communication	Three analysts from Guodu Securities Company, Guangdong New Value Investment Company	JMC Operating highlights
October 25, 2010	In the Company	Oral Communication	Ten analysts from CITIC Securities Company Limited, Sunshine Insurance Group Corporation Limited, Shanghai Honghu Investment Management Company, Ping An Insurance (Group) Company of China, Ltd., First-Trust Fund Management Co., Ltd., Huatai-PineBridge Fund Management Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities	JMC Operating highlights
November 2, 2010	In the Company	Oral Communication	Two analysts from Haitong Securities Company Limited, Yinhua Fund Management Co., Ltd.	JMC Operating highlights
December 2, 2010	In the Company	Oral Communication	Two analysts from UBS Securities Co. Limited	JMC Operating highlights
December 17, 2010	In the Company	Oral Communication	Two analysts from Industrial Securities Co., Ltd, China International Capital Corporation Limited	JMC Operating highlights

## Chapter X Financial Statements

**Jiangling Motors Corporation, Ltd.**  
**Consolidated Financial Statements**  
**31 December 2010**



**Independent Auditor's Report**

2011/SH-030/BL/LLF

**To the shareholders of Jiangling Motors Corporation, Ltd.**

We have audited the consolidated financial statements of Jiangling Motors Corporation, Ltd. (the "Company") and its subsidiary (together the "Group") set out on pages 3 to 56, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the Consolidated Financial Statements**

The management of the Company is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and of the Group's financial performance and 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

16 March 2011

**JIANGLING MOTORS CORPORATION, LTD.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**

(All amounts in RMB unless otherwise stated)

	Note	As at 31 December	
		2010	2009
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,630,524	2,491,159
Lease prepayment	6	277,870	284,393
Intangible assets	7	31,302	31,856
Investments in associate	8	17,928	17,292
Deferred income tax assets	9	205,063	134,133
		<u>3,162,687</u>	<u>2,958,833</u>
<b>Current assets</b>			
Inventories	10	1,436,492	1,059,798
Trade and other receivables	11	825,374	361,892
Cash and cash equivalents	12	5,813,162	3,913,823
		<u>8,075,028</u>	<u>5,335,513</u>
<b>Total assets</b>		<b><u>11,237,715</u></b>	<b><u>8,294,346</u></b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	13	863,214	863,214
Share premium		816,609	816,609
Other reserves	14	457,650	457,650
Retained earnings		3,989,803	2,706,474
		<u>6,127,276</u>	<u>4,843,947</u>
<b>Non-controlling interests</b>		115,319	102,906
<b>Total equity</b>		<b><u>6,242,595</u></b>	<b><u>4,946,853</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	6,939	7,601
Retirement benefit obligations	16	54,569	70,475
Warranty provisions	17	171,789	122,361
		<u>233,297</u>	<u>200,437</u>
<b>Current liabilities</b>			
Trade and other payables	18	4,628,421	3,079,345
Current income tax liabilities		96,310	28,716
Borrowings	15	25,004	25,447
Retirement benefit obligations	16	12,088	13,548
		<u>4,761,823</u>	<u>3,147,056</u>
<b>Total liabilities</b>		<b><u>4,995,120</u></b>	<b><u>3,347,493</u></b>
<b>Total equity and liabilities</b>		<b><u>11,237,715</u></b>	<b><u>8,294,346</u></b>

The notes on pages 55 to 104 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010**

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2010 RMB'000	2009 RMB'000
Revenue	19	15,767,897	10,433,205
Sales tax		(287,283)	(180,523)
Cost of sales	20	(11,696,388)	(7,706,608)
<b>Gross profit</b>		<b>3,784,226</b>	<b>2,546,074</b>
Distribution costs	20	(1,019,046)	(770,236)
Administrative expenses	20	(830,366)	(601,360)
Other (expense)/income		(8,052)	6,925
<b>Operating profit</b>		<b>1,926,762</b>	<b>1,181,403</b>
Finance income	22	94,705	55,635
Finance costs	22	(2,279)	(3,648)
Finance income-net	22	92,426	51,987
Share of profit of associates	8	7,109	5,450
<b>Profit before income tax</b>		<b>2,026,297</b>	<b>1,238,840</b>
Income tax expense	23	(286,361)	(163,492)
<b>Profit for the year</b>		<b>1,739,936</b>	<b>1,075,348</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		1,706,304	1,052,529
Non-controlling interests		33,632	22,819
		<b>1,739,936</b>	<b>1,075,348</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>1,739,936</b>	<b>1,075,348</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		1,706,304	1,052,529
Minority interest		33,632	22,819
		<b>1,739,936</b>	<b>1,075,348</b>
<b>Earnings per share for profit attributable to the equity holders of the Company</b> (expressed in RMB per share)			
- Basic and diluted	24	1.98	1.22

The notes on pages 55 to 104 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 2010**

(All amounts in RMB unless otherwise stated)

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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		-	-	-	(258,964)	(20,621)	(279,585)
<b>Balance at 31 December 2009</b>		<b>863,214</b>	<b>816,609</b>	<b>457,650</b>	<b>2,706,474</b>	<b>102,906</b>	<b>4,946,853</b>
Balance at 1 January 2010		863,214	816,609	457,650	2,706,474	102,906	4,946,853
Profit for the year		-	-	-	1,706,304	33,632	1,739,936
Dividend relating to 2009	25	-	-	-	(422,975)	(21,219)	(444,194)
<b>Balance at 31 December 2010</b>		<b>863,214</b>	<b>816,609</b>	<b>457,650</b>	<b>3,989,803</b>	<b>115,319</b>	<b>6,242,595</b>

The notes on pages 55 to 104 are an integral part of these consolidated financial statements.

