Jiangling Motors Corporation, Ltd.
2011 Half-year Report

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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.
Nine Directors shall attend this Board meeting and eight Directors were present. Director Howard D. Welsh did not attend this meeting, and he authorized Director Yuan-Ching Chen to represent him at this meeting.
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 Half-year Report are truthful and complete.
The Half-year Financial Statements have not been audited.
All financial data in this report are prepared under International Financial Reporting Standards ('IFRS') unless otherwise specified.
The Half-year Report is prepared in Chinese and English. In the event of any discrepancy, the Chinese version will prevail.

Section I JMC's Basic Information

I. Brief Introduction

Company name in Chinese: 江铃汽车股份有限公司
Company name in English: Jiangling Motors Corporation, Ltd.
Abbreviation: JMC
Place of listing: Shenzhen Stock Exchange
Share's name: Jiangling Motors Jiangling B
Share's code: 000550 200550
JMC's registered address and head office's address: 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C.
Postcode: 330001
Internet web site: http://www.jmc.com.cn
Legal representative of JMC: Mr. Wang Xigao
Board Secretary: Mr. Wan Hong
Board securities affair representative: Mr. Quan Shi
Contact address: Jiangling Motors Corporation, Ltd., 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C.
Telephone: 0791-5266178
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Persons for financial information disclosure: Mr. Michael Joseph Brielmaier (Tel: 0791-5266503)
Newspapers for information disclosure: China Securities, Securities Times, Hong Kong Commercial Daily
Website designated by CSRC for publication of JMC's Half-year Report: http://www.cninfo.com.cn
Place for placing Half-year Report: Securities Department, Jiangling Motors Corporation, Ltd.

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

II. Operating Highlights

Unit: RMB ’000

	At the end of reporting period*	At the end of the previous year	Change (%)
Total assets	11,616,231	11,237,715	3.37
Shareholder’s equity Attributable to the Equity Holders of the Company	6,520,355	6,127,276	6.42
Share Capital	863,214	863,214	0
Net Assets Per Share Attributable to the Equity Holders of the Company (RMB)	7.55	7.10	6.42
	Reporting period (2011 first half)*	Same period last year*	Change (%)
Revenue	9,221,540	7,675,817	20.14
Operating Profit	1,203,417	1,192,587	0.91
Profit Before Income Tax	1,286,509	1,237,702	3.94
Profit Attributable to the Equity Holders of the Company	1,075,018	1,039,512	3.42
Basic Earnings Per Share (RMB)	1.25	1.20	3.42
Diluted Earnings Per Share (RMB)	1.25	1.20	3.42
Weighted Average Return on Net Asset Ratio (%)	16.13	19.43	Down 3.30 percentage points
Net Cash Generated From Operating Activities	149,377	1,499,490	-90.04
Net Cash Flow Per Share from Operating Activities (RMB)	0.17	1.74	-90.04

*Unaudited financial indexes.

Impact of IFRS adjustments on the profit for the period:

Unit: RMB’000

	Shareholder’s equity Attributable to the Equity Holders of the Company	Profit Attributable to the Equity Holders of the Company
	June 30, 2011	2011 First Half
As Prepared under the China GAAP**	6,524,048	1,078,711
Adjustment per IFRS:		
Staff bonus and welfare fund appropriated from net profit of a subsidiary	-3,693	-3,693
As Restated in Conformity with IFRS	6,520,355	1,075,018

** Based on the financial statements prepared by JMC under the China GAAP.

Section II Share Capital Changes and Main 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	2,905,620	0.34%	-	-	-	1,170	1,170	2,906,790	0.34%
1.State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	2,901,000	0.33%	-	-	-	-	-	2,901,000	0.33%
Including:									
Domestic legal person shares	2,781,000	0.32%	-	-	-	-	-	2,781,000	0.32%
Domestic natural person shares	120,000	0.01%	-	-	-	-	-	120,000	0.01%
4. Management Shares	4,620	0.01%	-	-	-	1,170	1,170	5,790	0.01%
II. Unlimited tradable shares	860,308,380	99.66%				-1,170	-1,170	860,307,210	99.66%
1. A shares	516,308,380	59.81%	-	-	-	-1,170	-1,170	516,307,210	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%

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

Total shareholders	JMC had 21,833 shareholders, including 15,854 A-share holders and 5,979 B-share holders, as of June 30, 2011.				
Top ten shareholders					
Shareholder Name	Shareholder Type	Shareholding Percentage （%）	Shares	Shares with Trading Restriction	Shares Due to Mortgage or Frozen
Jiangling Motor Holding Co., Ltd. (“JMH”)	State-owned legal person	41.03	354,176,000	-	-
Ford Motor Company (‘Ford’)	Foreign legal person	30	258,964,200	-	-
Shanghai Automotive Co., Ltd.	State-owned legal person	1.51	13,019,610	-	-
Bosera Thematic Sector Equity Securities Investment Fund	Domestic non -state-owned legal person	1.51	12,999,900	-	-
National Social Security Fund- Portfolio 102	Domestic non -state-owned legal person	1.16	10,030,098	-	-
Dragon Billion China Master Fund	Foreign legal person	1.07	9,202,496	-	-
Huaan Tactical Select Securities Investment Fund	Domestic non -state-owned legal person	0.85	7,374,087	-	-
Jpmblsa Re Ftif Templeton	Foreign	0.54	4,632,763	-	-

China Fund Gti 5497	legal person				
Harvest Stable Open Securities Investment Fund	Domestic non -state-owned legal person	0.52	4,463,714	-	-
National Social Security Fund- Portfolio 103	Domestic non -state-owned legal person	0.51	4,436,560	-	-

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
Shanghai Automotive Co., Ltd.	13,019,610	A share
Bosera Thematic Sector Equity Securities Investment Fund	12,999,900	A share
National Social Security Fund- Portfolio 102	10,030,098	A share
Dragon Billion China Master Fund	9,202,496	B share
Huaan Tactical Select Securities Investment Fund	7,374,087	A share
Jpmblsa Re Ftif Templeton China Fund Gti 5497	4,632,763	B share
Harvest Stable Open Securities Investment Fund	4,463,714	A share
National Social Security Fund- Portfolio 103	4,436,560	A share
Notes on association among above-mentioned shareholders	Bosera Thematic Sector Equity Securities Investment Fund and National Social Security Fund- Portfolio 102 are in custody of Bosera Fund Management Co., Ltd.	

Section III Directors, Supervisors and Senior Management

I. There was no change in the status of JMC directors, supervisors and senior management holding JMC shares in the reporting period.

II. Changes of Directors, Supervisors and Senior Management During the Reporting Period

Directors Changes:

Due to expiration of the three-year term for the sixth Board, the Board was re-elected in accordance with the regulations of the Articles of Association of JMC.

Per approval of the JMC 2010 Annual Shareholders’ Meeting, Mr. Wang Xigao, Mr. John Lawler, Mr. Howard D. Welsh, Mr. Yuan-Ching Chen, Ms. Xiong Chunying and Mr. Cai Yong were elected as directors of JMC, and Mr. Shi Jiansan, Mr. Vincent Pun Fong Kwan and Ms. Wang Xu were appointed as independent directors on June 23, 2011.

Supervisors Changes:

Due to expiration of the three-year term for the sixth Supervisory Board, the Supervisory Board was re-elected in accordance with the regulations of the Articles of Association of JMC.

Per approval of the JMC 2010 Annual Shareholders' Meeting, Mr. Zhu Yi, Mr. Alvin Qing Liu and Mr. Zhang Jian were elected as supervisors of JMC on June 23, 2011. Mr. Jin Wenhui and Ms. Xu Lanfeng were elected in the meeting of employee representatives as members of the new Supervisory Board of JMC in June 2011.

Senior Management changes:
The Board of Directors agreed Mr. Tu Hongfeng's resignation from Executive Vice President position due to his retirement at the twelfth session of the sixth Board on March 31, 2011.

Due to re-election of the Board of Directors, the first session of the new Board was held on June 23, 2011 and it approved the following resolutions: appointed Mr. Yuan-Ching Chen as the President of the Company; based on the Chairman's nomination, appointed Mr. Wan Hong as the Board Secretary; based on the President's nomination, appointed Ms. Xiong Chunying and Ms. Liu Nianfeng as Executive Vice Presidents, Mr. Michael Joseph Brielmaier as CFO, and Mr. Wan Hong, Mr. Zhong Wanli, Mr. Zhou Yazhuo, Mr. Li Qing, Mr. Peter Dowding, Mr. Wan Jianrong, Mr. Zhu Shuixing and Mr. William John Marshall as Vice Presidents.

Section IV Management Discussion and Analysis

I. 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, pickup, SUV and Transit series commercial vehicles. The Company also produces engines, casting and other components.

In First Half of 2011, JMC achieved record sales of 105,304 units including 38,261 JMC series light trucks, 37,052 JMC series pickups and SUV, and 29,991 Ford Transit series commercial vehicles. Total sales volume was up 19% from same period last year. Total production volume for the First Half was 98,581 units, including 34,837 JMC series light trucks, 35,089 JMC series pickups and SUV, and 28,655 Transits.

