

Jiangling Motors Corporation, Ltd.



2017 Half-year Report

2017-036

Chapter I Important Notes, Contents and Abbreviations

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.

All Directors were present at the Board meeting to review this Half-year Report.

Neither cash dividend nor stock dividend was distributed. The Board decided not to convert capital reserve to share capital this time.

Chairman Qiu Tiangao, CFO Gong Yuanyuan and Chief of Finance Department, Wu Jiehong, confirm that the Financial Statements in this Half-year Report are truthful, accurate and complete.

The prospective description regarding future business plan and development strategy in this report does not constitute virtual commitment. The investors shall pay attention to the risk.

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 case of discrepancy, the Chinese version will prevail.

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Abbreviations:

JMC, or the Company	Jiangling Motors Corporation, Ltd.
JMH	Jiangling Motor Holding Co., Ltd.
Ford	Ford Motor Company
Jiangling-Isuzu	Jiangling-Isuzu Motors Company, Ltd.
CSRC	China Securities Regulatory Commission
JMCG	Jiangling Motors Company (Group)
JMCH	JMC Heavy Duty Vehicle Co., Ltd.
EVP	Executive Vice President
CFO	Chief Financial Officer
VP	Vice President

Chapter II Brief Introduction

1. Company's information

Share's name	Jiangling Motors, Jiangling B	Share's Code	000550, 200550
Place of listing	Shenzhen Stock Exchange		
Company's Chinese name	江铃汽车股份有限公司		
English name	Jiangling Motors Corporation, Ltd.		
Abbreviation	JMC		
Company legal representative	Qiu Tiangao		

2. Contact person and method

	Board Secretary	Securities Affairs Representative
Name	Wan Hong	Quan Shi
Address	No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C	No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C
Tel	86-791-85266178	86-791-85266178
Fax	86-791-85232839	86-791-85232839
E-mail	relations@jmc.com.cn	relations@jmc.com.cn

3. Other

I. Contact methods

Changes of registered address, headquarter address, postal code, website and e-mail

☐ Applicable ☒ Not Applicable

There is no change of registered address, headquarter address, postal code, website and e-mail. Please refer to 2016 Annual Report for details.

II. Newspapers for information disclosure, website for publication of JMC's half-year report and place for achieving half-year report

☐ Applicable ☒ Not Applicable

There is no change of newspapers for information disclosure, website designated by CSRC for publication of JMC's Half-year Report and place for achieving Half-year Report. Please refer to 2016 Annual Report for details.

4. Main accounting data and financial ratios

Unit: RMB '000

	Reporting period (2017 first half)	Same period last year	Change (%)
Revenue	15,666,476	10,810,736	44.92
Profit Attributable to the Equity Holders of the Company	552,903	704,517	-21.52
Net Cash Generated From Operating Activities	-899,401	987,554	-191.07
Basic Earnings Per Share (RMB)	0.64	0.82	-21.52
Diluted Earnings Per Share (RMB)	0.64	0.82	-21.52
Weighted Average Return on Equity Ratio	4.36%	5.71%	Down 1.35 percentage points
	At the end of reporting period	At the end of the previous year	Change (%)
Total Assets	24,199,974	24,493,789	-1.20
Shareholders' Equity Attributable to the Equity Holders of the Company	12,435,579	12,409,236	0.21

5. Accounting data difference between domestic and foreign accounting standards

I. Differences in net profit and net assets disclosed respectively per IFRS and PRC GAAP.

☐ Applicable ☒ Not Applicable

There is no difference between IFRS and PRC GAAP in net profit and net assets.

II. Differences in net profit and net assets disclosed respectively per GAAP and PRC GAAP.

☐ Applicable ☒ Not Applicable

There is no difference between GAAP and PRC GAAP in net profit and net assets.

Chapter III Business Profile

1. Company's core business during the reporting period

JMC's core business is production and sales of commercial vehicles, SUV and related components. JMC's major products include JMC series light truck, heavy duty trucks, pickup, Yusheng SUV, Ford-brand SUV, Ford brand MPV Tourneo, and Transit series commercial vehicles. The Company also produces and sells engines, castings and other components for sales to domestic and overseas markets.

2. Major change of main assets

I. Major change of main assets

There's no major change of main assets during the reporting period.

II. Main overseas assets

☐ Applicable ☒ Not Applicable

3. Core competitiveness analysis

JMC is a sino-foreign joint venture auto company with R&D, manufacturing and sales operations. As a mainstream of domestic light commercial vehicle industry, JMC had been ranked among the top hundred Chinese listed corporations with comprehensive strength for consecutive years; and certificated as a national enterprise technology center, high-tech enterprise and national automobile export base which improve the company's core business competence.

With the support from Ford's advanced technology and management experience, JMC's influence over auto industry is improving steadily, making considerable progress both in new product development and technical equipment. Series of Ford new products such as Ford brand SUV EVEREST, Ford brand MPV Tourneo, and Ford New Transit launched further improved JMC's competence on R&D and manufacturing, JMC self-developed new Yusheng SUV S330 and new generation Yusheng SUV S350 launched further enhanced JMC's capability of R&D, manufacturing and market competitiveness in SUV field. JMC KaiRui N800 program won the First Prize of China Automotive Industry Awards for Science and Technology, fully showed JMC's leading technology in light commercial vehicle field, High standard Xiaolan manufacturing site continues to expand modern plants of vehicle, engine and frame, it will further ensure JMC's products production and quality improvement. Xiaolan national R&D Centre's research and development capability will also be further improved.

Chapter IV Business Operation Discussion and Analysis

1. Summary

In the first half of 2017, China's automotive market continues to keep growth. Total sales volume was 13.35 million units, increased 3.81% than 2016 first half. SUV sales volume was 4.52 million units, increased 16.83% compared with the first half of 2016. Commercial vehicle sales volume was 2.10 million units, increased 17.39% compared with the same period last year.

During the reporting period, to cope with more severe competition, more stringent regulatory requirement and intensifying cost pressures, the Company focused on quality improvement, new product development, operating cost control and production efficiency enhancement. Simultaneously, the Company introduced series of sales policy to respond the market risk. In the first half of 2017, JMC achieved sales volume of 153,756 units, increased 27.06% compared with the same period last year, achieved revenue of RMB 15.67 billion, increased 44.92% compared with the same period last year, achieved net profit of RMB 0.55 billion, decreased 21.52% compared with the same period last year. It mainly reflected the company product structure adjustment and the sales and R&D expenses increase.

2. Core business analysis

Year-over-Year Changes of Main Financial Data

Unit: RMB'000

	2017 1H	2016 1H	YOY change (%)	Reason
Revenue	15,666,476	10,810,736	44.92	Due to the sales volume increase and product structure change
Cost of sales	12,371,957	8,356,083	48.06	Due to the Sales volume increase and product structure change
Distribution costs	1,270,477	757,567	67.70	Marketing and sales promotion expense increase
Administrative expenses	1,193,666	937,398	27.34	
Finance Income-net	125,900	109,652	14.82	
Income tax expense	62,435	66,103	-5.55	
Research and Development Expenditure	860,424	710,342	21.13	Due to researches on China VI Emission Standard in 2017
Net cash generated from operating activities	-899,401	987,554	-191.07	Receivables and payment increase due to sales volume increase
Net cash used in investing activities	-282,756	-357,893	20.99	
Net cash used in financing activities	-6,118	-7,783	21.39	
Net increase/(decrease) in cash and cash equivalents	-1,188,275	621,878	-291.08	Cash generated from operating activities decrease

Significant change in the profit structure or profit source of the Company during the reporting period.

☐ Applicable ☒ Not Applicable

There is no significant change in the profit structure or profit source of the Company during the reporting period.