**JIANGLING MOTORS CORPORATION, LTD.****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

(All amounts in RMB unless otherwise stated)

	Note	Year ended 31 December	
		2010	2009
		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	2,996,858	3,257,196
Interest paid		(1,212)	(2,242)
Income tax paid		(279,202)	(142,722)
<b>Net cash generated from operating activities</b>		<u>2,716,444</u>	<u>3,112,232</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment ("PPE")		(459,812)	(489,283)
Proceeds from disposal of PPE	26	2,924	11,837
Interest received		77,494	50,185
Dividends received		6,473	11,238
<b>Net cash used in investing activities</b>		<u>(372,921)</u>	<u>(416,023)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		35,019	45,000
Repayments of borrowings		(35,446)	(59,125)
Dividends paid to the Company's shareholders		(421,578)	(258,350)
Dividends paid to minority shareholders of a subsidiary		(21,219)	(20,621)
Other cash paid relating to financing activities		(964)	(831)
<b>Net cash used in financing activities</b>		<u>(444,188)</u>	<u>(293,927)</u>
<b>Net increase in cash and cash equivalents</b>		1,899,335	2,402,282
Cash and cash equivalents at beginning of year		3,913,823	1,511,608
Effects of exchange rate changes		4	(67)
<b>Cash and cash equivalents at end of year</b>		<u>5,813,162</u>	<u>3,913,823</u>

The notes on pages 55 to 104 are an integral part of these consolidated financial statements.

# **JIANGLING MOTORS CORPORATION, LTD.**

## **FOR THE YEAR ENDED 31 DECEMBER 2010 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

### **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 Nanchang 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 2010, 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 consolidated financial statements were authorised for issue by the Board of Directors on 16 March 2011.

### **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.

#### **2.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements 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.

## JIANGLING MOTORS CORPORATION, LTD.

### FOR THE YEAR ENDED 31 DECEMBER 2010 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### Changes in accounting policy and disclosures

##### *(a) New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are 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 value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. IFRS 3 (revised) has had no impact on the current period.

IAS 27 (revised) 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. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- IAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of IAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Lease prepayment", and amortised over the lease term.

##### *(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)*

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). This interpretation was published in November 2008. 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.



**JIANGLING MOTORS CORPORATION, LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2010  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**Changes in accounting policy and disclosures (continued)**

*(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)*

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).
- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective from 1 July 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective from 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group. IAS 38 (amendment), 'Intangible assets', effective from 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies 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.

**JIANGLING MOTORS CORPORATION, LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**Changes in accounting policy and disclosures (continued)**

*(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)*

- IAS 36 (amendment), 'Impairment of assets', effective from 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).
- 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 that interpretation.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies 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, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

**JIANGLING MOTORS CORPORATION, LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2010  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**Changes in accounting policy and disclosures (continued)**

*(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted*

The Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.
- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the Company will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.

**JIANGLING MOTORS CORPORATION, LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2010  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

**Changes in accounting policy and disclosures (continued)**

*(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted (continued)*

- IFRIC - Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. It is not expected to have any impact on the Group or the Company's financial statements.
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC - Int 14). The amendments correct an unintended consequence of IFRIC - Int 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC - Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

**2.2 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.

**JIANGLING MOTORS CORPORATION, LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.2 Consolidation (continued)**

(1) Subsidiaries (continued)

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) 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.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. 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.

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 income statement.

**2.3 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.

## JIANGLING MOTORS CORPORATION, LTD.

### FOR THE YEAR ENDED 31 DECEMBER 2010 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB unless otherwise stated)

## 2 Summary of significant accounting policies (continued)

### 2.4 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within 'other income/(expense)-net'.

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 other comprehensive income.

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 other comprehensive income.

### 2.5 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 income statement 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
Electronic and other equipments	5-7 years

**JIANGLING MOTORS CORPORATION, LTD.**

**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts in RMB unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.5 Property, plant and equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of 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 2.8).

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

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.

**2.6 Lease prepayment**

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

**2.7 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.

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 2010.

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## **2 Summary of significant accounting policies (continued)**

### **2.7 Intangible assets (continued)**

#### **(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.

#### **(3) Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

### **2.8 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 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.

### **2.9 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 2010, 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 2.13 and 2.14).

#### **(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 also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### **(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, which are classified as non-current assets.



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**2 Summary of significant accounting policies (continued)**

**2.9 Financial assets (continued)**

(1) Classification (continued)

(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 end of the reporting period, which 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 the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(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 income statement. 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 subsequently 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 income statement within 'other income/(expense) – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

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 income statement as 'gains and losses from investment securities'.

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**2 Summary of significant accounting policies (continued)**

**2.9 Financial assets (continued)**

(2) Recognition and measurement (continued)

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

**2.10 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.

**2.11 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.

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**2 Summary of significant accounting policies (continued)**

**2.11 Impairment of financial assets (continued)**

(1) Assets carried at amortised cost (continued)

For loans and receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. 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 income statement.

(2) Assets classified as available-for-sale

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 income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. 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 income statement.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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**2 Summary of significant accounting policies (continued)**

**2.12 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 distribution costs.

**2.13 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 of trade and other receivables 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 and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**2.14 Cash and cash equivalents**

In the consolidated statement of cash flows, 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.

**2.15 Share capital**

Share capital consists of "A" and "B" shares.

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

**2.16 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.

**2.17 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 income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the report period.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed when incurred.

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**2 Summary of significant accounting policies (continued)**

**2.18 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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 PRC. 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 (and laws) 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.

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 for deferred income tax liability 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.

**2.19 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 income statement as and when incurred. The Group's obligations are determined at a certain percentage of the salaries of the employees.

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**2 Summary of significant accounting policies (continued)**

**2.19 Employee benefits (continued)**

(1) Pension obligations (continued)

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 income statement 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) Bonus entitlement

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

**2.20 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.

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**2 Summary of significant accounting policies (continued)**

**2.21 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, 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 a straight-line basis over the period of the rental contracts.

**2.22 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 income statement on a straight-line basis over the period of the lease.