Compared with the same period a year ago, JMC series light truck sales volume increased by 12%, JMC series pickup and SUV sales volume increased 28%, Transit sales volume increased by 19%. The year-over-year volume improvement was primarily attributed to share improvement.

In the First Half of 2011, the Company achieved a share of 3.1% of the commercial vehicle market, an increase of 0.6 percentage points from the same period last year. JMC has maintained or grown its share of the commercial vehicle segments in which it participates. JMC light trucks (including pickup) accounted for 7.1% of the light truck market, increasing by 1.0 point from the same period last year. Transit achieved 21.3% share of the light bus market, up 1.5 points vs. the same period last year. (Data source for above analysis: China Association of Automobile Manufacturers and the Company sales records)

II. Financial Results

The Table summarizes revenue & cost of goods sold from core business:

Unit: RMB '000

Product	Turnover	Cost in core business	Gross Margin (%)	Turnover change from the same period last year (%)	Costs in core business change from the same period last year (%)	Gross margin change from the same period last year (points)
I. Vehicles	8,459,434	6,463,287	23.6%	19.2	22.8	-2.3
II. Components	661,816	477,255	27.9%	34.3	32.4	1.1
Total	9,121,250	6,940,542	23.9%	20.2	23.4	-2.0
Involving: related party transactions	618,693	505,285	18.3%	53.5	66.3	-6.3
Pricing principle of related party transactions	Market Price					

Details pertaining to core business classified according to region:

Unit: RMB '000

Region	Turnover	Turnover change from the same period last year (%)
North-east China	448,574	15.4
North China	917,396	24.3
East China	4,505,544	18.4
South China	1,419,644	15.1
Central China	745,437	25.7
North-west China	462,507	39.3
South-west China	622,148	24.1

Revenue in the First Half of 2011 was RMB 9,222 million, up 20% from same period last year. Under International Financial Reporting Standards, net profits were RMB 1,075 million, up RMB 36 million from same period last year. Higher profit derived from volume increases was partially offset by the change in construction and education tax and gross margin reduction from tactical price reductions and raw material cost increases. Sales tax in the first half of 2011 increased by RMB 131 million, or 100%, from the same period last year, primarily reflecting higher consumption tax generated from volume growth and the levy of construction and education taxes. Financial income was RMB 80 million, up 92% from same period last year, primarily reflecting increase of bank deposits, higher interest rates and improved investment management.

Cash flow from operations was positive RMB 149 million, reflecting primarily favorable working capital changes. Cash flow from investing activities was negative RMB 339 million, primarily due to large capital expenditures in facilities, equipment and tooling. Financing cash flow was negative RMB 25 million, primarily reflecting repayment of bank loans.

At the end of June 2011, Company cash and cash equivalents totaled RMB 5,598 million, a decrease of RMB 215 million from the end of 2010. The balance of bank borrowing was RMB 7 million, down RMB 25 million from the end of 2010.

Trade and other receivables at the end of the reporting period increased by RMB 662 million, or 80%, from the end of 2010, primarily reflecting sales increase and advanced acceptance of bank bill before due time and more dealers choose to settle with acceptance bill.

Total assets were RMB 11,616 million, up 3% from RMB 11,238 million at year-end 2010. The increase is primarily explained by increase of trade receivable and profit increase.

Total liabilities were RMB 4,957 million, a decrease of RMB 38 million from at year-end 2010, primarily reflecting decrease of accounts advanced and accounts payable vs. the end of 2010.

Shareholder equity, including minority interest, was RMB 6,659 million at June 30, 2011, up RMB 416 million from year-end 2010. This increase is primarily explained by net profit earned in the reporting period with partial offset by dividend payment accrual.

III. Operational Challenges and Resolutions

In the First Half of 2011, the Company continued to face new product entry competition, more stringent regulatory requirement, intensifying cost pressures, and an industry slowdown. During the reporting period, the Company focused on quality improvement, new product development and production capacity expansion which sets the foundation for future growth.

During the reporting period, the Company continued to experience market share pressure from lower-priced competitors. In response, the Company lowered the price for selected models. Additionally, proactive marketing plans were initiated to help generate sales. The Company also accelerated development of second tier markets and enhanced its customer purchase experience. These actions helped to improve the Company's overall market share vs. same period in 2010.

To pursue steady growth, the company continues to focus on (1) quality improvement for all products, (2) tactically increasing media spending and sales promotion that support both present and new products, (3) reducing component costs and improving manufacturing efficiency, (4) balancing management of controllable expenses, including operating, capacity-related, and new product development spending, while ensuring that the company’s long term development remains consistent with company objectives, and (5) strengthening corporate governance and application of appropriate risk assessment and control mechanisms.

The company anticipates continued cost pressures and severe competition, including raw material prices and labor cost increases, competitive vehicle price reduction, new vehicle entries in selected market segments, government policy revisions and more stringent regulatory requirements.

The Company continues to leverage previously established processes and work groups to reduce production 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 remains focused on (1) leveraging existing product platforms to generate new revenue streams, (2) introducing new products to penetrate into new segments, and (3) expanding production capacity to meet demand. The Company, with the support of our technology partners, continues to execute major product development and manufacturing projects approved by the Board. These programs include new Ford and JMC branded products, gas and diesel engine, and additional capacity in both our component and vehicle assembly operations. These actions will introduce fully competitive and profitable products utilizing our enhanced PD testing and development facilities and will provide incremental manufacturing capacity.

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

IV. Investment in the Reporting Period

1. In First Half of 2011, JMC did not raise equity funding, nor did it use equity funding raised in previous years for capital investment.

2. Self funded major projects:

Project Name	**Total Investment Approval (RMB Mils)**	**Investment Committed (RMB Mils)**	**Investment To Be Committed (RMB Mils)**	**Planned Job#1 Date**
N350	598.0	560.0	38.0	First Half, 2012
JX4D24 Engine for N350	30.0	18.6	3.4	First Half, 2012
N900	200.0	188.0	12.0	First Half, 2012
Stage IV JX493 Engine N Series Light Truck Program	25.2	23.5	1.7	Second Half, 2011
N800	725.0	223.7	471.3	Second Half, 2014
V348 China Stage IV Heavy Duty Truck Program	59.0	48.7	-	Completed
E802 Engine Program	419.0	97.3	321.7	First Half, 2014
A4 Press Line	384.0	311.4	72.6	Second Half,2011
JX4D24 Engine Phase II	315.0	19.7	295.3	Second Half, 2012
CAL Program	47.1	37.0	4.7	Second Half, 2011
Vehicle storage and delivery facility Phase I	35.0	24.5	10.5	Second Half, 2011
PDM Program	10.5	8.0	2.5	Second Half, 2011
V348 A4 Line Die Modification Program	10.0	7.4	2.6	First Half, 2012
Stage V and VI Emissions Facilities Program	26.6	19.5	0.1	Second Half, 2011

Capacity Expansion Program	566.5	233.6	332.9	First Half, 2013
V348 FVL KD Supply Program	8.5	3.0	5.5	Second Half, 2011
N351	249.0	10.5	238.5	Second Half, 2013
2.2L Global Puma Engine 4C Localization Program	30.0	5.1	24.9	Second Half, 2011
Casting Plant Melting Technical Improvement Program	10.0	4.4	5.6	Second Half, 2011
N330 Program Long Lead Funding	327.0	5.1	321.9	Second Half, 2012
V348 Transit Emission Update Program Long Lead Funding	208.1	118.7	89.4	First Half, 2013
VE83 Transit Emission Update Program	7.5	5.6	1.9	Second Half, 2011
N800 Long Wheel Base Vehicle Program	91.0	6.8	84.2	First Half, 2013
Capacity Expansion in Xiaolan Site	2,133.0	134.2	1,998.8	First Half, 2013
IT Strategy Proposal	45.0	15.0	30.0	Year End, 2012
Xiaolan Site Test Track Program	79.6	0.2	79.4	First Half, 2013
Capacity Expansion Investment	33.2	4.6	28.6	Second Half, 2011
Phase II Investment of Vehicle Emission Test Lab	45	0.02	44.98	Year End, 2012
PD Center	424.0	-	424.0	First Half, 2013
Self-development Gas Engine Program Long Lead Funding	125.0	0.1	124.9	Year End, 2012
	7,266.8	2,134.2	5,071.9	

The Spending will be funded from cash reserves.

V. 2011 Second Half Year Plan

The Company is projecting revenue in the range of RMB 8 to 10 billion for the Second Half of 2011. Intensified competition resulting from new market entries and the launch of new models will require increased levels of marketing expense. Additionally, R&D and capital expenditures are projected to be higher as we progress with new product programs and capacity expansion actions.