Main Business Structure:

	Turnover (RMB '000)	Cost (RMB '000)	Gross Margin (RMB '000)	Y-O-Y turnover change	Y-O-Y cost change	Y-O-Y gross margin change
By Industry						
Automobile Industry	15,492,267	12,206,138	21.21%	44.86%	48.01%	-1.68%
By Products						
Vehicle	14,194,541	11,288,484	20.47%	49.30%	52.92%	-1.89%
By Region						
China	15,492,267	12,206,138	21.21%	44.86%	48.01%	-1.68%

3. Non-core business analysis

☐ Applicable ☒ Not Applicable

4. Analysis of assets and liabilities

Unit: RMB'000

Asset item	June 30, 2017		June 30, 2016		YOY	Major Changes Explanation
					Proportion change(%)	
	Amount	Proportion (%)	Amount	Proportion (%)		
Property, plant and equipment	6,587,077	27.22	6,390,229	29.99	-2.77	
Inventories	1,960,649	8.10	1,729,280	8.12	-0.02	
Trade, other receivables and prepayments	3,589,508	14.83	2,253,658	10.58	4.25	Due to the sales volume increase
Cash and cash equivalents	10,477,947	43.30	9,469,918	44.44	-1.14	

5. Investment

I. Summary

☐ Applicable ☒ Not Applicable

II. Obtained major equity investment during the reporting period

☐ Applicable ☒ Not Applicable

III. Ongoing major non-equity investment during the reporting period

☐ Applicable ☒ Not Applicable

IV. Financial assets investment

a. Stock investment

☐ Applicable ☒ Not Applicable

b. Derivative investment

☐ Applicable ☒ Not Applicable

6. Sale of major assets and equity

I. Sale of major assets

☐ Applicable ☒ Not Applicable

II. Sale of major equity

☐ Applicable ☒ Not Applicable

7. Operating results of main subsidiaries and joint-stock companies whose impact on JMC's net profit more than 10%

☒ Applicable ☐ Not Applicable

Unit: RMB

Name of Companies	Type of Companies	Main Products	Registered Capital	Assets	Net Assets	Turnover	Operating Profit	Net Profit
Jiangling Motors Sales Corporation, Ltd	Subsidiary	Sales vehicle, service parts	50,000,000	3,683,544,099	112,515,152	13,996,005,780	-158,145,985	-118,718,041
JMC Heavy Duty Vehicle Co., Ltd	Subsidiary	Product heavy commercial vehicle , engine, component, and related service	281,793,174	1,472,764,115	-176,920,868	32,387,142	-90,458,534	-69,386,498

8. Structured entities controlled by JMC

☐ Applicable ☒ Not Applicable

9. Forecast of business performance in the first nine months of 2017.

☐ Applicable ☒ Not Applicable

10. Challenges and solutions

In 2017, the Company will continue to face fiercer competition, more stringent regulatory requirements, intensifying cost pressures and a slowdown in China's economic growth.

I. Macroeconomic risk, raw materials such as coal, precious metals and steel prices increase, which have direct impact on automobile parts purchasing cost, so as to affects the company's profitability.

II. Policies and regulations risk, under the pressure of environmental protection, city vehicle purchase restriction / traffic control become "normal", which have negative effect on the automobile sales and use, and Emissions/safety regulations continuously upgrade both in domestic and abroad at the same time, will force companies to upgrade technology quickly, which will further intensify the company's investment and operating pressure.

III. Industry environment risk, China's auto market has entered a stage of perfect competition, the auto market of domestic and foreign gradually become mature, consumer tastes have improved, which put forward higher requirements of the independent brand and quality of car companies. In

addition, with the growing of technical barriers in overseas markets, trade protectionist tendencies increase, emerging economies growth slowdown, decline of cars demand risks increase, and harder expansion for international market.

IV. Business model risks, with the rapid development of intelligent interconnection, big data technology, Internet companies enter the automobile industry, which change the traditional business model.

The company will take the following measures to deal with above risks:

I. Optimizing company's production system to improve efficiency and product quality;

II. Optimizing dealer network and marketing spending to improve market share ;

III. Improve suppliers' capability and parts quality; complete the logistic optimization plan for components and vehicle delivery; continue to reduce parts purchasing cost;

IV. Strengthening corporate governance and application of appropriate risk assessment and control mechanisms;

V. Sustaining the expense management to further enhance company competitiveness to win in the very challenging market; and

VI. Optimize and execute the company's growth strategies, as well as strengthen the traditional advantage, gradually increase investment in new energy company, and new intelligent interconnection, so as to pursue sustainable long-term growth.

Chapter V Major Events

1. Annual and special shareholders' meeting

I. Shareholders' meeting during the reporting period

Number	Name	Investors Attending Percentage (%)	Meeting Date	Announcement Date	Announcement Index
1	2017 First Special Shareholders' Meeting	77.93	May 18, 2017	May 19, 2017	Number 2017-018, published on the website www.cninfo.com.cn .
2	2016 Annual Shareholders' Meeting	77.67	June 29, 2017	June 30, 2017	Number 2017-025, published on the website www.cninfo.com.cn .

II. Share holders who hold vote right restored preferred shares apply to hold a special shareholders' meeting

☐ Applicable ☒ Not Applicable

2. Proposal on profit distribution and converting capital reserve to share capital for the reporting period

☐ Applicable ☒ Not Applicable

3. Commitments of actual controlling parties, shareholders, related parties, acquirers and the Company finished in the reporting period or overdue unfinished by the end of the reporting period

☐ Applicable ☒ Not Applicable

There is no commitments of actual controlling parties, shareholders, related parties, acquirers and the Company finished in the reporting period or overdue unfinished by the end of the reporting period.

4. Appointment or dismissal of accounting firm

Whether the 2017 half-year report is audited?

☐ Yes ☒ No

JMC 2017 half-year report is not audited.

5. Explanation of the board of directors, the supervisory board to abnormal opinions from accounting firm for the reporting period

☐ Applicable ☒ Not Applicable

6. Explanation of the board of directors, the supervisory board to abnormal opinions from accounting firm in 2016

☐ Applicable ☒ Not Applicable

7. Related matters regarding bankruptcy

☐ Applicable ☒ Not Applicable

The Company did not go bankrupt during the reporting period.

8. Litigation or arbitration

Significant litigation or arbitration

☐ Applicable ✓ Not Applicable

There is no significant litigation or arbitration in the reporting period.

Other litigation

☐ Applicable ✓ Not Applicable

9. Punishment

☐ Applicable ✓ Not Applicable

The Company have not been punished by regulatory authorities.

10. Honesty and credit of JMC and its controlling shareholder or actual controlling party

☐ Applicable ✓ Not Applicable

11. Implementation of equity incentive plan, employee stock ownership plan and other employee incentive method

☐ Applicable ✓ Not Applicable

12. Major related transactions

I. Routine operation related party transactions

✓ Applicable ☐ Not Applicable

Transaction Parties	Content	Relationship	Pricing Principle	Settlement Method	Amount (RMB'000)	As % of Total Purchases/ Revenue
Nanchang Bao-jiang Steel Processing & Distribution Co., Ltd.	Raw materials purchase	Associate of JMCG	Contracted price	Prepayment	457,760	4.00
Ford	Parts and components purchase	Controlling shareholder of JMC	Contracted price	D/P & T/T	452,439	3.96
Jiangxi Jiangling Chassis Company	Parts and components purchase	Subsidiary of JMCG	Contracted price	60 days after delivery and invoicing	421,636	3.69
GETRAG (Jiangxi) Transmission Company	Parts and components purchase	Associate of JMCG	Contracted price	60 days after delivery and invoicing	391,606	3.42
Jiangxi Jiangling Special-Purpose Vehicle Co, Ltd.	Parts and components purchase	Wholly-owned subsidiary of JMCG	Contracted price	30 days after delivery and invoicing	326,851	2.86
Jiangling-Lear Interior Trim Factory	Parts and components purchase	Joint venture of JMCG	Contracted price	60 days after delivery and invoicing	282,853	2.47
JMCG Import and Export Co., Ltd.	Sales	Associate of JMCG	Contracted price	40% of prepayment and the remains paid during 30 days after delivery	452,175	2.89

The Announcement of Related Party Transactions (No.: 2014-052) was disclosed on Dec.16, 2014 on the website www.cninfo.com.cn.

II. Major related party transaction concerning transfer of assets or equity

☐ Applicable ✓ Not Applicable

There was no major related party transaction concerning transfer of assets or equity during the reporting period.

III. Related party transaction concerning outside co-investment

☐ Applicable ✓ Not Applicable

There was no outside co-investment during the reporting period.

IV. Related credit and debt

✓ Applicable ☐ Not Applicable

Is there non-operating related credit and debt?

☐ Applicable ✓ Not Applicable

The Company had no non-operating related credit and debt during the reporting period.

V. Other major related party transactions

✓ Applicable ☐ Not Applicable

The balance amount of bank deposit of the Company in JMCG Finance Company as of June 30, 2017 was RMB 963,588 thousand. The Board of Directors reviewed and approved JMCG Finance Company Continuous Risk Assessment Report. Please refer to the website www.cninfo.com.cn for the original of the report which was published on August 31, 2017.