**2.23 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.

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**2 Summary of significant accounting policies (continued)**

**2.24 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 income statement 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 income statement 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 and interest rate 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) Foreign exchange risk

The Company operates domestically and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S.dollar.

Management has set up a policy to require the Company to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

As at 31 December 2010, if RMB had strengthened/weakened by 10% against U.S.dollar with all other variable held constant, the Group's net profit for the year then ended would have been approximately RMB16,047,000 higher/lower.



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**3 Financial risk management (continued)**

**3.1 Financial risk factors (continued)**

(1) Market risk (continued)

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at 31 December 2010, a large portion of its bank deposits and all of its 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 2010, 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 for the year then ended would increase/decrease by approximately RMB7,292,000.

As at 31 December 2010, 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 for the year then ended would decrease/increase by approximately RMB100,000.

(2) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents and trade and other receivables.

As at 31 December 2010, the Group had cash deposits of approximately RMB167,549,000 (2009: RMB186,016,000) 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 state-owned banks or other listed banks 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.

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**3 Financial risk management (continued)**

**3.1 Financial risk factors (continued)**

(3) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Finance Department. Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 15) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year RMB '000</b>	<b>Between 1 and 2 years RMB '000</b>	<b>Between 2 and 5 years RMB '000</b>	<b>Over 5 years RMB '000</b>
<b>At 31 December 2010</b>				
Bank borrowings				
- Principals	25,004	434	1,301	5,204
- Interests	306	103	268	488
Trade and other payables	4,025,659	-	-	-
	<u>4,050,969</u>	<u>537</u>	<u>1,569</u>	<u>5,692</u>
<b>At 31 December 2009</b>				
Bank borrowings				
- Principals	25,447	447	1,341	5,813
- Interests	330	112	297	589
Trade and other payables	2,666,098	-	-	-
	<u>2,691,875</u>	<u>559</u>	<u>1,638</u>	<u>6,402</u>

## JIANGLING MOTORS CORPORATION, LTD.

### FOR THE YEAR ENDED 31 DECEMBER 2010 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 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 2010 and 2009 were as follows:

	<u>31 December 2010</u> RMB'000	<u>31 December 2009</u> RMB'000
Total borrowings	31,943	33,048
Total equity	6,242,595	4,946,853
Total capital	<u>6,274,538</u>	<u>4,979,901</u>
Gearing ratio	<u>0.51%</u>	<u>0.66%</u>

##### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, 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.

**JIANGLING MOTORS CORPORATION, LTD.**

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**4 Critical accounting estimates and judgements (continued)**

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.

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**4 Critical accounting estimates and judgements (continued)**

(3) Taxation

The Group is subject to various taxes in the PRC, including corporate income tax, value added tax and consumption tax. 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 initially 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 2010, the Group has deferred tax assets in the amount of approximately RMB205,063,000. 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 mainly for temporary differences arising from accrued expenses and retirement benefit obligations.

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**5 Property, plant and equipment**

	<b>Buildings</b>	<b>Plant and Machinery</b>	<b>Motor Vehicles</b>	<b>Moulds</b>	<b>Electronic and other equipments</b>	<b>Assets under constructions</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
<b>At 1 January 2009</b>							
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
<b>Year ended 31 December 2009</b>							
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 20,26)	-	-	-	(370)	-	-	(370)
Depreciation charge (Note 20,26)	(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
<b>At 31 December 2009</b>							
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
<b>Year ended 31 December 2010</b>							
Opening net book amount	539,441	783,956	34,248	237,211	391,797	504,506	2,491,159
Additions	-	-	-	-	627	447,626	448,253
Transfers	68,687	180,816	19,670	146,134	153,453	(568,760)	-
Disposals	(1,837)	(4,059)	(667)	-	(883)	-	(7,446)
Other deduction	-	(821)	-	-	(494)	(11,825)	(13,140)
Impairment charge (Note 20,26)	-	(109)	-	-	(597)	-	(706)
Depreciation charge (Note 20,26)	(18,230)	(97,705)	(8,158)	(72,874)	(90,629)	-	(287,596)
Closing net book amount	588,061	862,078	45,093	310,471	453,274	371,547	2,630,524
<b>At 31 December 2010</b>							
Cost	785,766	2,263,629	89,591	1,109,079	1,229,483	372,239	5,849,787
Accumulated depreciation and impairment	(197,705)	(1,401,551)	(44,498)	(798,608)	(776,209)	(692)	(3,219,263)
Net book amount	588,061	862,078	45,093	310,471	453,274	371,547	2,630,524

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**5 Property, plant and equipment (continued)**

For the year ended 31 December 2010, depreciation expense of approximately RMB252,941,000 (2009: RMB237,909,000) has been charged in cost of sales, RMB1,239,000 (2009: RMB1,188,000) in distribution costs and RMB33,416,000 (2009: RMB34,767,000) in administrative expenses.

Lease rental expenses amounting to RMB3,829,000 (2009: RMB3,254,000) relating to the lease of property are included in the income statement.

**6 Lease prepayment**

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Opening net book amount	284,393	290,916
Addition	-	1,974
Amortisation charge (Note 20,26)	<u>(6,523)</u>	<u>(8,497)</u>
Closing net book amount	<u>277,870</u>	<u>284,393</u>
Cost	329,863	329,863
Accumulated amortisation	<u>(51,993)</u>	<u>(45,470)</u>
Net book amount	<u>277,870</u>	<u>284,393</u>

All amortisation expense was charged in administrative expenses.