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

i. Accelerate efforts to strengthen our brand image by enhancing the Company's distribution network, including distribution network expansion and improving customer sales service to improve sales under the softening market environment.

ii. Implement company-wide cost reduction actions to ensure achievement of budgeted profit targets

iii. Improve N350 SUV sales

iv. Launch N350 Pickup on schedule to further improve company and dealers' revenue and profits

v. Work with technology partners to execute the N330, N350, N800, JX4D24, E802 and Capacity Expansion in Xiaolan Site and component operations.

vi. Enhance and execute product and engine cycle plans.

vii. Expand finished vehicle exports and OEM component sales business.

Section V Major Events

I. Status of the Corporate Governance in JMC

During the reporting period, the Company continued to operate its corporate governance in compliance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, as well as relevant laws and regulations. Generally, the actual situation of the corporate governance in JMC meets the requirements of the laws and regulations promulgated by CSRC.

II. Execution of Profit Distribution Plan

The 2010 Annual Shareholders' Meeting of the Company approved the 2010 calendar year profit distribution plan on June 23, 2011. Announcement of 2010 calendar year dividend distribution was published in China Securities, Securities Times and Hong Kong Commercial Daily on July 12, 2011, and it has been executed accordingly.

The 2010 calendar 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 7.9 (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 7.11 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.

Domestic individual shareholders and non-resident enterprises holding the Company's B share will receive an after-tax cash dividend of RMB 7.11 per 10 shares; For foreign individual shareholders, 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 = RMB0.8311, being the middle rate of the exchange rates between HK dollar and RMB quoted by the People's Bank of China on the first business day (June 24, 2011) immediately after the relevant resolutions were passed at the Company's Shareholders' Meeting.

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

III. JMC had no major litigation or arbitration issues in the reporting period.

IV. JMC had no major purchase or sale of assets during the reporting period.

V. Major related party transactions

1. Related party transactions for purchase of commodities and services in the reporting period

(1) JMC purchased certain raw materials, auxiliary materials and components from related parties. Transactions with half-year value over RMB 15 million are listed bellow:

Transaction Parties	Pricing Principle	Settlement Method	Amount (RMB '000)	As % of Total Purchases
Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	Contracted price	Prepayment	296,665	4.69
GETRAG (Jiangxi) Transmission Company	Contracted price	60 days after delivery and invoicing	288,689	4.56
Jiangxi Jiangling Chassis Company	Contracted price	60 days after delivery and invoicing	276,107	4.36
JMCG Interior Trim Factory	Contracted price	60 days after delivery and invoicing	268,792	4.25
Ford	Contracted price	D/P	190,580	3.01
Jiangling-Lear Interior Trim Factory	Contracted price	60 days after delivery and invoicing	166,475	2.63
NanchangJMCG Liancheng Auto Component Co.	Contracted price	60 days after delivery and invoicing	106,210	1.68
Nanchang Jiangling Huaxiang Auto Components Co.	Contracted price	60 days after delivery and invoicing	95,248	1.51
Visteon Climate Control (Nanchang) Co., Ltd.	Contracted price	60 days after delivery and invoicing	93,281	1.47
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of purchased goods	91,823	1.45
JMCG	Contracted price	60 days after delivery and invoicing	51,209	0.81
Jiangling Material Company	Contracted price	Pay on delivery	37,053	0.59
Nanchang Lianda Mechanical	Contracted	60 days after	21,657	0.34

Co., Ltd.	price	delivery and invoicing		
Jiangxi JMCG Aowei Auto Component Co.	Contracted price	60 days after delivery and invoicing	17,498	0.28
Nanchang Jiangling Auto Component Co.	Contracted price	60 days after delivery and invoicing	16,635	0.26
Jiangling Metal Casting Co.	Contracted price	60 days after delivery and invoicing	16,285	0.26
Nanchang JMCG Tianren Auto Component Co.	Contracted price	60 days after delivery and invoicing	16,123	0.25

(2) The sales of products by JMC to related parties with half-year value over RMB 15 million are listed bellow:

Transaction Parties	Pricing Principle	Settlement Method	Amount (RMB'000)	As % of Total Revenue
JMCG Import and Export Co., Ltd.	Contracted price	Receiving 40% in advance and clearance of the remains within 30 days after invoicing	440,058	4.77
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Contracted price	Monthly Netting off payment of purchased goods	59,412	0.64
Jiangxi Jiangling Material Utilization Co., Ltd.	Market price	Monthly settlement	40,108	0.43
JMCG Interior Trim Factory	Contracted price	Monthly Netting off payment of purchased goods	36,855	0.40
JMH	Market price	30 days after invoicing	33,463	0.36
Nanchang JMCG Liancheng Auto Component Co.	Contracted price	75 days after invoicing	24,770	0.27
Jiangling New-power Auto Manufacturing Co.	Contracted price	30 days after invoicing	16,895	0.18
Nanchang JMCG Trading Co.	Contracted price	Delivery on payment	16,262	0.18

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 quotation, cost assessment and negotiations.

(3) Management Compensations

Pursuant to revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates, in the firs half of 2011, the Company should pay US$ 2062.5 thousand and RMB 1170 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, 2011, in the first half of 2011, the Company should pay approximately RMB 440,734 to JMH as service fee for the employees assigned by JMH.

(4) Working Meal

In the first half of 2011, JMC paid RMB 8.93 million for working meal to Jiangxi JMCG Industrial Company.

(5) Purchasing Agency

JMCG Import & Export Co., Ltd. was the import agent of JMC for acquiring import materials, equipment and technology services. In the first half of 2011, JMC paid JMCG Import & Export Co., Ltd. commission of RMB 2.12 million pursuant to the Exclusive Import Agency Agreement signed by them.

(6) Project Construction and Maintenance

In the first half of 2011, JMC paid RMB 8.59 million for projection construction and maintenance to JMCG Jiangxi Engineering Construction Co., Ltd.

2. The Company had no major related party transaction concerning transfer of assets or equity during the reporting period.

3. Creditor's rights, liabilities and guarantees between JMC and related parties

(1) Balance of accounts due to or due from main related parties with value over RMB 30 million:

Unit: RMB '000

Item	Related Parties	Amount (RMB thousands)	Ratio to the Balance of the Item
Receivables	JMCG Import and Export Co., Ltd.	75,946	18.31
Prepayment	Nanchang Bao-jiang Steel & Processing Distribution Co., Ltd.	274,527	81.51
Project prepayment	JMCG Import and Export Co., Ltd.	31,681	9.41
Accounts and bills payable	Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	159,851	5.17
Accounts and bills payable	Jiangxi Jiangling Chasis Company	120,396	3.90
Accounts and bills payable	GETRAG (Jiangxi) Transmission Company	118,681	3.84
Accounts and bills payable	Jiangling-Lear Interior Trim Factory	106,141	3.43

Accounts and bills payable	JMCG Interior Trim Factory	83,349	2.70
Accounts and bills payable	Nanchang JMCG Liancheng Auto Component Co.	72,163	2.34
Accounts and bills payable	Ford	61,687	2.00
Accounts and bills payable	Nanchang Jiangling Huaxiang Auto Components Co.	59,684	1.93
Accounts and bills payable	Visteon Climate Control (Nanchang) Co., Ltd.	50,960	1.65
Other payables	Ford	62,074	10.12

(2) Deposit
On June 30, 2011, JMC had a deposit of RMB 187.61 million in JMCG Finance Co., Ltd. JMC received a total of RMB 1.87 million in interest from JMCG Finance Co., Ltd. in the first half of 2011.

(3) Guarantees to JMC
As of June 30, 2011, JMCG Finance Co, Ltd provided a guarantee for JMC's bank loans of US$ 1.08 million.

4. Other major related party transactions during the first half of 2011
According to the V348 Transit Vehicles Series Technology Licensing Contract ("V348 TLC") signed by JMC and Ford as well as Supplemental Agreement to V348 TLC jointly signed by Ford, Ford Global Technologies, LLC., Ford Otosan and JMC, JMC is to pay licensing fee annually reflecting 2.6% of V348 Transit net sales revenue. Ford Global Technologies, LLC. shall receive 67.31% of the licensing fee and Ford Otosan shall receive the reminder 32.69%. JMC bore a licensing fee of US$ 4 million (equal to RMB 26.04 million) in the first half of 2011.

According to the Engagement Agreement Concerning China V348 Stage V and MCA Engineering Services signed by JMC and Ford, JMC is to pay the engineering service fee of US$ 26.381 million to Ford quarterly and pay off before the first quarter of 2013. JMC bore an engineering service fee of US$ 3190.5 thousand (equal to RMB 20,984 thousand) in the first half of 2011.

According to Ford Puma Technology Licensing Contract signed by JMC and Ford in 2007, JMC is to pay royalty fee of US$ 92 for each of the Engine Products manufactured by JMC and matched with JMC brand vehicle under the aforesaid license to Ford. JMC bore a royalty fee of US$ 334,328 (equivalent to approximately RMB 2,181,914) in the first half of 2011.

VI. There were neither entrustment, contracts or leased assets from other companies, nor entrustment, contracts or leases of JMC's assets to other companies from which profit was generated in excess of 10% of the reporting period total profit. JMC did not entrust other people with cash asset management in the reporting period.