13. Non-operating funding in the Company occupied by controlling shareholder and its affiliates

☐ Applicable ✓ Not Applicable

There was no non-operating funding in the Company occupied by controlling shareholder and its affiliates during the reporting period.

14. Major contracts and execution

I. Entrustment, contract or lease

a. Entrustment

☐ Applicable ✓ Not Applicable

There was no entrustment during the reporting period.

b. Contract

☐ Applicable ✓ Not Applicable

There was no contract during the reporting period.

c. Lease

✓ Applicable ☐ Not Applicable

See the note 31(b) to financial statements for lease of related parties.

Project earns more than 10% of net profit.

☐ Applicable ✓ Not Applicable

II Major guarantee

☐ Applicable ✓ Not Applicable

The Company had no outside guarantee during the reporting period.

III. Other important contracts

☐ Applicable ✓ Not Applicable

There was no other important contract during the reporting period.

15. Corporation social responsibilities

I. One-to-one poverty alleviation

a. Summary of one-to-one poverty alleviation

According to arrangement of JMCG, the Company joined the one-to-one poverty alleviation in Qianmo Village, Daijiapu Township, Suichuan County, Jiangxi Province and Xlanting Village, Songhu Town, Xinjian District, Nanchang City.

b. Status of targeted measures in poverty alleviation for the listed company

Item	Unit	Amount/Progress
I. Brief Introduction	—	—
including: 1. Funding	RMB ('000)	43
2. Sum converted from the materials	RMB ('000)	13.3
3. Persons get rid of poverty	Persons	20
II. Investments	—	—
1. Anti-poverty depending on industry development	—	—
including: 1.1 Type	—	—
1.2 Projects	Number	—
1.3 Investment amount	RMB ('000)	—
1.4 Persons get rid of poverty	Persons	—
2. Anti-poverty depending on employment transfer	—	—
including: 2.1 Investments on vocational skills	RMB ('000)	—
2.2 Training persons regarding vocational skills	Persons	—
2.3 Employment Persons	Persons	—
3. Anti-poverty depending on relocation	—	—
including: 3.1 Employment persons among relocated persons	Persons	—
4. Anti-poverty depending on education	—	—
including: 4.1 Grants in aid to poor students	RMB ('000)	—
4.2 Poor students in aid	Persons	—
4.3 Investments on the improvement of educational source in poverty-stricken area	RMB ('000)	—
5. Health Anti-poverty	—	—
Including: 5.1 Investments on medical and health services in poverty-stricken area	RMB ('000)	—
6. Ecological protection anti-poverty	—	—
including: 6.1 Project type	—	—
6.2 Investment amount	RMB ('000)	—
7. Miscellaneous provisions	—	—
including: 7.1 Investments on stay-at-home children, women and elderly	RMB ('000)	—
7.2 Number of stay-at-home children, women and elderly in aid	Persons	—
7.3 Investments on poor & disable people	RMB ('000)	—
7.4 Number of poor & disable people in aid	Persons	—
8. Social anti-poverty	—	—
including: 8.1 Investments on cooperation between West China and East China	RMB ('000)	—
8.2 Investments on one-to-one anti-poverty	RMB ('000)	56.3
8.3 Investments from anti-poverty charity fund	RMB ('000)	—
9. Other	—	—
including: 9.1. Project	Number	—
9.2. Investment amount	RMB ('000)	—
9.3. Persons getting rid of poverty	Persons	—
III. Awards	—	—

II. Environmental protection

Whether the Company and affiliates is the key pollution discharge unit published by environmental protection administration?

☒ Yes ☐ No

Main Pollutants	Emission Ways	Emission Outlet Number	Emission Outlet Distribution	Emission Concentration	Emission Standard	Emission Amount	Emission Standard Amount	Meet Standard or Not
Wastewater (COD,NH-N)	continuous discharge	6	3 in Mainsite, 1 in Xiaolan Site, 1 in Cast Plant and 1 in Axle Plant	"COD:183mg/L NH-N:12mg/L"	"Wastewater Discharge Standard"(GB 8978-1996)	COD:91.11 t, NH-N :4.897t	COD≤844.92 t, NH-N≤21.878t	Meet Standard
Exhaust gas (SO ₂ ,NO _x ,smoke,toluol, dimethylbenzene, NMHC)	continuous discharge	125	53 in Mainsite, 34 in Xiaolan Site, 33 in Cast Plant and 5 in Axle Plant	SO ₂ :36mg/m ³ , NO _x :89mg/m ³ , smoke:83.9mg/m ³ , toluol :0.016mg/m ³ , dimethylbenzene:0.090mg/m ³ , NMHC: 22.6mg/m ³ "	"The Emission Standard of Air Pollutants", "Emission Standard of Air Pollutants for Boiler" (GB 13271-2014)	SO ₂ :0.23t, NO _x :13.71 t	SO ₂ ≤93.01t, NO _x ≤60.91t	Meet Standard

III. Information regarding environment protection

The construction and operation of pollutant preventive and control facilities

Since 2006, JMC has invested more than RMB 30 million to construct seven wastewater treatment stations (including the wastewater treatment station in the east plant area and Xiaolan wastewater treatment station), with the treatment capacity as high as 9,000t/d. The treated wastewater reached the national discharge standard.

For up-to-standard emission of waste gases, JMC has taken new control measures over the years. In 2012, the Company invested RMB 10 million to reconstruct the cupola furnace in the casting plant. In 2013, Xiaolan Branch invested RMB 14 million to install a TNV waste gas incinerator. In 2014, JMC invested RMB 14.6 million to construct the boiler coal-gas-switch project in the south district. In 2017, the casting plant reconstructed the ventilation & dust removal system for the smelting furnace in the large-size and middle & small-sized parts workshop, and installed efficient environmental-friendly dust removal equipment, effectively reducing the environmental pollution by dust.

For noise reduction, JMC took different measures to reduce the environmental impact, such as increase of protective sound-proof doors & windows, establishment of noise enclosure for air blower, installation of muffler and transformation of sound-proof doors & windows. All these measures can make sure up-to-standard discharge of noise at the plant boundary.

In the process of waste management, JMC managed from the source, and divided the generation of wastes. JMC established a temporary storage yard for solid wastes. Warning graphic symbols have been posted at the temporary storage site of hazardous wastes. Besides, signboards have been provided as

well, so as to remind the passerby of probable hazards in the storage process of hazardous wastes.

EIA on construction project and other administrative permits for environmental protection

The company strictly implements the construction project environmental impact assessment system. With respect to new construction, expansion and reconstruction, JMC comprehensively planned environmental protection and evaluated the “Three Simultaneities”. From the source of design, JMC carried out the philosophy of energy saving and low carbon all the time. The Company carries on the environmental monitoring every year according to the requirements, ensures the pollutant discharge meeting the requirements of discharge permit, formulates the stricter internal control target, and strives to reduce the impact of environmental pollution to the minimum.

Emergency plan on emergency environmental incidents

In order to dilute or prevent environmental risks, JMC established an emergency preparation and response procedure and specific environmental emergency plans (such as emergency plan on environmental pollution accidents, emergency plan on hazardous gases and emergency plan on paint thinner), so as to formulate corresponding control methods for potential accidents and emergencies occurred or that may probably occur. JMC organized emergency drills every year to ensure the efficiency of emergency plan.

Environmental self-monitoring scheme

In 2017, JMC’s Qingyunpu Main Plant Area (the “Plant Area”) was listed as a key pollutant discharging organization of wastewater/hazardous wastes. The Plant Area monitored by itself in strict accordance with the *Method for Self-monitoring and Information Disclosure of State Key Monitoring Enterprises (Trial)*. Its self-monitoring schemes, monitoring results and annual monitoring reports on pollution sources were disclosed on the “pollution source self-monitoring reporting platform of Jiangxi Province”. Xiaolan plant area and other plant areas finished self-monitoring according to the EIA requirements.

Other information related to environmental protection

JMC paid high attention to environmental protection and pollution source control, taking resource saving and cost reduction as the primary task. Moreover, the Company also took full advantage of 6sigma, and controlled from the source, so as to achieve the effect of environmental improvement. In the new expansion and reconstruction projects, JMC laid emphasis on improving the environmental performance, strictly implemented the system of “Three Simultaneities”, transacted the EIA procedure according to national standards, stipulated the preventive and control measures for environmental pollution, and reported to competent administrative departments on environmental protection for approval.