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**7 Intangible assets**

	After-sale management model <u>RMB'000</u>	Software <u>RMB'000</u>	Other <u>RMB'000</u>	Total <u>RMB'000</u>
<b>Year ended 31 December 2009</b>				
Opening net book amount	23,112	11,569	999	35,680
Addition	-	6,000	-	6,000
Amortisation charge (Note 20, 26)	<u>(6,162)</u>	<u>(3,395)</u>	<u>(267)</u>	<u>(9,824)</u>
Closing net book amount	<u>16,950</u>	<u>14,174</u>	<u>732</u>	<u>31,856</u>
<b>At 31 December 2009</b>				
Cost	36,978	19,523	1,600	58,101
Accumulated amortisation	<u>(20,028)</u>	<u>(5,349)</u>	<u>(868)</u>	<u>(26,245)</u>
Net book amount	<u>16,950</u>	<u>14,174</u>	<u>732</u>	<u>31,856</u>
<b>Year ended 31 December 2010</b>				
Opening net book amount	16,950	14,174	732	31,856
Addition	-	10,609	-	10,609
Amortisation charge (Note 20, 26)	<u>(6,163)</u>	<u>(4,733)</u>	<u>(267)</u>	<u>(11,163)</u>
Closing net book amount	<u>10,787</u>	<u>20,050</u>	<u>465</u>	<u>31,302</u>
<b>At 31 December 2010</b>				
Cost	36,978	30,132	1,600	68,710
Accumulated amortisation	<u>(26,191)</u>	<u>(10,082)</u>	<u>(1,135)</u>	<u>(37,408)</u>
Net book amount	<u>10,787</u>	<u>20,050</u>	<u>465</u>	<u>31,302</u>

For the year ended 31 December 2010, amortisation expense of approximately RMB10,937,000 (2009: RMB9,621,000) was charged in administrative expenses and RMB226,000 in distribution costs (2009: RMB203,000).



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**8 Investments in associate**

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
At beginning of the year	17,292	16,136
Share of profit (Note 26)	7,109	5,450
Dividends received	<u>(6,473)</u>	<u>(4,294)</u>
At end of the year	<u>17,928</u>	<u>17,292</u>

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 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:

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Total assets	27,371	25,302
Total liabilities	<u>(9,443)</u>	<u>(8,010)</u>
Net assets	<u>17,928</u>	<u>17,292</u>

	<u>Year ended 31 December</u>	
	<u>2010</u>	<u>2009</u>
	RMB'000	RMB'000
Revenue	46,522	37,743
Profit for the year	<u>7,109</u>	<u>5,450</u>

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**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 corporate income tax ("CIT") 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% CIT rate in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Deferred tax assets	206,811	135,163
Deferred tax liabilities	<u>(1,748)</u>	<u>(1,030)</u>
Deferred tax assets (net)	<u>205,063</u>	<u>134,133</u>

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
At beginning of the year	134,133	105,233
Credited to the income statement (Note 23)	<u>70,930</u>	<u>28,900</u>
At end of the year	<u>205,063</u>	<u>134,133</u>

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:

<b>Deferred tax assets</b>	Provision for	Retirement	Accrued	Depreciation	Others	Total
	impairment of assets	benefits obligation	expenses	of property, plant and equipment		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	2,528	14,586	71,816	11,196	5,630	105,756
Credited/(charged) to the income statement	<u>(856)</u>	<u>4,389</u>	<u>20,052</u>	<u>(11,196)</u>	<u>17,018</u>	<u>29,407</u>
At 31 December 2009	1,672	18,975	91,868	-	22,648	135,163
Credited/(charged) to the income statement	<u>66</u>	<u>(3,207)</u>	<u>67,232</u>	<u>-</u>	<u>7,557</u>	<u>71,648</u>
At 31 December 2010	<u>1,738</u>	<u>15,768</u>	<u>159,100</u>	<u>-</u>	<u>30,205</u>	<u>206,811</u>

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**9 Deferred income tax assets (continued)**

<b>Deferred tax liabilities</b>	<u>Depreciation of property, plant and equipment</u> RMB'000
At 1 January 2009	(523)
Charged to the income statement	<u>(507)</u>
At 31 December 2009	(1,030)
Charged to the income statement	<u>(718)</u>
At 31 December 2010	<u><u>(1,748)</u></u>

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

	<u>31 December 2010</u> RMB'000	<u>31 December 2009</u> RMB'000
Deferred tax assets to be recovered after more than 12 months	14,593	18,228
Deferred tax assets to be recovered within 12 months	<u>190,470</u>	<u>115,905</u>
	<u><u>205,063</u></u>	<u><u>134,133</u></u>

**10 Inventories**

	<u>31 December 2010</u> RMB'000	<u>31 December 2009</u> RMB'000
Raw materials	646,192	490,890
Work in progress	144,090	98,696
Finished goods	<u>646,210</u>	<u>470,212</u>
	<u><u>1,436,492</u></u>	<u><u>1,059,798</u></u>

For the year ended 31 December 2010, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB10,443,501,000 (2009: RMB7,696,686,000 ).

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**11 Trade and other receivables**

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Trade receivables	167,112	67,296
Less: Provision for impairment of trade receivables	<u>(836)</u>	<u>(337)</u>
Trade receivables – net	166,276	66,959
Notes receivables	316,698	87,081
Other receivables	11,710	18,650
Less: Provision for impairment of other receivables	<u>(62)</u>	<u>(44)</u>
Other receivables – net	11,648	18,606
Prepayments	306,114	181,909
Interest receivables	<u>24,638</u>	<u>7,337</u>
	<u>825,374</u>	<u>361,892</u>

Refer to Note 29 for details of receivables from related parties. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
RMB	824,822	361,892
UK pound	<u>552</u>	<u>-</u>
	<u>825,374</u>	<u>361,892</u>

The carrying amounts of trade and other receivables approximate their fair values.

As at 31 December 2010, trade and other receivables of approximately RMB898,000 (2009: RMB381,000) were impaired and provided for.

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
At beginning of the year	(381)	(901)
(Provision for)/reversal of for receivables impairment (Note 20,26)	<u>(517)</u>	<u>520</u>
At end of the year	<u>(898)</u>	<u>(381)</u>

As at 31 December 2010, trade receivables of approximately RMB2,431,000 (2009: RMB3,726,000) were past due but not impaired. The aging analysis of these trade receivables is as below:

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Up to three months	<u>2,431</u>	<u>3,726</u>

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.