VII. Accounting Estimate Change
Starting in June 2011, JMC will adopt a new methodology to adjust its warranty

reserve and cost per unit accrual. This will more appropriately reflect JMC's actual warranty trend and maintain proper warranty reserve more reasonably, The traditional way is to fix the warranty reserve on the basis of historical warranty spending trend as well as the total sales volume while the new methodology is to develop an adequate reserve-to-spending ratio for reserve review guidelines (Maintain the reserve as a multiple of the average actual spending cost of past four quarters) and review/adjust the cost per unit accrual based on the reserve-to-spending ratio.

Under IFRS, the accounting estimate change herein has a negative impact of RMB 64.78 million on provision balance as of the end of June 2011, and correspondingly has a positive impact of RMB 55.80 million on the profit attributable to the equity holders of the Company in the first half of 2011.

VIII. Commitments of the Company, shareholder and actual controller

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.

IX. Neither the Company nor its directors or senior management were punished by regulatory authorities in the reporting period.

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

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

i. 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;

ii. There is no outside guarantee during the reporting period.

XI. External research and media interviews of the Company

Date	Place	Communication Method	Object	Information discussed and sources offered
January 17, 2011	In the Company	Oral Communication	Two analysts from Hengtai Securities Co., Ltd., Value Star Asset Management Co., Ltd.	JMC Operating highlights
January 19, 2011	In the Company	Oral Communication	Three analysts from Minsheng Royal Fund Management Co., Ltd., Orient Fund Management Co., Ltd., Great Wall Securities Co., Ltd.	JMC Operating highlights
January 26, 2011	In the Company	Oral Communication	Two analysts from Everbright Securities Company Limited, Shanxi Securities Co., Ltd.	JMC Operating highlights
February 17, 2011	In the Company	Oral Communication	Ten analysts from China Securities Co., Ltd., Changsheng Fund Management Co., Ltd., Everbright Pramerica Fund Management Co., Ltd., Bank of Communication Schroders Fund Management Co., Ltd., Galaxy Asset Management Co., Ltd., Taikang Asset Management Co., Ltd., Franklin Templeton Sealand Fund Management Co., Ltd., GF Fund Management Co., Ltd.	JMC Operating highlights
February 18, 2011	In the Company	Oral Communication	An analysts from China Re Asset Management Company Ltd.	JMC Operating highlights
February 23, 2011	In the Company	Oral Communication	An analysts from Great Wall Fund	JMC Operating highlights

			Management Co., Ltd.	
March 4, 2011	In the Company	Oral Communication	An analysts from China Securities Co., Ltd.	JMC Operating highlights
March 7, 2011	In the Company	Oral Communication	Two analysts from Shenyin & Wanguo Securities Co., Ltd, Yinhua Fund Management Co., Ltd.	JMC Operating highlights
March 10, 2011	In the Company	Oral Communication	Six analysts from Beijing Hongdao Investment Company, GF Securities Co., Ltd., Huatai Asset Management Co., Ltd., Guotai Junan Securities Co., Ltd., Ping An Insurance (Group) Company of China, Ltd.	JMC Operating highlights
March 16, 2011	In the Company	Oral Communication	Five analysts from BOC International (China) Limited, Bosera Fund Management Co., Ltd.	JMC Operating highlights
March 17. 2011	In the Company	Oral Communication	An analyst from Nanjing Securities Co, Ltd.	JMC Operating highlights
March 29, 2011	In the Company	Oral Communication	Two analysts from Taikang Asset Management Co., Ltd.	JMC Operating highlights
March 31, 2011	In the Company	Oral Communication	An analyst from China Merchants Securities Co., Ltd.	JMC Operating highlights
April 12, 2011	In the Company	Oral Communication	Four analysts from Manulife Teda Fund Management Co., Ltd., Manulife Asset Management (Hong Kong) Limited	JMC Operating highlights
April 19, 2011	In the Company	Oral Communication	Two analysts from Everbright Securities Company Limited, Shanxi Securities Co., Ltd.	JMC Operating highlights
April 21, 2011	In the Company	Oral Communication	An analyst from Huachuang Securities Co., Ltd.	JMC Operating highlights
April 26, 2011	In the Company	Oral Communication	Three analysts from BNP Paribus Securities (Asia) Limited, Goldman Sachs (Asia) Company Limited,	JMC Operating highlights

			Capital Research Company	
May 4, 2011	In the Company	Oral Communication	Three analysts from GF Securities Co., Ltd., Harvest Fund Management Co., Ltd.	JMC Operating highlights
May 10, 2011	In the Company	Oral Communication	Seven analysts from Xiaoniu Asset Management Co., Ltd., Chongyang Investment Management Co., Ltd., Invesco Great Wall Fund Management Co., Ltd., HFT Investment Management Co., Ltd., China Post & Capital Fund Management Co., Ltd., Sunshine Insurance Group Corporation Limited, China Securities Co., Ltd.	JMC Operating highlights
May 13, 2011	In the Company	Oral Communication	Eight analysts from China International Capital Corporation Limited, E Fund Management Co., Ltd., New China Fund Management Co., Ltd., Citic-Prudential Fund Management Co., Ltd., Hualong Securities Co., Ltd., CCB Principal Asset Management Co., Ltd., Fuanda Fund Management Co., Ltd.	JMC Operating highlights
May 24, 2011	In the Company	Oral Communication	An analyst from PICC Asset Management Company Limited	JMC Operating highlights
June 9, 2011	In the Company	Oral Communication	An analyst from Galaxy Securities Co., Ltd.	JMC Operating highlights
June 15	In the Company	Oral Communication	Five analysts from Bosera Fund Management Co., Ltd., Manulife Teda Fund Management Co., Ltd.	JMC Operating highlights
June 23, 2011	In the Company	Oral Communication	Five analysts from China Life Insurance	JMC Operating highlights

			(Group) Company, GoldenFaith Asset Management Co., Ltd., Greenwoods Asset Management Co., Ltd., Essence Securities Co., Ltd., Ping An Insurance (Group) Company of China	

XII. Establishment and Implementation of Internal Control System

During the reporting period, the Company continuously improves its corporate governance and internal control in compliance with the Code of Corporate Governance for Listed Company in China, Basic Standards for Enterprise Internal Control, Guidance for Enterprise Internal Control, and meet the company's operational status. Conclusion drawn from the results of testing conducted by the Internal Audit Office is that the Company's Internal Control is effective and no significant deficiency or frauds have been found. Major internal control work finished in the first half year of 2011 is as follows:

i. The Internal Audit Office conducted testing on key processes based on the Audit Work Plan approved by the Audit Committee. Special attention was focused on the company's confidentiality system and data security status, and corrective actions were put into place as planned for the issues identified.

ii. Per JMC's current scale and revised Company Charter, the Delegation of Executive Authorities was revised.

XIII JMC did not participate in securities investments nor did it hold equity in other listed companies during the reporting period.

XIV Indexes for publication of information disclosure

All announcements of the Company are published in China Securities, Securities Time and Hong Kong Commercial Daily. The website for information disclosure is http: //www.cninfo.com.cn. The listing of information disclosed in the first half of 2011 is as follows:

1. Production and sales volume information in December 2010 was published on January 6, 2011.
2. Year 2010 performance flash report was published on January 21, 2011.
3. Production and sales volume information in January 2011 was published on February 10, 2011.
4. Production and sales volume information in February 2011 was published on March 3, 2011.
5. Extracts from the 2010 Annual Report and announcements on the relevant resolutions of the Board of Directors and the Supervisory Board were published on March 18, 2011.
6. Announcements on the resolutions of the twelfth session of the sixth Board and related party transaction, production and sales volume information in March 2011 were published on April 2, 2011.
7. 2011 First Quarter Report was published on April 26, 2011.
8. Production and sales volume information in April 2011 was published on May 4,

2011.

9. Announcements on the resolutions of the Board of Directors and the Supervisory Board, Notice on Holding 2010 Annual Shareholders' Meeting were published on June 1, 2011.
10. Production and sales volume information in May 2011 was published on June 3, 2011.
11. Supplementary 2010 Annual Report and relevant supplementary announcement were published on June 4, 2011.
12. Announcement on the resolution of the Supervisory Board was published on June 21, 2011.
13. Announcement on the resolutions of 2010 Annual Shareholders' Meeting was published on June 24, 2011.