16. Other major events

☒ Applicable ☐ Not Applicable

JMC received government incentives about RMB 200 million appropriated by Nanchang City, Nanchang County Xiaolan Economic& Technological Development Zone, Nanchang City Qingyunpu District and Taiyuan Technological Development Zone during the reporting period, which is to support JMC's development.

17. Major event of JMC subsidiary

☐ Applicable ☒ Not Applicable

Chapter VI Share Capital Changes & Shareholders

1. Changes of Shareholding Structure

I. 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	1,725,900	0.20%	-	-	-	-	-	1,725,900	0.20%
1. State shares	-	-	-	-	-	-	-	-	-
2. State-own legal person share	-	-	-	-	-	-	-	-	-
3. Other domestic shares	1,725,900	0.20%	-	-	-	-	-	1,725,900	0.20%
Including:									
Domestic legal person shares	835,140	0.10%	-	-	-	-44,400	-44,400	790,740	0.09%
Domestic natural person shares	890,760	0.10%	-	-	-	44,400	44,400	935,160	0.11%
II. Unlimited tradable shares	861,488,100	99.80%	-	-	-	-	-	861,488,100	99.80%
1. A shares	517,488,100	59.95%	-	-	-	-	-	517,488,100	59.95%
2. B shares	344,000,000	39.85%	-	-	-	-	-	344,000,000	39.85%
III. Total	863,214,000	100.00%	-	-	-	-	-	863,214,000	100.00%

Causes of shareholding changes

☒ Applicable ☐ Not Applicable

44,400 limited tradable A shares held by a domestic legal person shareholder were transferred to natural person shareholders in the first half of 2017.

Approval of changes of shareholding structure

☐ Applicable ☒ Not Applicable

Shares transfer

☐ Applicable ☒ Not Applicable

Impact on accounting data, such as the latest EPS, diluted EPS, shareholders' equity attributable to the equity holders of the Company, generated from shares changes

☐ Applicable ☒ Not Applicable

Others to be disclosed necessarily or per the requirements of securities regulator

☐ Applicable ☒ Not Applicable

II. Changes of limited tradable shares

☐ Applicable ☒ Not Applicable

2. Securities issuance and listing

☐ Applicable ☒ Not Applicable

3. Shareholders and shareholding status

Total shareholders (as of June 30, 2017)	JMC had 29,297 shareholders, including 23,921 A-share holders, and 5,376 B-share holders.					
Top ten shareholders						
Shareholder Name	Shareholder Type	Shareholding Percentage (%)	Shares at the End of Year	Change (+,-)	Shares with Trading Restriction	Shares due to mortgage or frozen
Jiangling Motor Holding Co., Ltd.	State-owned legal person	41.03	354,176,000	0	0	0
Ford Motor Company	Foreign legal person	32	276,228,394	0	0	0
China Securities Corporation Limited	Other	2.64	22,743,584	-2,200	0	0
Shanghai Automotive Co., Ltd.	State-owned Legal person	1.51	13,019,610	0	0	0
Central Huijin Investment Ltd.	State-owned legal person	0.83	7,186,600	0	0	0
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	Foreign legal person	0.75	5,848,450	-24,000	0	0
Xingye Securities Corporation Jinqilin No.5 Aggregate Assets Management Plan	Other	0.67	5,782,597	5,782,597	0	0
GAOLING FUND,L.P.	Foreign legal person	0.63	5,439,086	0	0	0
TEMPLETON DRAGON FUND,INC.	Foreign legal person	0.57	4,916,708	0	0	0
INVESCO FUNDS SICAV	Foreign legal person	0.52	4,483,356	110,726	0	0
Notes on association among above-mentioned shareholders			None.			
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		276,228,394			B share	
China Securities Corporation Limited		22,743,584			A share	
Shanghai Automotive Co., Ltd.		13,019,610			A share	
Central Huijin Investment Ltd.		7,186,600			A share	
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497		5,848,450			B share	
Xingye Securities Corporation Jinqilin No.5 Aggregate Assets Management Plan		5,782,597			A share	
GAOLING FUND,L.P.		5,439,086			B share	
TEMPLETON DRAGON FUND,INC.		4,916,708			B share	
INVESCO FUNDS SICAV		4,483,356			B share	
Notes on association among above-mentioned shareholders		None.				

Stock buy-back by top ten shareholders or top ten shareholders holding unlimited tradable shares in the reporting period

☐ Yes ☒ No

There is no stock buy-back by top ten shareholders or top ten shareholders holding unlimited tradable shares in the reporting period.

4. Change of controlling shareholders or actual controlling parties

Change of controlling shareholders

☐ Applicable ✓ Not Applicable

There was no change of controlling shareholders during the reporting period.

Change of actual controlling parties

☐ Applicable ✓ Not Applicable

There was no change of actual controlling parties during the reporting period.

Chapter VII Preferred Shares

☐ Applicable ☒ Not Applicable

JMC have no preferred shares during the reporting period.

Chapter VIII Directors, Supervisors and Senior Management

1. Changes of shares held by directors, supervisors and senior management

☐ Applicable ☒ Not Applicable

There was no change of shares held by Directors, Supervisors and senior management in the reporting period. Please refer to 2016 annual report for details.

2. Changes of directors, supervisors and senior management

Name	Position	Status	Date	Reason
Peter Fleet	Vice Chairman	Elected	June 29, 2017	Re-election of Board of Directors
David Johnston	Director	Elected	June 29, 2017	Re-election of Board of Directors
David Schoch	Vice Chairman	Expiration of the Term of Office	June 29, 2017	Re-election of Board of Directors
Mark Kosman	Director	Expiration of the Term of Office	June 29, 2017	Re-election of Board of Directors
Arturo Mendoza	Vice President	Expiration of the Term of Office	June 29, 2017	
Mike Chang	Vice President	Appointed	June 29, 2017	
Liu Niansheng	Supervisor	Expiration of the Term of Office	June 27, 2017	Re-election of Supervisory Board
Xu Lanfeng	Supervisor	Expiration of the Term of Office	June 27, 2017	Re-election of Supervisory Board
Ding Zhaoyang	Supervisor	Elected	June 27, 2017	Re-election of Supervisory Board
Chen Guang	Supervisor	Elected	June 27, 2017	Re-election of Supervisory Board
Liao Zanping	Vice President	Leave	Feb. 1, 2017	Work rotation
Wu Xiaojun	Vice President	Appointed	Feb. 1, 2017	

Chapter IX Company Bond

Whether the Company owns the corporate bond that is lists in the securities exchange and undue or is not paid in full although it's due.

☐ Yes ☒ No

Chapter X Financial Statements

JIANGLING MOTORS CORPORATION, LTD.

**FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30
JUNE 2017**

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

(All amounts in thousands of RMB unless otherwise stated)

		Six months ended 30 June	
	Note	2017#	2016#
Revenue	5	15,666,476	10,810,736
Sales tax		(544,622)	(328,255)
Cost of sales	6	(12,371,957)	(8,356,083)
Gross profit		2,749,897	2,126,398
Distribution expenses	6	(1,270,477)	(757,567)
Administrative expenses	6	(1,193,666)	(937,398)
Impairment charge of non-current assets		(3,347)	(1,347)
Other income	8	203,584	225,856
Operating profit		485,991	655,942
Finance income	9	127,903	110,419
Finance expenses	9	(2,003)	(767)
Finance income-net	9	125,900	109,652
Share of profit of investments accounted for using the equity method	15b	3,447	5,026
Profit before income tax		615,338	770,620
Income tax expense	10	(62,435)	(66,103)
Profit for the period		552,903	704,517
Total comprehensive income for the period		552,903	704,517
Profit attributable to:			
Shareholders of the Company		552,903	704,517
Total comprehensive income attributable to:			
Shareholders of the Company		552,903	704,517
Earnings per share for profit attributable to the shareholders of the Company for the period (expressed in RMB per share)			
- Basic and diluted	11	0.64	0.82

#Unaudited financial indexes

The notes on pages 28 to 79 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

(All amounts in thousands of RMB unless otherwise stated)