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**12 Cash and cash equivalents**

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Cash at bank and in hand	1,558,603	997,032
Short-term bank deposits (a)	<u>4,254,559</u>	<u>2,916,791</u>
	<u>5,813,162</u>	<u>3,913,823</u>

As at 31 December 2010, the Group had cash deposits of approximately RMB167,549,000 (2009: RMB186,016,000) placed with JMCF (Note 29 (iii)). The interest rates range from 0.36% to 1.17% per annum (2009: 0.05% to 1.35%). 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		"B" shares RMB'000	Total RMB'000
		"A" shares			
		Restricted RMB'000	Non-restricted RMB'000		
<b>Year ended 31 December 2009</b>					
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	<u>863,214</u>	<u>3,242</u>	<u>515,972</u>	<u>344,000</u>	<u>863,214</u>
<b>Year ended 31 December 2010</b>					
Balance at 1 January 2010	863,214	3,242	515,972	344,000	863,214
Transfer	-	(336)	336	-	-
Balance at 31 December 2010	<u>863,214</u>	<u>2,906</u>	<u>516,308</u>	<u>344,000</u>	<u>863,214</u>

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.

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**14 Other reserves**

	<b>Statutory surplus reserve fund (a)</b>	<b>Reserve fund</b>	<b>Others</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	431,607	18,627	7,416	457,650
- Profit appropriation	-	-	-	-
At 31 December 2009 and 2010	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.

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 years ended 31 December 2009 and 2010.

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**15 Borrowings**

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
<b>Current</b>		
Bank borrowings		
- secured (a)	434	447
- unsecured	24,570	25,000
	<u>25,004</u>	<u>25,447</u>
<b>Non-current</b>		
Bank borrowings - secured (a)	6,939	7,601
	<u>6,939</u>	<u>7,601</u>
<b>Total borrowings</b>	<u>31,943</u>	<u>33,048</u>

- (a) Bank borrowings of USD1,113,231 (equivalent to approximately RMB7,373,000) (2009: USD1,178,715, equivalent to approximately RMB8,048,000) were guaranteed by JMCF (Note 29 (v)).

The interest rate of bank borrowings is ranging from 1.50% to 4.374% per annum (2009: 1.50% to 6.72%).

The fair value of borrowings approximates their carrying values.

The maturity of non-current borrowings is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Between 1 and 2 years	434	447
Between 2 and 5 years	1,301	1,341
Over 5 years	5,204	5,813
	<u>6,939</u>	<u>7,601</u>

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
RMB	10,000	25,000
US dollar	21,943	8,048
	<u>31,943</u>	<u>33,048</u>

The Group has the following undrawn borrowing facilities:

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Fixed rate		
- Expiring within one year	1,979,013	2,264,049
- Expiring beyond one year	500,000	-
	<u>2,479,013</u>	<u>2,264,049</u>

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**16 Retirement benefits obligations**

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Present value of defined benefits obligations		
Defined benefit obligations	69,054	86,585
Unrecognised past service cost	<u>(2,397)</u>	<u>(2,562)</u>
Liability on the statement of financial position	<u>66,657</u>	<u>84,023</u>

The movement of early retirement and supplemental benefit obligations for the year ended 31 December 2010 is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
At beginning of the year	84,023	85,906
For the year		
-Current service cost	502	632
-Interest cost	3,184	2,653
-Payment	(13,870)	(13,994)
-Past service cost	39	159
-Actuarial (gain)/loss	<u>(7,221)</u>	<u>8,667</u>
At end of the year	<u>66,657</u>	<u>84,023</u>
Current	12,088	13,548
Non-current	<u>54,569</u>	<u>70,475</u>
	<u>66,657</u>	<u>84,023</u>

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

- (1) Discount rate adopted: 4.25% (2009: 4.00%)
- (2) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post: 0% to 5% (2009: 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 2010, a provision of RMB66,657,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB66,657,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB12,088,000 (2009: RMB13,548,000) has been included under current liabilities.

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

	<b>Change in assumption</b>	<b>Impact on overall liability</b>
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 3.29%/3.59%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 1.14%/1.00%
Rate of mortality	Increase/decrease by 1 year	Decrease/increase by 0.99%/0.64%



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**17 Warranty provisions**

The movement on the warranty provisions is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
At beginning of the year	122,361	99,079
Charged for the year (Note 20)	163,037	105,253
Utilised during the year	<u>(113,609)</u>	<u>(81,971)</u>
At end of the year	<u>171,789</u>	<u>122,361</u>

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 2 years and 50,000 kilometres since the motor vehicles are sold to consumer.

**18 Trade and other payables**

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Trade payables	3,117,732	2,043,471
Payroll and welfare payable	157,510	102,881
Dividend payables	6,934	5,539
Other payables	1,346,245	851,561
Provision related to distribution costs	-	75,893
	<u>4,628,421</u>	<u>3,079,345</u>

Refer to Note 29 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.

**JIANGLING MOTORS CORPORATION, LTD.****FOR THE YEAR ENDED 31 DECEMBER 2010**  
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**20 Expenses by nature**

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	(221,402)	(130,763)
Raw materials and consumables used	10,664,903	6,902,503
Employee benefit expenses (Note 21)	724,226	533,630
Depreciation on property, plant and equipment (Note 5,26)	287,596	273,864
Impairment charges of property, plant and equipment (Note 5,26)	706	370
Repairs and maintenance expenditure on property, plant and equipment	96,949	78,544
Research and development expenditure	554,173	309,363
Amortisation of lease prepayment (Note 6,26)	6,523	8,497
Amortisation of intangible assets (Note 7,26)	11,163	9,824
Write-down of inventories (Note 26)	2,493	961
Provision for/(reversal of) for receivables impairment (Note 11,26)	517	(520)
Provision of warranty (Note 17)	163,037	105,253
Others	1,254,916	986,678
Total cost of sales, distribution costs and administrative expenses	13,545,800	9,078,204

**21 Employee benefit expenses**

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Wages and salaries	570,031	406,637
Social security costs	42,794	31,695
Pension costs – defined contribution plans	59,824	40,421
Pension costs – defined benefit plan (Note 16)	(3,496)	12,111
Others	55,073	42,766
	724,226	533,630

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.