Section VI Financial Statements

The Half-year Financial Statements have not been audited.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011
(All amounts in RMB unless otherwise stated)

	Note	As at 30 June 2011#	As at 31 December 2010
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,817,293	2,630,524
Lease prepayment	6	274,608	277,870
Intangible assets	7	25,073	31,302
Investments in associate	8	21,157	17,928
Deferred income tax assets	9	156,609	205,063
		3,294,740	3,162,687
Current assets			
Inventories	10	1,235,399	1,436,492
Trade and other receivables	11	1,487,791	825,374
Trading financial assets		180	-
Cash and cash equivalents	12	5,598,121	5,813,162
		8,321,491	8,075,028
Total assets		**11,616,231**	**11,237,715**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	863,214	863,214
Share premium		816,609	816,609
Other reserves	14	457,650	457,650
Retained earnings		4,382,882	3,989,803
		6,520,355	6,127,276
Non-controlling interests		138,701	115,319
Total equity		**6,659,056**	**6,242,595**
LIABILITIES			
Non-current liabilities			
Borrowings	15	6,569	6,939
Retirement benefit obligations	16	47,170	54,569
Warranty provisions	17	135,872	171,789
		189,611	233,297
Current liabilities			
Trade and other payables	18	4,692,048	4,628,421
Current income tax liabilities		63,004	96,310
Borrowings	15	424	25,004
Retirement benefit obligations	16	12,088	12,088
		4,767,564	4,761,823
Total liabilities		**4,957,175**	**4,995,120**
Total equity and liabilities		**11,616,231**	**11,237,715**

Unaudited financial indexes
The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(All amounts in RMB unless otherwise stated)

	Note	Six months ended 30 June 2011#	2010#
		RMB'000	RMB'000
Revenue	19	9,221,540	7,675,817
Sales tax		(262,719)	(131,399)
Cost of sales	20	(6,992,497)	(5,675,348)
Gross profit		**1,966,324**	**1,869,070**
Distribution costs	20	(402,393)	(381,236)
Administrative expenses	20	(361,193)	(291,368)
Other (expense)/income		679	(3,879)
Operating profit		**1,203,417**	**1,192,587**
Finance income	22	80,433	42,363
Finance costs	22	(570)	(845)
Finance income-net	22	79,863	41,518
Share of profit of associates	8	3,229	3,597
Profit before income tax		**1,286,509**	**1,237,702**
Income tax expense	23	(188,109)	(182,882)
Profit for the period		**1,098,400**	**1,054,820**
Profit attributable to:			
Equity holders of the Company		1,075,018	1,039,512
Non-controlling interests		23,382	15,308
		1,098,400	**1,054,820**
Other comprehensive income		-	-
Total comprehensive income for the period		**1,098,400**	**1,054,820**
Total comprehensive income attributable to:			
Equity holders of the Company		1,075,018	1,039,512
Non-controlling interests		23,382	15,308
		1,098,400	**1,054,820**
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
- Basic and diluted	24	1.25	1.20

#Unaudited financial indexes
The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(All amounts in RMB unless otherwise stated)

	Note	Attributable to equity holders of the Company#					
		Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Non-controlling interests#**	**Total equity#**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		863,214	816,609	457,650	2,706,474	102,906	4,946,853
Profit for the six months		-	-		1,039,512	15,308	1,054,820
Dividend relating to 2009		-	-		(422,975)	-	(422,975)
Balance at 30 June 2010		**863,214**	**816,609**	**457,650**	**3,323,011**	**118,214**	**5,578,698**
Balance at 1 January 2011		863,214	816,609	457,650	3,989,803	115,319	6,242,595
Profit for the six months		-	-	-	1,075,018	23,382	1,098,400
Dividend relating to 2010	25	-	-	-	(681,939)		(681,939)
Balance at 30 June 2011		**863,214**	**816,609**	**457,650**	**4,382,882**	**138,701**	**6,659,056**

#Unaudited financial indexes
The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(All amounts in RMB unless otherwise stated)

	Note	Six months ended June 30	
		2011#	**2010#**
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	26	322,759	1,601,655
Interest paid		(422)	(711)
Income tax paid		(172,960)	(101,454)
Net cash generated from operating activities		149,377	1,499,490
Cash flows from investing activities			
Purchase of held-to-maturity investments		(314,968)	-
Purchase of property, plant and equipment ("PPE")		(399,262)	(129,580)
Proceeds from disposal of PPE	26	1,239	1,566
Interest received		58,410	31,367
Proceed from repayment of held-to-maturity investments		315,338	-
Net cash used in investing activities		(339,243)	(96,647)
Cash flows from financing activities			
Proceeds from borrowings		-	25,019
Repayments of borrowings		(24,668)	(25,224)
Dividends paid to the Company's shareholders		(276)	(65)
Other cash paid relating to financing activities		(231)	(205)
Net cash used in financing activities		(25,175)	(475)
Net increase / (decrease) in cash and cash equivalents		(215,041)	1,402,368
Cash and cash equivalents at beginning of year		5,813,162	3,913,823
Effects of exchange rate changes		-	4
Cash and cash equivalents at end of period		**5,598,121**	**5,316,195**

#Unaudited financial indexes
The notes on pages 26 to 75 are an integral part of these consolidated financial statements.

1 General information

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

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

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

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

As at 30 June 2011, 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 21 August 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.

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.

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 remains 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.

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 form 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.

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.

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.

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.

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

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.

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

No development costs were capitalised by the Group during the year ended 30 June 2011

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 30 June 2011, 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.

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'.

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.

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.

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.

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.

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.

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.

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 30 June 2011, if RMB had strengthened/weakened by 10% against U.S.dollar with all other variable held constant, the Group's net profit for the six months ended 30 June 2011 would have been approximately RMB8,296,000 higher/lower.

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 30 June 2011, 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 30 June 2011, 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 six months ended 30 June 2011 would increase/decrease by approximately RMB5,161,000.

As at 30 June 2011, 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 six months ended 30 June 2011 would decrease/increase by approximately RMB28,000.

(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 30 June 2011, the Group had cash deposits of approximately RMB187,611,000 (2010: RMB167,549,000) 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.

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.

	Less than 1 year RMB ‘000	**Between 1 and 2 years RMB ‘000**	**Between 2 and 5 years RMB ‘000**	**Over 5 years** RMB ‘000
At 30 June 2011				
Bank borrowings				
- Principals	424	424	1,271	4,874
- Interests	103	97	253	439
Trade and other payables	3,703,564	-	-	-
	3,704,091	521	1,524	5,313
At 31 December 2010				
Bank borrowings				
- Principals	25,004	434	1,301	5,204
- Interests	306	103	268	488
Trade and other payables	4,025,659	-	-	-
	4,050,969	537	1,569	5,692

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 30 June 2011 and 31 December 2010 were as follows:

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Total borrowings	6,993	31,943
Total equity	6,659,056	6,242,595
Total capital	**6,666,049**	**6,274,538**
Gearing ratio	0.10%	0.51%

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.

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 Board meeting was held in form of paper meeting from June 24, 2011 to June 30, 2011. The Board of Directors approved to adjust the warranty cost accrual and relevant reserve levels.

The Group provides warranties on automobile and undertakes to repair or replace items that fail to perform satisfactorily based on certain pre-determined conditions. 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.

Because of continuous quality improvement, the group actual spending on warranty per unit is being reduced. In order to reflect the group's actual warranty trend more accurately and maintain a more appropriate warranty reserve, starting in June 2011, the group adopted a new methodology for its warranty reserve and cost per unit accrual. The traditional way is to establish the warranty reserve on the basis of historical warranty spending trends as well as the total sales volume while the new methodology is to develop an adequate reserve-to-spending ratio for reserve review guidelines (Maintain the reserve as a certain multiple of the average actual spending cost of past four quarters) and review/adjust the cost per unit accrual based on the reserve-to-spending ratio.
This new methodology change is recognized as modified prospective approach and will reduce provision balance RMB 64,776,464, increase profit before tax RMB64,867,115, reduce deferred income tax assets RMB 9,501,770, increase profit after tax RMB 55,365,345, among of : Attributes to equity holders of the company is increased RMB 55,795,936, Non-controlling interests is reduced RMB 430,591.

(2) Pension benefits

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

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

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

4 Critical accounting estimates and judgements (continued)

(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 initial recorded, such differences will impact the tax provisions in the period such determination is made.

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

As at 30 June 2011, the Group has deferred tax assets in the amount of approximately RMB156,609,000.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.

5 Property, plant and equipment

	Buildings	Plant and Machinery	Motor Vehicles	Moulds	Electronic and other equipments	Assets under constructions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
At 1 January 2010							
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
Year ended 31 December 2010							
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	-	(109)	-	-	(597)	-	(706)
Depreciation charge	(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
At 31 December 2010							
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
Six month ended 30 June 2011							
Opening net book amount	588,061	862,078	45,093	310,471	453,274	371,547	2,630,524
Additions	-	-	-	-	52	345,106	345,158
Transfers	2,981	14,510	3,617	30,684	29,622	(81,414)	-
Disposals	(21)	(344)	(370)	(233)	(519)	-	(1,487)
Other deduction	-	-	-	-	-	(27)	(27)
Impairment charge (Note 20,26)	-	(533)	(73)	(171)	(228)	-	(1,005)
Depreciation charge (Note 20,26)	(9,591)	(51,860)	(4,522)	(40,445)	(49,452)	-	(155,870)
Closing net book amount	581,430	823,851	43,745	300,306	432,749	635,212	2,817,293
At 30 June 2011							
Cost	788,211	2,274,010	90,841	1,133,710	1,238,897	635,904	6,161,573
Accumulated depreciation and impairment	(206,781)	(1,450,159)	(47,096)	(833,404)	(806,148)	(692)	(3,344,280)
Net book amount	581,430	823,851	43,745	300,306	432,749	635,212	2,817,293

5 Property, plant and equipment (continued)

For the six months ended 30 June 2011, depreciation expense of approximately RMB138,373,000 (the six months ended 30 June 2010: RMB121,975,000) has been charged in cost of sales, RMB637,000 (the six months ended 30 June 2010: RMB621,000) in distribution costs and RMB16,860,000 (the six months ended 30 June 2010: RMB17,862,000) in administrative expenses.