		As at	
	Note	30 June 2017#	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	12	6,587,077	6,688,530
Lease prepayment	13	624,621	632,408
Intangible assets	14	148,093	158,160
Investments accounted for using the equity method	15b	43,340	39,893
Other non-current assets		99,127	97,549
Deferred income tax assets	16	576,026	554,488
		8,078,284	8,171,028
Current assets			
Financial assets at fair value through profit or loss		5,949	8,539
Inventories	17	1,960,649	1,934,092
Trade and other receivables and prepayments	18	3,589,508	2,625,808
Cash and cash equivalents	19	10,477,947	11,666,222
Restricted cash		-	463
Assets classified as held for sale	20	87,637	87,637
		16,121,690	16,322,761
Total assets		24,199,974	24,493,789

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 30 JUNE 2017

(All amounts in thousands of RMB unless otherwise stated)

		As at	
	Note	30 June 2017#	31 December 2016
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	21	863,214	863,214
Share premium		816,609	816,609
Other reserves	22	452,126	452,126
Retained earnings		10,303,630	10,277,287
Total equity		12,435,579	12,409,236
Liabilities			
Non-current liabilities			
Borrowings	23	4,214	4,543
Deferred income tax liabilities	16	26,980	27,383
Retirement benefit obligations	24	50,913	53,627
Provisions for warranty and other liabilities	25	149,128	130,987
Other non-current liabilities		280	320
		231,515	216,860
Current liabilities			
Trade and other payables	26	11,329,443	11,605,178
Current income tax liabilities		31,121	98,860
Borrowings	23	444	454
Retirement benefit obligations	24	4,561	4,561
Provisions for warranty and other liabilities	25	167,311	153,640
Other current liabilities		-	5,000
		11,532,880	11,867,693
Total liabilities		11,764,395	12,084,553
Total equity and liabilities		24,199,974	24,493,789

#Unaudited financial indexes

The notes on pages 28 to 79 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 2017**

(All amounts in thousands of RMB unless otherwise stated)

	Note	Attributable to shareholders of the Company				Total equity#
		Share capital	Share premium	Other reserves	Retained earnings	
Balance at 1 January 2016		863,214	816,609	452,938	9,848,381	11,981,142
Profit for the six months					704,517	704,517
Dividends relating to 2015					(889,110)	(889,110)
Balance at 30 June 2016		863,214	816,609	452,938	9,663,788	11,796,549
Balance at 1 January 2017		863,214	816,609	452,126	10,277,287	12,409,236
Profit for the six months		-	-	-	552,903	552,903
Dividends relating to 2016	27	-	-	-	(526,560)	(526,560)
Balance at 30 June 2017		863,214	816,609	452,126	10,303,630	12,435,579

#Unaudited financial indexes

The notes on pages 28 to 79 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 2017**

(All amounts in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2017#	2016#
Cash flows from operating activities			
Cash generated from operations	28	(733,272)	1,103,907
Interest paid		(158)	(320)
Income tax paid		(165,971)	(116,033)
Net cash generated from operating activities		(899,401)	987,554
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)		(407,102)	(512,444)
Other cash paid relating to investing activities		(3,886)	(101)
Proceeds from disposal of PPE	28	2,097	2,611
Interest received		120,666	145,919
Dividends received		-	5,745
Other cash received from investing activities		5,469	377
Net cash used in investing activities		(282,756)	(357,893)
Cash flows from financing activities			
Repayments of borrowings		(5,226)	(212)
Dividends paid to shareholders of the Company		(892)	(7,571)
Net cash used in financing activities		(6,118)	(7,783)
Net (decrease)/increase in cash and cash equivalents		(1,188,275)	621,878
Cash and cash equivalents at beginning of year		11,666,222	8,848,040
Effects of exchange rate changes		-	-
Cash and cash equivalents at end of period	19	10,477,947	9,469,918

#Unaudited financial indexes

The notes on pages 28 to 79 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

1 General information

Jiangling Motors Corporation, Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) under the Company Law of the PRC and according to the approval of Hongban (1992) No. 005 of Nanchang Revolution and Authorisation 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. 913600006124469438.

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 2017, the total number of issued shares of the Company is 863,214,000 shares, which are all listed on the Shenzhen Stock Exchange, the PRC.

The Company and its subsidiaries (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 29 August 2017.

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 all applicable International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

Standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards and interpretations not yet adopted (continued)

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.
- IFRS 16, 'Leases' will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Associates

An associate is an entity 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. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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.

Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Segment Reporting

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.5 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 profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in profit or loss 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 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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

Property, plant and equipment is 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 profit or loss 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 equipment	5-7 years

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 2.9).

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

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.

2.7 Lease prepayment

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

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.8 Intangible assets

(1) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(2) 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.

The development cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The development costs capitalized in connection with the intangible asset include costs of materials and services used or consumed and employee costs incurred in the creation of the asset.

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.

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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.8 Intangible assets (continued)

(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.

(4) Non-patent technology

Non-patent technology is capitalised from the development cost. These costs are amortised over their estimated useful lives of 5 years.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal 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.

2.10 Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets and financial assets (other than investments in subsidiaries and associates), which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.11 Financial assets

(1) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, 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.

(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.

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(1) Classification (continued)

(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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) 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 way 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 profit or loss. 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 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 profit or loss 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 profit or loss 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 profit or loss as 'gains and losses from investment securities'.

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

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2 Summary of significant accounting policies (continued)

2.12 Financial liabilities at fair value through profit or loss and offsetting financial instruments

Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if incurred principally for the purpose of selling in the short term. A financial liability initially recognised at fair value, and transaction costs are expensed in profit or loss. Subsequent measurements are measured at fair value. Liabilities in this category are classified as current liabilities if expected to be settled within 12 months; otherwise, they are classified as non-current. A financial liability is derecognised when it is extinguished.

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 profit or loss. 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 profit or loss.

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2 Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(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, if any such evidence exists 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 reclassified from equity and recognised in profit or loss. 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 profit or loss.

For equity investments, 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 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 reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

2.14 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 expenses.

2.15 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 allowance for impairment. See Note 2.11(2) for further information about the Group's accounting for trade receivables and Note 2.13 for a description of the Group's impairment policies.

2.16 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 and other short-term highly liquid investments with original maturities of three months or less.

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2 Summary of significant accounting policies (continued)

2.17 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.

Where any group company purchases the Company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s shareholders.

2.18 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.

2.19 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 profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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2 Summary of significant accounting policies (continued)

2.20 Borrowing costs (continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

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2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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.

(1) Current income tax

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.

(2) Deferred income tax

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 substantively 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.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associate only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(3) Offsetting

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.

2.22 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 profit or loss as and when incurred. The Group's obligations are determined at a certain percentage of the salaries of the employees.

In addition, the Group provides supplementary pension subsidies to certain qualified employees. Such supplementary pension subsidies are considered as under defined benefit plans. The liability recognised in the statement of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for recognised 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.

The current service cost of the defined benefit plan, recognised in profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in profit or loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(2) Housing fund and other benefits

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

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2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

(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.

2.23 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.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return 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) Rental income

Rental income is recognised on a straight-line basis over the period of the rental contracts.

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2 Summary of significant accounting policies (continued)

2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.26 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 profit or loss on a straight-line basis over the period of the lease.

2.27 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, where appropriate.

2.28 Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets. However, the government grants measured at their nominal amounts will be directly recorded in profit and loss for the current period.

Government grants related to income will be recorded as deferred income and recognised in profit or loss in the period in which the related expenses are recognised if the grants are intended to compensate for future expenses or losses, and otherwise recognised in profit or loss for the current period if the grants are used to compensate for expenses or losses that have been incurred.

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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 Group operates domestically and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to other payables dominated in US dollar ("USD") and Euro.

Management has set up a policy to require the Group 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 2017, if RMB had strengthened/weakened by 10% against USD with all other variable held constant, the Group's net profit for the six months ended 30 June 2017 then ended would have been approximately RMB20,534,000 (2016: RMB35,091,000) higher/lower.

As at 30 June 2017, if RMB had strengthened/weakened by 10% against Euro with all other variable held constant, the Group's net profit for the six months ended 30 June 2017 then ended would have been approximately RMB2,731,000 (2016: RMB5,269,000) higher/lower.

(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 2017, 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 2017, 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 2017 then ended would have been increased/decreased by approximately RMB10,184,000.

(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 2017, the Group had cash of approximately RMB963,588,000 (2016: RMB874,990,000) deposited in Jiangling Motor Group Finance Company ("JMCF"), which is a non-bank financial institution and a subsidiary of JMCG (Note 19). The Group's other bank deposits are mainly deposited in state-owned banks or other listed banks. Management believes all these financial institutions have high credit quality without significant credit risk.