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**22 Finance income and cost**

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
(a) Finance income		
Interest income on bank deposits	87,284	52,016
Interest income on credit sales	7,421	3,619
	<u>94,705</u>	<u>55,635</u>
(b) Finance cost		
Interest expense on bank loans	(1,205)	(2,844)
Bank charges	(1,074)	(804)
	<u>(2,279)</u>	<u>(3,648)</u>
Net finance income	<u>92,426</u>	<u>51,987</u>

**23 Taxation**

(a) CIT

The Group applicable tax rate was stated in Note 9. For the year ended 31 December 2010, the applicable CIT rates of the Company and its subsidiary are 15% and 22% respectively.

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

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current tax	(357,291)	(192,392)
Deferred tax (Note 9)	70,930	28,900
	<u>(286,361)</u>	<u>(163,492)</u>

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**23 Taxation (continued)**

(a) CIT (continued)

The difference between the actual income tax charge in the income statement 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	
	2010	2009
	RMB'000	RMB'000
Profit before tax	2,026,297	1,238,840
Tax calculated at a tax rate of 15% (2009: 15%)	(303,945)	(185,826)
Company which is subject to different tax rate	(11,564)	(4,222)
Tax concessions	225	17,920
Expense not deductible for tax purposes	(2,531)	(1,712)
Income not subject to tax	25,135	19,330
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	6,319	(8,982)
Tax charge	<u>(286,361)</u>	<u>(163,492)</u>

(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 and equipment 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.

**24 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	
	2010	2009
Profit attributable to equity holders of the Company (RMB '000)	1,706,304	1,052,529
Weighted average number of ordinary shares in issue (thousands)	863,214	863,214
Basic earnings per share	<u>1.98</u>	<u>1.22</u>

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 2010.

**JIANGLING MOTORS CORPORATION, LTD.****FOR THE YEAR ENDED 31 DECEMBER 2010**  
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(All amounts in RMB unless otherwise stated)**25 Dividends**

A final dividend for 2009 of RMB422,975,000 (RMB0.49 per share) was paid in 2010.

A final dividend for 2010 of RMB0.79 per share, amounting to a total dividend of RMB681,939,000 is proposed at the Directors' Meeting on 16 March 2011, 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 RMB84,875,000 in 2010.

**26 Cash generated from operations**

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	RMB'000	RMB'000
Profit before tax	2,026,297	1,238,840
Depreciation (Note 5,20)	287,596	273,864
Amortisation of lease prepayment (Note 6,20)	6,523	8,497
Amortisation of intangible assets (Note 7,20)	11,163	9,824
Impairment charge of PPE (Note 5,20)	706	370
Provision for/(reversal of) receivables impairment (Note 20)	517	(520)
Write-down of inventories (Note 20)	2,493	961
Loss/(gain) on disposals of property, plant and equipment	4,522	(6,091)
Finance cost (Note 22)	2,279	3,648
Finance income (Note 22)	(94,705)	(55,635)
Net foreign exchange transaction gain	(1,000)	(50)
Share of profit of associate (Note 8)	(7,109)	(5,450)
Changes in working capital:		
- Increase in inventories	(385,932)	(12,495)
- (Increase)/decrease in trade and other receivables	(456,021)	199,954
- Increase in warranty provisions	49,428	23,282
- Increase in trade and other payables	1,567,467	1,580,080
- Decrease in pensions and other retirement benefits	(17,366)	(1,883)
Cash generated from operations	<u>2,996,858</u>	<u>3,257,196</u>

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	RMB'000	RMB'000
Net book amount	7,446	5,816
(Loss)/gain on disposal of property, plant and equipment	(4,522)	6,091
Offset with trade and other payables	-	(70)
Proceeds from disposal of property, plant and equipment	<u>2,924</u>	<u>11,837</u>

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**27 Contingencies**

At 31 December 2010, the Group did not have any significant contingent liabilities.

**28 Commitments**

Capital commitments

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

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Contracted but not provided for:		
Purchases of buildings, plant and machinery	441,310	282,320

**29 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. ("JMHL"), 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 2010. In addition, Chongqing Changan Automobile Corporation Ltd. ("Changan Auto") and JMCG hold 50% equity interest of JMHL, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCG and its subsidiaries, Ford and its subsidiaries in the ordinary course of business during the year ended 31 December 2010.

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### FOR THE YEAR ENDED 31 DECEMBER 2010 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 29 Related party transactions (continued)

For the year ended 31 December 2010, related parties, other than the subsidiary, and their relationship with the Group are as follow:

Name of related Party	Relationship
JMCG	Shareholder of JMHC; the same Chairman as the Company
Ford Motor (China) Co., Ltd.	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 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 JMHC
Nanchang JMCG Tianren Auto Component Co.	Subsidiary of JMHC
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 Industrial Co. Shangrao Motor parts Plant	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Xinchun 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
Nanchang JMCG Shishun Auto Rental Co., Ltd.	Subsidiary of JMCG
Nanchang Lianda Machinery Co., Ltd.	Subsidiary of JMCG
Jiangxi JMCG Yichang Second-hand Motors Sales Co., Ltd.	Subsidiary of JMCG
Jiangxi Velf Engine Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Trading Co.	Subsidiary of JMCG
Nanchang JMCG Liancheng Auto Component Co.	Subsidiary of JMCG
JMCG Industry Co. Printing Plant	Associate of JMCG
JMCG Hequn Costume Co., Ltd.	Associate of JMCG
Visteon Climate Control Nanchang	Associate of the Company
GETRAG (Jiangxi) Transmission Company	Associate of JMCG
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Associate of JMCG
Jiangxi JMCG Aowei Auto Component Co.	Associate of JMCG
Changan Ford Mazda Automobile Co., Ltd.	Associate of Ford