Lease rental expenses amounting to RMB1,703,000 (the six months ended 30 June 2010: RMB1,915,000) 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:

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Opening net book amount	277,870	284,393
Amortisation charge (Note 20,26)	(3,262)	(6,523)
Closing net book amount	274,608	277,870
Cost	329,863	329,863
Accumulated amortisation	(55,255)	(51,993)
Net book amount	274,608	277,870

All amortisation expense was charged in administrative expenses.

7 Intangible assets

	After-sale management model	Software	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010				
Opening net book amount	16,950	14,174	732	31,856
Addition	-	10,609	-	10,609
Amortisation charge	(6,163)	(4,733)	(267)	(11,163)
Closing net book amount	10,787	20,050	465	31,302
At 31 December 2010				
Cost	36,978	30,132	1,600	68,710
Accumulated amortisation	(26,191)	(10,082)	(1,135)	(37,408)
Net book amount	10,787	20,050	465	31,302
Six month ended 30 June 2011				
Opening net book amount	10,787	20,050	465	31,302
Amortisation charge (Note 20, 26)	(3,083)	(3,014)	(132)	(6,229)
Closing net book amount	7,704	17,036	333	25,073
At 30 June 2011				
Cost	36,978	30,132	1,600	68,710
Accumulated amortisation	(29,274)	(13,096)	(1,267)	(43,637)
Net book amount	7,704	17,036	333	25,073

For the six months ended 30 June 2011, amortisation expense of approximately RMB6,112,000 (the six months ended 30 June 2010: RMB5,213,000) was charged in administrative expenses and RMB117,000 in distribution costs (the six months ended 30 June 2010: RMB109,000).

8 Investments in associate

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

	30 June 2011	**31 December 2010**
	RMB'000	RMB'000
At beginning of the year	17,928	17,292
Share of profit (Note 26)	3,229	7,109
Dividends received	-	(6,473)
At end of the period	21,157	17,928

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:

	30 June 2011	**31 December 2010**
	RMB'000	RMB'000
Total assets	166,622	27,371
Total liabilities	(56,144)	(9,443)
Net assets	110,478	17,928

	Six months ended 30 June	
	2011	**2010**
	RMB'000	RMB'000
Revenue	121,601	23,420
Profit for the period	16,857	3,597

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.

	30 June 2011	31 December 2010
	RMB’000	RMB’000
Deferred tax assets	158,932	206,811
Deferred tax liabilities	(2,323)	(1,748)
Deferred tax assets (net)	156,609	205,063

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

	30 June 2011	31 December 2010
	RMB’000	RMB’000
At beginning of the year	205,063	134,133
Credited to the income statement (Note 23)	(48,454)	70,930
At end of the period	156,609	205,063

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

Deferred tax assets

	Provision for impairment of	Retirement benefits obligation	Accrued expenses	Others	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2010	1,672	18,975	91,868	22,648	135,163
Credited/(charged) to the income statement	66	(3,207)	67,232	7,557	71,648
At 31 December 2010	1,738	15,768	159,100	30,205	206,811
Credited/(charged) to the income statement	924	(1,290)	(42,041)	(5,472)	(47,879)
At 30 June 2011	2,662	14,478	117,059	24,733	158,932

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9 Deferred income tax assets (continued)

Deferred tax liabilities	Depreciation of property, plant and equipment
	RMB'000
At 1 January 2010	(1,030)
Charged to the income statement	(718)
At 31 December 2010	(1,748)
Charged to the income statement	(575)
At 30 June 2011	(2,323)

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

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Deferred tax assets to be recovered after more than 12 months	13,295	14,593
Deferred tax assets to be recovered within 12 months	143,314	190,470
	156,609	205,063

10 Inventories

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Raw materials	751,476	646,192
Work in progress	229,876	144,090
Finished goods	254,047	646,210
	1,235,399	1,436,492

For the six months ended 30 June 2011, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB6,602,012,000 (the six months ended 30 June 2010: RMB5,669,783,000).

11 Trade and other receivables

	30 June 2011	**31 December 2010**
	RMB'000	RMB'000
Trade receivables	414,816	167,112
Less: Provision for impairment of trade receivables	(2,074)	(836)
Trade receivables – net	412,742	166,276
Notes receivables	679,212	316,698
Other receivables	13,290	11,710
Less: Provision for impairment of other receivables	(70)	(62)
Other receivables – net	13,220	11,648
Prepayments	336,793	306,114
Interest receivables	45,824	24,638
	1,487,791	825,374

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:

	30 June 2011	**31 December 2010**
	RMB'000	RMB'000
RMB	1,487,002	824,822
UK pound	555	552
AUD	234	-
	1,487,791	825,374

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

As of 30 June 2011, trade and other receivables of approximately RMB2,144,000 (2010: RMB898,000) were impaired and provided for.

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

	30 June 2011	**31 December 2010**
	RMB'000	RMB'000
At beginning of the year	(898)	(381)
Provision for of receivables impairment (Note 20,26)	(1,246)	(517)
At end of the period	(2,144)	(898)

As of 30 June 2011, trade receivables of approximately RMB2,265,000 (2010: RM2,431,000) were past due but not impaired. The aging analysis of these trade receivables is as below:

	30 June 2011	**31 December 2010**
	RMB'000	RMB'000
Up to three months	2,265	2,431

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

12 Cash and cash equivalents

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Cash at bank and in hand	749,915	1,558,603
Short-term bank deposits (a)	4,848,206	4,254,559
	5,598,121	5,813,162

As at 30 June 2011, the Group had cash deposits of approximately RMB187,611,000 (2010: RMB167,549,000) placed with JMCF (Note 29 (iii)). The interest rates range from 0.36 % to 3.25% per annum (2010: 0.36% to 1.17%). JMCF, a non-bank financial institution, is a subsidiary of JMCG.

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

13 Share capital

	Number of shares (thousands)	Tradable shares			Total
		"A" shares		"B" shares	
		Restricted	Non-restricted		
		RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010					
Balance at 1 January 2010	863,214	3,242	515,972	344,000	863,214
Transfer	-	(336)	336	-	-
Balance at 31 December 2010	863,214	2,906	516,308	344,000	863,214
The six months ended 30 June 2011					
Balance at 1 January 2011	863,214	2,906	516,308	344,000	863,214
Transfer	-	1	(1)	-	-
Balance at 30 June 2011	863,214	2,907	516,307	344,000	863,214

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

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

14 Other reserves

	Statutory surplus reserve fund (a)	Reserve fund	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	431,607	18,627	7,416	457,650
- Profit appropriation	-	-	-	-
At 30 June 2011	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 six months ended 30 June 2011.

15 Borrowings

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Current		
Bank borrowings		
- secured (a)	424	434
- unsecured	-	24,570
	424	25,004
Non-current		
Bank borrowings - secured (a)	6,569	6,939
Total borrowings	6,993	31,943

(a) Bank borrowings of USD1,080,488 (equivalent to approximately RMB6,993,000) (2010: USD1,113,231 , equivalent to approximately RMB7,373,000) were guaranteed by JMCF (Note 29 (v)).

The interest rate of bank borrowings is 1.50% per annum (2010: 1.50% to 4.374%).

The fair value of borrowings approximates their carrying values.

The maturity of non-current borrowings is as follows:

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Between 1 and 2 years	424	434
Between 2 and 5 years	1,271	1,301
Over 5 years	4,874	5,204
	6,569	6,939

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

	30 June 2011	31 December 2010
	RMB'000	RMB'000
RMB	-	10,000
US dollar	6,993	21,943
	6,993	31,943

The Group has the following undrawn borrowing facilities:

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Fixed rate		
- Expiring within one year	1,913,970	1,979,013
- Expiring beyond one year	800,000	500,000
	2,713,970	2,479,013

16 Retirement benefits obligations

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

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Present value of defined benefits obligations		
Defined benefit obligations	59,258	69,054
Unrecognised past service cost	-	(2,397)
Liability on the statement of financial position	59,258	66,657

The movement of early retirement and supplemental benefit obligations for the six months ended 30 June 2011 is as follows:

	30 June 2011	31 December 2010
	RMB'000	RMB'000
At beginning of the year	66,657	84,023
For the year		
-Current service cost	-	502
-Interest cost	-	3,184
-Payment	(7,399)	(13,870)
-Past service cost	-	39
-Actuarial (gain)/loss	-	(7,221)
At end of the period	59,258	66,657
Current	12,088	12,088
Non-current	47,170	54,569
	59,258	66,657

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

(1) Discount rate adopted: 4.25% (2010: 4.25%)
(2) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post: 0% to 5% (2010: 0% to 5%)
(3) Mortality: average life expectancy of residents in the PRC

Based on the assessment and IAS 19, the Group estimated that, as at 30 June 2011, a provision of RMB59,258,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB59,258,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB12,088,000 (2010: RMB12,088,000) has been included under current liabilities.