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3 Financial risk management (continued)**3.1 Financial risk factors (continued)****(2) Credit risk (continued)**

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 provision for impairment 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 provision for impairment, 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 18.

(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 23) 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 30 June 2017				
Bank borrowings				
- Principals	444	444	1,330	2,440
- Interests	68	62	145	110
Trade and other payables	10,394,267	-	-	-
	10,394,779	506	1,475	2,550
At 31 December 2016				
Bank borrowings				
- Principals	454	454	1,363	2,726
- Interests	73	66	158	133
Trade and other payables	11,053,248	-	-	-
	11,053,775	520	1,521	2,859

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3 Financial risk management (continued)

3.2 Capital risk management

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

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

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

The gearing ratios at 30 June 2017 and 31 December 2016 were as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Total borrowings	4,658	4,997
Total equity	12,435,579	12,409,236
Total capital	<u>12,440,237</u>	<u>12,414,233</u>
Gearing ratio	<u>0.04%</u>	<u>0.04%</u>

3.3 Fair value estimation

The inputs to valuation techniques used to measure fair value are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets at fair value through profit or loss are forward exchange contracts which are not traded in an active market. The fair value is determined by using valuation techniques which maximised the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to value forward exchange contracts are observable, the forward exchange contracts are classified as level 2.

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, borrowing, approximate their fair values due to their short maturities. The book 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.

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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.

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) Impairment of long term assets

The Group assesses whether there are indicators that the long term assets except for financial assets are impaired at each balance sheet date. When there are indicators that the carrying amounts of those long term assets are unrecoverable, an impairment test will be performed.

When the carrying amount of the long term assets except for financial assets or the cash generating unit ("CGU") is higher than its recoverable amount, which is the higher of an asset's or CGU's fair value less costs of disposal and its value in use, the impairment occurred.

To determine the fair value less costs of disposal, the Group take reference to the prices in sales agreements in relevant asset transactions or the observable market prices, and the incremental cost which could directly attributable to the assets disposal.

Key judgements are made on the outputs, sales prices, relevant operation costs and discount rates when estimate the discounted future cash flow forecasts. The Group uses relevant accessible information, including the assets outputs, sales prices, relevant operation costs which are based on the reasonable and supportable assumptions, to estimate the recoverable amount of those long term assets.

(2) 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 2017, the Group recorded the deferred tax assets of approximately RMB576,026,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised mainly for temporary differences arising from accrued expenses and retirement benefit obligations.

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4 Critical accounting estimates and judgements(continued)

(3) Provisions

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

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

(4) Impairment of inventory

Inventories shall be measured at the lower of cost and the net realisable value. The net realisable value is estimated sales price less estimated cost to finish goods, estimated distribution expenses and related taxes in the daily operation.

If management revises estimated sales price, estimated cost to finish goods, distribution expenses and related taxes, and revised sales price is lower than current sales price, or revised cost to finish goods, distribution expenses and related taxes are higher than those current estimation, the Group need to consider increasing the impairment provision to the inventories.

If the actual sales price, the cost to finish goods, distribution expenses and related taxes are higher or lower than the estimation of management, the Group will recognise the relevant influence in profit or loss relevant accounting period.

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5 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.

6 Expenses by nature

	Six months ended 30 June	
	2017	2016
Changes in inventories of finished goods and work in progress	162,825	74,118
Raw materials and consumables used	11,127,866	7,390,290
Employee benefit expense (Note 7)	1,042,529	872,355
Depreciation of PPE (Note 12, 28)	397,762	323,276
Repairs and maintenance expenditure on PPE	43,305	37,727
Research and development expenditure	852,674	650,289
Amortisation of lease prepayment (Note 13, 28)	7,787	7,904
Amortisation of intangible assets (Note 14, 28)	5,527	4,743
Provision of warranty	150,360	108,763
Others	1,023,595	562,749
Total cost of sales, distribution expenses and administrative expenses	14,814,230	10,032,214

For the six months ended 30 June 2017, depreciation of PPE of approximately RMB24,788,000 (the six months ended 30 June 2016: RMB 21,797,000) and amortisation of intangible assets of approximately RMB12,642,000 (the six months ended 30 June 2016: RMB 888,000) were included in research and development expenditure.

Impairment charge for trade and other receivables of approximately RMB2,207,000 (the six months ended 30 June 2016: RMB8,710,000) and impairment charge for inventories of approximately RMB19,663,000 (the six months ended 30 June 2016: RMB 10,124,000), which were included in administrative expenses, were not included in expenses by nature.

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7 Employee benefit expense

	Six months ended 30 June	
	2017	2016
Wages and salaries	748,104	619,534
Social security costs	98,055	84,831
Pension costs – defined contribution plans	129,990	114,803
Others	66,380	53,187
	<u>1,042,529</u>	<u>872,355</u>

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 making periodic benefit payments to certain early-retired employees until they reach their legal retirement ages.

8 Other income

	Six months ended 30 June	
	2017	2016
Government grants (a)	205,468	227,480
Others	(1,884)	(1,624)
	<u>203,584</u>	<u>225,856</u>

- (a) For the six months ended 30 June 2017, the Group received grants of approximately RMB205,468,000 mainly from Finance Bureau of Nanchang, Finance Bureau of Nanchang Qingyunpu District, Economic Development District Administrative Commission of Xiaolan and the Finance Bureau of Economic and Technological Development District Administrative Commission of Taiyuan. These government grants were income related to support the Group's operation and were charged to profit or loss directly up received.

9 Finance income and expenses

	Six months ended 30 June	
	2017	2016
(a) Finance income		
Interest income on bank deposits	121,328	103,318
Interest income on credit sales	6,575	7,101
	<u>127,903</u>	<u>110,419</u>
(b) Finance expenses		
Interest expense on bank loans	(114)	(59)
Bank charges and others	(1,889)	(708)
	<u>(2,003)</u>	<u>(767)</u>
Net finance income	<u>125,900</u>	<u>109,652</u>

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10 Taxation**(a) Corporate income tax ("CIT")**

As the Company is qualified as a high-tech enterprise and approved by the relevant tax authorities in 2015, the Company is entitled to a preferential CIT rate of 15% from 2015 to 2017 (2016: 15%). The CIT rates of JMC Heavy Duty Vehicle Co., Ltd. ("JMCH") and Jiangling Motor Sales Co, Ltd. ("JMCS"), the subsidiaries of the Company, are 25%.

The amounts of income tax expense charged to profit or loss represented:

	Six months ended 30 June	
	2017	2016
Current tax	84,376	96,325
Deferred tax (Note 16)	(21,941)	(30,222)
	62,435	66,103

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Six months ended 30 June	
	2017	2016
Profit before tax	615,338	770,620
Tax calculated at tax rates applicable to profits in the respective companies	70,822	100,020
Tax concessions	(28)	(105)
Expenses not deductible for tax purposes	361	283
Income not subject to tax	(40,650)	(36,587)
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	10,849	4,322
Utilisation of previously temporary differences for which no deferred income tax asset was recognised	(2,391)	(11,161)
Tax losses for which no deferred income tax asset was recognised	23,472	9,331
Tax charge	62,435	66,103

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(All amounts in thousands of RMB unless otherwise stated)

10 Taxation (continued)

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

Output VAT is levied at a general rate of 17% on the selling price of goods. Pursuant to the "Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax" (Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, the rental income and interest income are subject to VAT from 1 May 2016, and the applicable tax rates are 11% and 6% respectively.

(b) Consumption Tax ("CT")

The Group's automobile sale is subject to CT at 3%, 5% or 9% on the selling price of goods.

11 Earnings per share

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

	Six months ended 30 June	
	2017	2016
Profit attributable to shareholders of the Company	552,903	704,517
Weighted average number of ordinary shares in issue ('000)	863,214	863,214
Basic earnings per share (RMB)	0.64	0.82

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 2017.