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**29 Related party transactions (continued)**

**i) Purchases of goods and services**

**Purchase of goods**

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	RMB'000	RMB'000
JMCG	106,286	154,720
Ford	429,863	247,914
JMCG Interior Trim Factory	513,523	269,247
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	169,112	99,260
Jiangxi JMCG Industrial Co.	50,456	52,469
Jiangling Material Co.	56,996	34,549
Visteon Climate Control Nanchang	169,706	118,121
Jiangxi Jiangling Chassis Company	501,800	334,828
Jiangling-Lear Interior Trim Factory	291,901	191,736
Jiangling Metal Casting Co.	27,995	14,613
Nanchang Gear Co., Ltd.	5,953	6,365
Nanchang Jiangling Hua Xiang Auto Components Co.	129,706	90,013
Jiangling Auto Component Co.	11,221	9,008
JMCG Industrial Co. Shangrao Motor Parts Plant	6,649	3,565
JMCG Industry Co. Printing Plant	3,230	2,318
JMCG Special Purpose Vehicle Plant	442	1,215
GETRAG (Jiangxi) Transmission Company	547,956	272,183
Ford Otosan Company	1,383	1,572
Nanchang JMCG Liancheng Auto Component Co.	182,758	85,558
JMCG Hequn Costume Co., Ltd.	3,239	2,456
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	592,883	320,627
Nanchang JMCG Xinchun Auto Component Co.	25,827	16,102
Jiangxi JMCG Aowei Auto Component Co.	32,643	21,167
Nanchang JMCG Tianren Auto Component Co.	6,895	3,119
Nanchang Lianda Machinery Co., Ltd.	17,824	-
Others	89	657
	<b>3,886,336</b>	<b>2,353,382</b>



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**29 Related party transactions (continued)**

**i) Purchases of goods and services (continued)**

<b>Purchase of services</b>	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
JMCG Import & Export Co., Ltd.		
- commission expenses	4,540	6,038
- services	650	6,591
JMCG		
- rental expense	3,829	3,254
Ford		
- services	96,624	14,376
JMCG Jiangxi Engineering Construction Co., Ltd.		
- services	50,877	34,903
Jiangling-Lear Interior Trim Factory		
- services	2,859	1,424
Jiangxi JMCG Industrial Co.		
- services	17,295	12,588
JMCG Property Management Co.		
- services	2,005	1,967
Ford Motor Research & Engineering (Nanjing) Co., Ltd.		
- services	2,686	3,150
Ford Motor Company of Australia Limited		
- services	1,745	1,424
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.		
- services	2,863	3,799
Visteon Climate Control Nanchang		
- services	-	1,326
Nanchang JMCG Shishun Auto Rental Co., Ltd.		
- services	1,965	-
Others	2,517	4,357
	<b>190,455</b>	<b>95,197</b>

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**29 Related party transactions (continued)**

**i) Purchases of goods and services (continued)**

Purchases of property, plant and equipment	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Changan Ford Mazda Automobile Co., Ltd.	-	400
Visteon Climate Control Nanchang	-	500
Jiangling Overseas Motors Sales&Service Co., Ltd.	400	400
Jiangxi JMCG Industrial Co.	102	-
	<u>502</u>	<u>1,300</u>

**ii) Sales of goods and provision of services**

Sales of goods	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	531,110	354,112
JMCG Interior Trim Factory	76,163	46,637
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	166,362	112,135
JMCG Property Management Co.	7,920	7,321
Jiangxi JMCG Industrial Co.	2,351	7,272
Jiangxi Jiangling Chassis Company	22,986	16,856
Land Wind Sales Company	2,372	1,933
Jiangxi Jiangling Material Utilization Co., Ltd.	61,870	34,991
JMH	58,654	32,592
GETRAG (Jiangxi) Transmission Company	-	5,945
Nanchang JMCG Liancheng Auto Component Co.	39,216	21,950
Jiangling-Lear Interior Trim Factory	5,712	2,899
Jiangling New-power Auto Manufacturing Co.	31,077	15,586
Jiangxi JMCG Aowei Auto Component Co.	1,772	1,211
Nanchang JMCG Trading Co.	24,127	3,507
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	2,610	-
Nanchang JMCG Tianren Auto Component Co.	2,859	84
Others	2,506	2,839
	<u>1,039,667</u>	<u>667,870</u>

Sales of property, plant and equipment	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	255	-
Nanchang JMCG Liancheng Auto Component Co.	-	11,160
	<u>255</u>	<u>11,160</u>

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**29 Related party transactions (continued)**

**ii) Sales of goods and provision of services (continued)**

<b>Rental income</b>	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	RMB'000	RMB'000
Jiangling Material Co.	132	264

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

<b>Trade receivables from related parties</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	10,398	-
JMH	2,818	3,745
Jiangxi Jiangling Material Utilization Co., Ltd.	8,907	-
Nanchang JMCG Liancheng Auto Component Co.	8,435	6,514
Jiangling New-power Auto manufacturing Co.	2,370	3,846
JMCG Import & Export Co., Ltd.	24,523	632
Jiangxi Velff Engine Co., Ltd.	1,048	-
	<b>58,499</b>	<b>14,737</b>

<b>Notes receivables from related parties</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	25,454	10,000
Nanchang JMCG Trading Co.	2,000	-
Jiangling New-power Auto manufacturing Co.	950	-
	<b>28,404</b>	<b>10,000</b>

<b>Other receivables from related parties</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	74	381
Nanchang JMCG Tianren Auto Component Co.	-	600
	<b>74</b>	<b>981</b>

<b>Prepayments for purchasing of goods</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	249,596	148,592
JMCG Jiangxi Engineering Construction Co.,Ltd.	4,670	-
	<b>254,266</b>	<b>148,592</b>