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

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 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%

17 Warranty provisions

The movement on the warranty provisions is as follows:

	30 June 2011	31 December 2010
	RMB'000	RMB'000
At beginning of the year	171,789	122,361
Charged for the period (Note 20)	26,266	163,037
Utilised during the period	(62,184)	(113,609)
At end of the period	135,871	171,789

The above represents the warranty costs for repairs and maintenance, which are estimated based on a certain multiple of the average actual spending cost of past four quarters. The warranty period of commercial vehicles is the lesser of 2 years and 50,000 kilometers since the motor vehicles are sold to consumer; the warranty period of passenger vehicles is the lesser of 3 years and 60,000 kilometers since the motor vehicles are sold to consumer.

18 Trade and other payables

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Trade payables	3,090,050	3,117,732
Payroll and welfare payable	154,829	157,510
Dividend payables	688,767	6,934
Other payables	758,402	1,346,245
	4,692,048	4,628,421

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.

20 Expenses by nature

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	299,238	170,274
Raw materials and consumables used	6,302,774	5,190,020
Employee benefit expenses (Note 21)	457,706	359,886
Depreciation on property, plant and equipment (Note 5,26)	155,870	140,458
Impairment charges of property, plant and equipment (Note 5,26)	1,005	-
Repairs and maintenance expenditure on property, plant and equipment	29,789	27,131
Research and development expenditure	208,618	163,294
Amortisation of lease prepayment (Note 6,26)	3,262	3,262
Amortisation of intangible assets (Note 7,26)	6,229	5,322
Write-down /（Reversal）of inventories (Note 26)	7,521	(171)
Provision for receivables impairment (Note 11,26)	1,246	1,192
Provision of warranty (Note 17)	26,266	72,377
Others	256,559	214,907
Total cost of sales, distribution costs and administrative expenses	7,756,083	6,347,952

21 Employee benefit expenses

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Wages and salaries	342,819	295,094
Social security costs	32,628	17,306
Pension costs – defined contribution plans	57,580	26,150
Pension costs – defined benefit plan (Note 16)	-	-
Others	24,679	21,336
	457,706	359,886

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

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

22 Finance income and cost

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
(a) Finance income		
Interest income on bank deposits	62,185	39,721
Interest income on credit sales	18,248	2,642
	80,433	42,363
(b) Finance cost		
Interest expense on bank loans	(339)	(640)
Bank charges	(231)	(205)
	(570)	(845)
Net finance income	79,863	41,518

23 Taxation

(a) CIT

The Group applicable tax rate was stated in Note 9. For the six months ended 30 June 2011, the applicable CIT rates of the Company and its subsidiary are 15% and 24% respectively.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax	(139,655)	(186,582)
Deferred tax (Note 9)	(48,454)	3,700
	(188,109)	(182,882)

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:

	Six months ended 30 June	
	2011	**2010**
	RMB'000	RMB'000
Profit before tax	1,286,509	1,237,702
Tax calculated at a tax rate of 15% (2010: 15%)	(192,976)	(185,655)
Company which is subject to different tax rate	(11,170)	(5,538)
Tax concessions	257	225
Expense not deductible for tax purposes	(1,716)	(1,022)
Income not subject to tax	17,483	9,172
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	13	(64)
Tax charge	(188,109)	(182,882)

(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 six months ended 30 June 2011.

	Six months ended 30 June	
	2011	**2010**
Profit attributable to equity holders of the Company (RMB '000)	1,075,018	1,039,512
Weighted average number of ordinary shares in issue (thousands)	863,214	863,214
Basic earnings per share	1.25	1.20

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2011.

25 Dividends

A final dividend for 2010, amounting to a total dividend of RMB681,939,060 has been approved at the Shareholders' Meeting on 23 June 2011 (RMB0.79 per share).

26 Cash generated from operations

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit before tax	1,286,509	1,237,702
Depreciation (Note 5,20)	155,870	140,458
Amortisation of lease prepayment (Note 6,20)	3,262	3,262
Amortisation of intangible assets (Note 7,20)	6,229	5,322
Impairment charge of PPE (Note 5,20)	1,005	-
Provision for receivables impairment (Note 20)	1,246	1,192
Write-down / (Reversal) of inventories (Note 20)	7,521	(171)
Loss on disposals of property, plant and equipment	273	2,139
Finance cost (Note 22)	570	845
Finance income (Note 22)	(80,433)	(42,363)
Net foreign exchange transaction (gain) / loss	(298)	21
Share of profit of associate (Note 8)	(3,229)	(3,597)
Invest income of held-to-maturity investment:	(371)	-
- Decrease in inventories	192,177	119,644
- Increase in trade and other receivables	(638,539)	(263,502)
- Increase/(Decrease) in warranty provisions	(35,918)	20,353
- Increase/(Decrease) in trade and other payables	(565,716)	387,722
- Decrease in pensions and other retirement benefits	(7,399)	(7,372)
Cash generated from operations	322,759	1,601,655

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Net book amount	1,487	3,704
Loss on disposal of property, plant and equipment	(273)	(2,139)
Offset with trade and other payables	25	1
Proceeds from disposal of property, plant and equipment	1,239	1,566

27 Contingencies

At 30 June 2011, 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:

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Contracted but not provided for:		
Purchases of buildings, plant and machinery	1,297,463	441,310

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. ("JMH"), which owns 41.03% of the Company's shares, and Ford, which owns 30% of the Company's shares, are major shareholders of the Company as at 30 June 2011. In addition, Chongqing Changan Automobile Corporation Ltd. ("Changan Auto") and JMCG hold 50% equity interest of JMH, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCG and its subsidiaries, Ford and its subsidiaries in the ordinary course of business during the six months ended 30 June 2011.

29 Related party transactions (continued)

For the six months ended 30 June 2011, related parties, other than the subsidiary, and their relationship with the Group are as follow:

Name of related Party	Relationship
JMCG	Shareholder of JMH; the same Chairman as the Company
Ford Motor (China) Co., Ltd.	Subsidiary of Ford
Ford 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 JMH
Nanchang JMCG Tianren Auto Component Co.	Subsidiary of JMH
JMCG Import & Export Co., Ltd.	Subsidiary of JMCG
Nanchang Gear Co., Ltd.	Subsidiary of JMCG
Jiangling-Lear Interior Trim Factory	Subsidiary of JMCG
Nanchang Jiangling Hua Xiang Auto Components Co.	Subsidiary of JMCG
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	Subsidiary of JMCG
JMCF	Subsidiary of JMCG
Jiangling Metal Casting Co.	Subsidiary of JMCG
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 Xinchen Auto Component Co.	Subsidiary of JMCG
Jiangling New-power Auto manufacturing Co.	Subsidiary of JMCG
Nanchang JMCG Shishun Auto Rental Co., Ltd.	Subsidiary of JMCG
Nanchang Lianda Machinery Co., Ltd.	Subsidiary of JMCG
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	Subsidiary of JMCG
Jiangxi Velff Engine Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Trading Co.	Subsidiary of JMCG
Nanchang JMCG Liancheng Auto Component Co.	Subsidiary of JMCG
Nanchang JMCG Printing Co.,Ltd	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

29 Related party transactions (continued)

i) Purchases of goods and services

Purchase of goods	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
JMCG	51,209	61,535
Ford	190,580	159,495
JMCG Interior Trim Factory	268,792	240,991
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	91,823	71,861
Jiangxi JMCG Industrial Co.	13	34,301
Jiangling Material Co.	37,053	25,172
Visteon Climate Control Nanchang	93,281	78,312
Jiangxi Jiangling Chassis Company	276,107	233,124
Jiangling-Lear Interior Trim Factory	166,475	132,464
Jiangling Metal Casting Co.	16,285	13,309
Nanchang Gear Co., Ltd.	3,227	3,234
Nanchang Jiangling Hua Xiang Auto Components Co.	95,248	60,177
Jiangling Auto Component Co.	16,635	5,887
JMCG Industrial Co. Shangrao Motor Parts Plant	6,035	2,619
Nanchang JMCG Printing Co.,Ltd	1,532	1,222
GETRAG (Jiangxi) Transmission Company	288,689	242,608
Nanchang JMCG Liancheng Auto Component Co.	106,210	83,109
JMCG Hequn Costume Co., Ltd.	1,417	1,113
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	296,665	277,088
Nanchang JMCG Xinchen Auto Component Co.	13,692	11,627
Jiangxi JMCG Aowei Auto Component Co.	17,498	15,001
Nanchang JMCG Tianren Auto Component Co.	16,123	2,286
Nanchang Lianda Machinery Co., Ltd.	21,657	-
Others	411	924
	2,076,657	1,757,459