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12 Property, plant and equipment

	Buildings	Plant and Machinery	Motor Vehicles	Moulds	Electronic and other equipment	Assets under constructions	Total
At 1 January 2016							
Cost	1,802,523	3,193,284	219,587	1,591,116	2,384,260	1,637,474	10,828,244
Accumulated depreciation and impairment	(327,994)	(1,657,416)	(106,346)	(1,227,369)	(1,184,881)	(692)	(4,504,698)
Net book amount	1,474,529	1,535,868	113,241	363,747	1,199,379	1,636,782	6,323,546
Year ended 31 December 2016							
Opening net book amount	1,474,529	1,535,868	113,241	363,747	1,199,379	1,636,782	6,323,546
Additions	-	-	-	-	-	1,138,940	1,138,940
Transfers	63,567	422,097	55,408	621,285	498,413	(1,660,770)	-
Disposals	(100)	(774)	(3,182)	(736)	(178)	-	(4,970)
Other deductions	-	(18,969)	-	-	(2,712)	(14,784)	(36,465)
Impairment charge	-	(1,717)	(50)	-	(1,027)	-	(2,794)
Depreciation charge	(45,595)	(198,266)	(26,648)	(177,019)	(282,199)	-	(729,727)
Closing net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
At 31 December 2016							
Cost	1,865,850	3,526,187	262,667	2,206,895	2,862,436	1,100,860	11,824,895
Accumulated depreciation and impairment	(373,449)	(1,787,948)	(123,898)	(1,399,618)	(1,450,760)	(692)	(5,136,365)
Net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
Six months ended 30 June 2017							
Opening net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
Additions	-	-	-	-	-	326,956	326,956
Transfers	71,525	111,568	3,067	64,038	111,288	(361,486)	-
Disposals	-	(68)	(1,817)	-	(276)	-	(2,161)
Other deductions	-	-	-	-	-	(351)	(351)
Impairment charge (Note 28)	-	(615)	(128)	-	(2,188)	(416)	(3,347)
Depreciation charge (Note 6, 28)	(24,511)	(110,408)	(15,166)	(114,781)	(157,684)	-	(422,550)
Closing net book amount	1,539,415	1,738,716	124,725	756,534	1,362,816	1,064,871	6,587,077
At 30 June 2017							
Cost	1,937,375	3,632,890	260,707	2,257,218	2,962,674	1,065,979	12,116,843
Accumulated depreciation and impairment	(397,960)	(1,894,174)	(135,982)	(1,500,684)	(1,599,858)	(1,108)	(5,529,766)
Net book amount	1,539,415	1,738,716	124,725	756,534	1,362,816	1,064,871	6,587,077

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12 Property, plant and equipment (continued)

For the six months ended 30 June 2017, depreciation expense of approximately RMB367,960,000 (the six months ended 30 June 2016: RMB289,897,000) was charged in cost of sales, RMB1,349,000 (the six months ended 30 June 2016: RMB1,427,000) in distribution expenses and RMB53,241,000 (the six months ended 30 June 2016: RMB53,749,000) in administrative expenses.

Lease rental expenses amounting to approximately RMB4,419,000 (the six months ended 30 June 2016: RMB3,087,000) relating to the lease of property are included in profit or loss.

13 Lease prepayment

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

	<u>30 June 2017</u>	<u>31 December 2016</u>
Opening net book amount	632,408	645,608
Additions	-	2,394
Amortisation charge (Note 6, 28)	<u>(7,787)</u>	<u>(15,594)</u>
Closing net book amount	<u>624,621</u>	<u>632,408</u>
Cost	751,626	751,626
Accumulated amortisation	<u>(127,005)</u>	<u>(119,218)</u>
Net book amount	<u>624,621</u>	<u>632,408</u>

Amortisation expense was charged in administrative expenses.

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14 Intangible assets

	Non-patent technology	Software	Goodwill	After-sale management model	Other	Total
Year ended 31 December 2016						
Opening net book amount	-	38,225	3,462	-	18	41,705
Addition	124,587	12,390	-	-	-	136,977
Amortisation charge	(8,694)	(11,818)	-	-	(10)	(20,522)
Closing net book amount	115,893	38,797	3,462	-	8	158,160
At 31 December 2016						
Cost	124,587	98,017	89,028	36,978	1,649	350,259
Accumulated amortisation and impairment	(8,694)	(59,220)	(85,566)	(36,978)	(1,641)	(192,099)
Net book amount	115,893	38,797	3,462	-	8	158,160
Six months ended 30 June 2017						
Opening net book amount	115,893	38,797	3,462	-	8	158,160
Addition	7,751	351	-	-	-	8,102
Amortisation charge (Note 6, 28)	(11,745)	(6,420)	-	-	(4)	(18,169)
Closing net book amount	111,899	32,728	3,462	-	4	148,093
At 30 June 2017						
Cost	132,338	98,368	89,028	36,978	1,649	358,361
Accumulated amortisation and impairment	(20,439)	(65,640)	(85,566)	(36,978)	(1,645)	(210,268)
Net book amount	111,899	32,728	3,462	-	4	148,093

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14 Intangible assets (continued)

- (a) For six months ended 30 June 2017, amortisation expense of approximately RMB17,690,000 (the six months ended 30 June 2016: RMB5,506,000) was charged in administrative expenses, approximately RMB309,000 (the six months ended 30 June 2016: RMB97,000) in cost of sales and approximately RMB170,000 (the six months ended 30 June 2016: RMB28,000) in distribution expenses.
- (b) Development costs of approximately RMB7,751,000 were capitalised as non-patent technology by the Group during the six months ended 30 June 2017 (the six months ended 30 June 2016: RMB60,053,000).
- (c) Impairment test for goodwill

Goodwill arises on the acquisition of a subsidiary, and is monitored by the management at the cash generating unit level. The goodwill is allocated to the following CGU:

	31 December 2016	Addition	Impairment	30 June 2017
JMCH	<u>3,462</u>	<u>-</u>	<u>-</u>	<u>3,462</u>

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use after-tax cash flow projections based on financial budgets approved by management covering a nine-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the heavy duty vehicle business in which the CGU operates.

The key assumptions used for value in use calculations in 2016 were as follows:

Item	JMCH
Compound annual volume growth rate	283%
Long term growth rate	3%
Discount rate	19.40%

The long term growth rates used are consistent with the forecasts included in industry reports.

The discount rates used are after-tax and reflect specific risks relating to the relevant operating subsidiary.

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15a Subsidiaries

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

Entity	Place and date of incorporation	Percentage of equity interest held	Principal activities
JMCH	Taiyuan, PRC / 8 January 2013	100%	Manufacture and sale of automobiles and spare parts
JMCS	Nanchang, PRC / 11 October 2013	100%	Sale of automobiles and spare parts

15b Investments accounted for using the equity method

(a) Summarised financial information for immaterial associate

The amount recognised in the consolidated statement of financial position was as follow:

	30 June 2017	31 December 2016
Associate	43,340	39,893

The amount recognised in the consolidated statement of comprehensive income was as follow:

	Six months ended 30 June	
	2017	2016
Share of profit	3,447	5,026

The Company holds 19.15% interest of Hanon Systems (Nanchang) Co., Ltd. (Hanon Systems) and the investment is accounted for using the equity method of accounting.

(b) Reconciliation of summarised financial information for immaterial associates

	Six months ended 30 June	
	2017	2016
At beginning of the year	208,317	214,061
Profit for the period	18,000	26,245
Dividends distributed	-	(30,000)
At end of the period	226,317	210,306
Interest in associate	19.15%	19.15%
Carrying value	43,340	40,274

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16 Deferred income tax

	<u>30 June 2017</u>	<u>31 December 2016</u>
Deferred tax assets	640,190	590,899
Deferred tax liabilities-can be offset	(64,164)	(36,411)
Deferred tax liabilities-cannot be offset	<u>(26,980)</u>	<u>(27,383)</u>
Deferred tax assets-net	576,026	554,488
Deferred tax liabilities-net	<u>(26,980)</u>	<u>(27,383)</u>

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

	<u>30 June 2017</u>	<u>31 December 2016</u>
At beginning of the year	527,105	445,541
Credited to profit or loss (Note 10(a))	21,941	81,293
Credited to other comprehensive income (Note 10(a))	-	271
At end of the period	<u>549,046</u>	<u>527,105</u>

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

	Provision for impairment of assets	Retirement benefits obligation	Accrued expenses	Amortization of nonpatented technology	Others	Total
Deferred tax assets						
At 1 January 2016	6,207	13,339	460,044	-	519	480,109
Credited to profit or loss	1,379	484	107,442	1,087	127	110,519
Credited to other comprehensive income	-	271	-	-	-	271
At 31 December 2016	7,586	14,094	567,486	1,087	646	590,899
Credited /(charged) to profit or loss	3,331	(407)	44,665	1,468	234	49,291
Credited to other comprehensive income	-	-	-	-	-	-
At 30 June 2017	<u>10,917</u>	<u>13,687</u>	<u>612,151</u>	<u>2,555</u>	<u>880</u>	<u>640,190</u>