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**29 Related party transactions (continued)**

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

<b>Prepayments for construction in progress</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	6,157	43
JMCG Jiangxi Engineering Construction Co., Ltd.	4,230	2,724
	<u>10,387</u>	<u>2,767</u>
<b>Trade payables to related parties</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
JMCG Interior Trim Factory	119,622	69,488
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	141,160	81,172
Jiangling-Lear Interior Trim Factory	112,566	65,306
Visteon Climate Control Nanchang JMCG	60,002	43,719
JMCG	21,295	44,497
Jiangxi Jiangling Chassis Company	153,987	106,022
Nanchang Gear Co., Ltd.	1,719	1,791
Nanchang Jiangling Hua Xiang Auto Components Co.	45,189	33,883
Jiangling Metal Casting Co.	8,724	5,207
Jiangxi JMCG Industrial Co.	15,034	18,995
JMCG Industrial Co. Shangrao Motor parts Plant	2,704	1,312
Jiangling Auto Component Co.	2,753	2,603
JMCG Import & Export Co., Ltd.	2,299	1,590
Jiangling Material Co.	630	1,353
GETRAG (Jiangxi) Transmission Company	168,818	91,252
Nanchang JMCG Liancheng Auto Component Co.	60,283	30,173
Ford	108,679	41,087
Nanchang JMCG Xinchun Auto Component Co.	6,632	6,067
Jiangxi JMCG Aowei Auto Component Co.	18,146	8,964
Nanchang Lianda Machinery Co., Ltd.	16,840	-
Nanchang JMCG Tianren Auto Component Co.	3,286	985
Others	833	374
	<u>1,071,201</u>	<u>655,840</u>

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**29 Related party transactions (continued)**

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

<b>Other payables to related parties</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
Ford	149,182	26,400
Ford Otosan Company	4,395	2,445
Ford Motor (China) Co., Ltd.	302	2,415
JMCG Import & Export Co., Ltd.	70	7,034
GETRAG (Jiangxi) Transmission Company	575	1,288
JMCG Jiangxi Engineering Construction Co., Ltd.	5,452	8,892
Jiangling-Lear Interior Trim Factory	2,730	2,081
Ford Motor Company of Australia Limited	4,257	2,512
Ford Global Technologies, LLC	9,048	4,795
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	3,000	2,362
Nanchang JMCG Liancheng Auto Component Co.	996	866
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	3,419	1,103
Jiangxi JMCG Industrial Co.	1,130	1,016
Nanchang Jiangling Hua Xiang Auto Components Co.	1,923	1,906
Jiangxi Jiangling Chassis Company	1,822	893
JMH	810	382
Others	1,787	2,246
	<u>190,898</u>	<u>68,636</u>
<b>Advance from related parties</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	842	21,882
Others	285	179
	<u>1,127</u>	<u>22,061</u>
<b>Cash deposit in related parties</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
	RMB'000	RMB'000
JMCF (Note 12)	167,549	186,016

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**29 Related party transactions (continued)**

**iv) Service fee paid for management staff**

Pursuant to an agreement among the Company, Ford, Ford Motor Research & Engineering (Nanjing) Co., Ltd and Ford Motor (China) Co., Ltd. in 2008, some employees of Ford, Ford Motor Research & Engineering (Nanjing) Co., Ltd and Ford Motor (China) Co., Ltd. were assigned to the Company as management staff. During the year ended 31 December 2010, the Company accrued service fee of approximately USD3,281,000 (equivalent to approximately RMB22,234,000), RMB467,000 and RMB1,943,000 payable to Ford, Ford Motor Research & Engineering (Nanjing) Co., Ltd and Ford Motor (China) Co., Ltd. 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 2010, the Company accrued approximately service fee of RMB809,000 payable to JMH for these employees.

**v) Guarantee**

As at 31 December 2010, bank loans of USD1,113,231 (equivalent to approximately RMB7,373,000) (2009: USD1,178,715, equivalent to approximately RMB8,048,000) 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 2010, the total remuneration of the key management was about RMB7,618,000 (2009: RMB5,604,000).

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**29 Related party transactions (continued)**

**vii) Royalty fee**

a) 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 should be paid to Ford Global Technologies, LLC and Ford Otosan Company respectively. During the year ended 31 December 2010, the total royalty fee due to Ford Global Technologies, LLC and Ford Otosan Company was approximately USD6,828,000 (equivalent to approximately RMB45,881,000). As at 31 December 2010, the remaining amount of USD2,030,000 was included in other payables.

b) Pursuant to a supplemented agreement on the joint development agreement of VE83 series automobiles, the Company agreed the payment of royalty fee to Ford of USD6,500,000 in 2010. As at 31 December 2010, the amount of USD 6,500,000 was included in other payables.

**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 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 the 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 management of the Company believes that meaningful information relating to such kind of related parties transactions has been adequately disclosed.

**Transactions with other state-owned entities**

	<b>Year ended 31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Purchase of goods	1,198,154	748,389
Purchase of fixed assets	57,745	24,991
Purchase of services	61,544	40,074
Sales of goods	36,896	24,408
Interest income	82,303	49,491
Interest expense	1,025	1,951
Borrowings	35,019	45,000
Repayment of borrowings	35,446	59,125

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**29 Related party transactions (continued)**

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

**Balances with other state-owned entities**

	<u>31 December 2010</u>	<u>31 December 2009</u>
	RMB'000	RMB'000
Cash and cash equivalents	5,645,612	3,727,807
Borrowings	31,943	33,048
Trade and other receivables	51,971	34,765
Trade and other payables	<u>277,370</u>	<u>210,943</u>

**30 Principal subsidiary**

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

<u>Entity</u>	<u>Place and date of incorporation</u>	<u>Percentage of equity interest held</u>	<u>Principal activities</u>
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 2010 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 2010.
4. The Annual Report in the China GAAP.

Board of Directors

Jiangling Motors Corporation, Ltd.

March 18, 2011