29 Related party transactions (continued)

i) Purchases of goods and services (continued)

Purchase of services	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.		
- commission expenses	2,120	2,022
JMCG		
- rental expense	1,703	1,915
Ford		
- services	1,563	8,924
JMCG Jiangxi Engineering Construction Co., Ltd.		
- services	8,594	17,589
Jiangxi JMCG Industrial Co.		
- services	8,929	7,555
JMCG Property Management Co.		
- services	1,257	961
Ford Motor Research & Engineering (Nanjing) Co., Ltd.		
- services	1,092	1,134
Nanchang JMCG Shishun Auto Rental Co., Ltd.		
- services	3,408	51
Others	4,559	1,656
	33,225	41,807

29 Related party transactions (continued)

ii) Sales of goods and provision of services

Sales of goods	Six months ended 30 June	
	2011	**2010**
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	440,058	237,742
JMCG Interior Trim Factory	36,855	35,049
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	59,412	82,635
JMCG Property Management Co.	3,565	3,431
Jiangxi JMCG Industrial Co.	607	1,367
Jiangxi Jiangling Chassis Company	12,052	12,127
Land Wind Sales Company	1,317	1,121
Jiangxi Jiangling Material Utilization Co., Ltd.	40,108	27,432
JMH	33,463	28,124
Nanchang JMCG Liancheng Auto Component Co.	24,770	17,356
Jiangling-Lear Interior Trim Factory	3,065	2,389
Jiangling New-power Auto Manufacturing Co.	16,895	17,638
Nanchang JMCG Trading Co.	16,262	2,243
Jiangxi Velff Engine Co., Ltd.	1,689	-
Nanchang Jiangling Hua Xiang Auto Components Co.	7,854	-
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	1,266	1,586
Others	2,297	1,580
	701,535	471,820

29 Related party transactions (continued)

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

Trade receivables from related parties	30 June 2011	31 December 2010
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	-	10,398
JMH	13,060	2,818
Jiangxi Jiangling Material Utilization Co., Ltd.	3,585	8,907
Nanchang JMCG Liancheng Auto Component Co.	9,166	8,435
Jiangling New-power Auto manufacturing Co.	3,725	2,370
JMCG Import & Export Co., Ltd.	75,946	24,523
Jiangxi Velff Engine Co., Ltd.	344	1,048
	105,826	58,499

Notes receivables from related parties	30 June 2011	31 December 2010
	RMB'000	RMB'000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	-	25,454
Nanchang JMCG Trading Co.	6,171	2,000
Jiangling New-power Auto manufacturing Co.	-	950
	6,171	28,404

Other receivables from related parties	30 June 2011	31 December 2010
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	42	74
	42	74

Prepayments for purchasing of goods	30 June 2011	31 December 2010
	RMB'000	RMB'000
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	274,527	249,596
JMCG Jiangxi Engineering Construction Co.,Ltd.	2,796	4,670
	277,323	254,266

29 Related party transactions (continued)

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

Prepayments for construction in progress	30 June 2011	31 December 2010
	RMB'000	RMB'000
JMCG Import & Export Co., Ltd.	31,681	6,157
JMCG Jiangxi Engineering Construction Co., Ltd.	7,893	4,230
	39,574	10,387

Trade payables to related parties	30 June 2011	31 December 2010
	RMB'000	RMB'000
JMCG Interior Trim Factory	83,349	119,622
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	159,851	141,160
Jiangling-Lear Interior Trim Factory	106,141	112,566
Visteon Climate Control Nanchang	50,960	60,002
JMCG	18,310	21,295
Jiangxi Jiangling Chassis Company	120,396	153,987
Nanchang Gear Co., Ltd.	1,995	1,719
Nanchang Jiangling Hua Xiang Auto Components Co.	59,684	45,189
Jiangling Metal Casting Co.	7,893	8,724
Jiangxi JMCG Industrial Co.	1,004	15,034
JMCG Industrial Co. Shangrao Motor parts Plant	3,064	2,704
Jiangling Auto Component Co.	8,135	2,753
JMCG Import & Export Co., Ltd.	1,419	2,299
GETRAG (Jiangxi) Transmission Company	118,681	168,818
Nanchang JMCG Liancheng Auto Component Co.	72,163	60,283
Ford	61,687	108,679
Nanchang JMCG Xinchen Auto Component Co.	5,327	6,632
Jiangxi JMCG Aowei Auto Component Co.	21,052	18,146
Nanchang Lianda Machinery Co., Ltd.	15,415	16,840
Nanchang JMCG Tianren Auto Component Co.	11,726	3,286
Others	1,360	1,463
	929,612	1,071,201

29 Related party transactions (continued)

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

Other payables to related parties	30 June 2011	31 December 2010
	RMB'000	RMB'000
Ford	62,074	149,182
Ford Otosan Company	7,663	4,395
JMCG Jiangxi Engineering Construction Co., Ltd.	5,719	5,452
Jiangling-Lear Interior Trim Factory	1,935	2,730
Ford Motor Company of Australia Limited	3,157	4,257
Ford Global Technologies,LLC	17,724	9,048
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	1,795	3,000
Jiangxi Specialty Vehicles Jiangling Motors Group Co., Ltd.	1,163	3,419
Jiangxi JMCG Industrial Co.	63	1,130
Nanchang Jiangling Hua Xiang Auto Components Co.	562	1,923
Jiangxi Jiangling Chassis Company	1,822	1,822
JMH	441	810
Others	3,302	3,730
	107,420	190,898

Advance from related parties	30 June 2011	31 December 2010
	RMB'000	RMB'000
Nanchang JMCG Trading Co.	1,010	-
Others	583	1,127
	1,593	1,127

Cash deposit in related parties	30 June 2011	31 December 2010
	RMB'000	RMB'000
JMCF (Note 12)	187,611	167,549

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 six months ended 30 June 2011, the Company accrued service fee of approximately USD2,063,000 (equivalent to approximately RMB13,515,000), RMB265,000 and RMB905,000 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 2011, some employees of JMH were assigned to the Company as management staff. During the six months ended 30 June 2011, the Company accrued approximately service fee of RMB441,000 payable to JMH for these employees.

v) Guarantee

As at 30 June 2011, bank loans of USD1,080,488 (equivalent to approximately RMB6,993,000) (2010: USD1,113,231, equivalent to approximately RMB7,373,000) 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 six months ended 30 June 2011, the total remuneration of the key management was about RMB 7,621,000(the six months ended 30 June 2010: RMB4,737,000).

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 six months ended 30 June 2011, the total royalty fee due to Ford Global Technologies, LLC and Ford Otosan Company was approximately USD3,999,000 (equivalent to approximately RMB26,044,000). As at 30 June 2011,the remaining amount of USD3,803,000 was included in other payables.

b) Pursuant to the Agreement Concerning China V348 Stage V and MCA Engineering Service between Ford and the Company, the Company shall pay USD 26,381,000 accumulated fees of engineering service to Ford before the first quarter of 2013. During the six months ended 30 June 2011,the service fee due to Ford was USD 3,190,500 (equivalent to approximately RMB 20,984,000). As at 30 June 2011, the remaining amount of USD 1,595,000 was included in other payables.

c) Pursuant to a development agreement among the Company, Ford and Ford Global Technologies, LLC in 2007, the Company agreed the payment of royalty fee to Ford at USD 92 for each of the Contract Products manufactured by JMC under the aforesaid license (for packaging with JMC Branded Vehicles or support the service of such vehicles); if JMC continues to produce and sell the Contract Product Components after the cessation of production of the Contract Product, JMC shall pay Ford the Licensing Fee based on 2.6% of the net sales revenue of such Contract Product Components. During the six months ended 30 June 2011, the total royalty fee due to Ford was USD 334,000 (equivalent to approximately RMB 2,182,000). As at 30 June 2011, the remaining amount of USD 334,000 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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Purchase of goods	681,789	593,475
Purchase of fixed assets	64,158	5,185
Purchase of services	11,390	24,153
Sales of goods	21,260	18,945
Interest income	60,315	37,878
Interest expense	229	550
Borrowings	-	25,019
Repayment of borrowings	24,668	25,224

29 Related party transactions (continued)

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

Balances with other state-owned entities

	30 June 2011	31 December 2010
	RMB'000	RMB'000
Cash and cash equivalents	5,410,510	5,645,612
Borrowings	6,993	31,943
Trade and other receivables	62,604	51,971
Trade and other payables	293,613	277,370

30 Principal subsidiary

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

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

Section VII Catalog on Documents for reference

I. Originals of 2011 half-year report signed by Chairman;
II. Originals of 2011 half-year financial statements signed by Chairman, Chief Financial Officer and Chief of Finance Department;
III. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC during the reporting period.
IV. The Half-year Report in China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
August 23, 2011