	Amortisation of intangible assets	PPE depreciation	Fair value gains	Forward exchange contracts	Total
Deferred tax liabilities					
At 1 January 2016	(2,760)	(3,404)	(28,392)	(12)	(34,568)
(Charged)/credited to profit or loss	(1,936)	(27,030)	1,009	(1,269)	(29,226)
At 31 December 2016	(4,696)	(30,434)	(27,383)	(1,281)	(63,794)
(Charged)/credited to profit or loss	(586)	(27,556)	403	389	(27,350)
At 30 June 2017	<u>(5,282)</u>	<u>(57,990)</u>	<u>(26,980)</u>	<u>(892)</u>	<u>(91,144)</u>

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16 Deferred income tax (continued)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	15,554	14,493
- Deferred tax asset to be recovered within 12 months	624,636	576,406
	<u>640,190</u>	<u>590,899</u>
	<u>30 June 2017</u>	<u>31 December 2016</u>
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(86,576)	(60,365)
- Deferred tax liabilities to be recovered within 12 months	(4,568)	(3,429)
	<u>(91,144)</u>	<u>(63,794)</u>

Deductible temporary differences and tax losses which no deferred income tax assets were recognised were as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Deductible temporary differences	30,618	40,182
Tax losses	452,714	369,032
	<u>483,332</u>	<u>409,214</u>

The expiry years of the tax losses are as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
2017	89,447	89,447
2018	44,319	44,319
2019	36,772	36,772
2020	72,470	72,470
2021	115,819	126,024
2022	93,887	-
	<u>452,714</u>	<u>369,032</u>

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17 Inventories

	<u>30 June 2017</u>	<u>31 December 2016</u>
Raw materials	1,489,895	1,300,443
Work in progress	202,854	193,152
Finished goods	267,900	440,497
	<u>1,960,649</u>	<u>1,934,092</u>

For the six months ended 30 June 2017, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB11,290,691,000 (the six months ended 30 June 2016: RMB7,464,408,000).

A provision of approximately RMB39,366,000(2016: RMB26,491,000) was made as at 30 June 2017. The Group reversed approximately RMB1,062,000 of a previous inventory write-down during the six months ended 30 June 2017. During the six months ended 30 June 2017, the Group wrote-off inventories with provision of approximately RMB6,788,000 made in prior years. The provision and reversal of the inventory write-down have been included in administrative expenses in profit or loss.

As at 30 June 2017, no inventory was pledged as security for liabilities.

18 Trade and other receivables and prepayments

	<u>30 June 2017</u>	<u>31 December 2016</u>
Trade receivables	1,651,383	1,188,088
Less: Provision for impairment of trade receivables	(18,056)	(15,940)
Trade receivables – net	<u>1,633,327</u>	<u>1,172,148</u>
Notes receivables	651,501	498,875
Other receivables	104,667	86,581
Less: Provision for impairment of other receivables	(524)	(433)
Other receivables – net	<u>104,143</u>	<u>86,148</u>
Prepayments	1,120,071	796,833
Interest receivables	80,466	71,804
	<u>3,589,508</u>	<u>2,625,808</u>

Refer to Note 31 for details of receivables from related parties. The carrying amounts of the Group's trade and other receivables are all denominated in RMB.

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

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18 Trade and other receivables and prepayments (continued)

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

	<u>30 June 2017</u>	<u>31 December 2016</u>
At beginning of the year	(16,373)	(7,611)
Provision for receivables impairment (Note 28)	(2,207)	(8,952)
Receivables written off during the year as uncollectible	-	190
At end of the period	<u>(18,580)</u>	<u>(16,373)</u>

The creation of provision for impaired receivables was included in 'administrative expense' in profit or loss.

The other classes within trade and other receivables do not contain impaired assets.

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

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19 Cash and cash equivalents

	30 June 2017	31 December 2016
Cash at bank and in hand	642,947	790,373
Short-term bank deposits (a)	9,835,000	10,875,849
	<u>10,477,947</u>	<u>11,666,222</u>

As at 30 June 2017, the Group had cash of approximately RMB963,588,000 (2016: RMB874,990,000) deposited in JMCF (Note 31 (j)). The interest rates range from 1.495%-2.25% per annum (2016: 1.495% to 2.25%). 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.

20 Assets classified as held for sale

	30 June 2017	31 December 2016
Lease prepayment and buildings of Transit plant	<u>87,637</u>	<u>87,637</u>

As at 26 March 2015, under the authorisation from the Board of Directors, the Company signed an agreement of "state-owned land reserves" with Nanchang Land Reserve Centre (the "agreement"). According to the agreement, the Company will sell its land use right and buildings of Transit plant, with a consideration of RMB135,000,000 to Nanchang Land Reserve Centre. The transaction is expected to be completed within the year of 2017.

As those aforementioned assets met the criteria of assets classified as held for sale, they were reclassified as current assets and presented separately in the consolidated statement of financial position.

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21 Share capital

	Number of shares (thousands)	Tradable shares		Total	
		“A” shares			“B” shares
		Restricted	Non-restricted		
Year ended 31 December 2016					
Balance at 1 January 2016	863,214	1,726	517,488	344,000	863,214
Transfer	-	-	-	-	-
Balance at 31 December 2016	863,214	1,726	517,488	344,000	863,214
Six months ended 30 June 2017					
Balance at 1 January 2017	863,214	1,726	517,488	344,000	863,214
Transfer	-	-	-	-	-
Balance at 30 June 2017	863,214	1,726	517,488	344,000	863,214

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

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

After the implementation of the share reform scheme on 13 February 2006, 1,726,000 shares were still restricted as at 30 June 2017.

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22 Other reserves

	Statutory surplus reserve fund (a)	Reserve fund	Others	Total
At 1 January 2016	431,607	18,627	2,704	452,938
Other comprehensive income				
-Remeasurements of retirement benefit obligation, net of tax	-	-	(812)	(812)
At 31 December 2016	431,607	18,627	1,892	452,126
Other comprehensive income				
-Remeasurements of retirement benefit obligation, net of tax	-	-	-	-
At 30 June 2017	431,607	18,627	1,892	452,126

- (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 shareholding or by increasing the par value of the shares currently held by them. The fund is non-distributable except for liquidation.

As the balance of the statutory surplus reserve fund has reached 50% of the Company's share capital, no further appropriations to the statutory surplus reserve fund were provided for the six months ended 30 June 2017.

23 Borrowings

	30 June 2017	31 December 2016
Current		
Bank borrowings - guaranteed (a)	444	454
Non-current		
Bank borrowings - guaranteed (a)	4,214	4,543
Total borrowings	4,658	4,997

- (a) Bank borrowings of USD 688,000 (equivalent to approximately RMB4,658,000) (2016: USD720,000 equivalent to approximately RMB4,997,000) were guaranteed by JMCFC (Note 31 (c)).

The interest rate of bank borrowings is 1.50% per annum (2016: 1.50%).

The fair value of borrowings approximates their carrying values.

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23 Borrowings (continued)

The maturity of non-current borrowings is as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Between 1 and 2 years	444	454
Between 2 and 5 years	1,330	1,363
Over 5 years	2,440	2,726
	<u>4,214</u>	<u>4,543</u>

The Group has the following undrawn borrowing facilities:

	<u>30 June 2017</u>	<u>31 December 2016</u>
Fixed rate		
- Expiring within one year	<u>1,392,537</u>	<u>1,390,868</u>

24 Retirement benefits obligations

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

	<u>30 June 2017</u>	<u>31 December 2016</u>
Present value of defined benefits obligations	<u>55,474</u>	<u>58,188</u>

The movement of early retirement and supplemental benefit obligations for the six months ended 30 June 2017 is as follows:

	<u>30 June 2017</u>	<u>31 December 2016</u>
At beginning of the year	58,188	56,833
For the year		
-Current service cost	-	1,325
-Interest cost	-	1,633
-Payment	(2,714)	(4,754)
-Past service cost from the change of plan	-	1,486
-Actuarial loss	-	1,665
At end of the period	<u>55,474</u>	<u>58,188</u>
Current	4,561	4,561
Non-current	<u>50,913</u>	<u>53,627</u>
	<u>55,474</u>	<u>58,188</u>

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

	<u>30 June 2017</u>	<u>31 December 2016</u>
Discount rate adopted	—	3.5%
The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post	—	0% to 6%

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24 Retirement benefits obligations (continued)

As at 30 June 2017, the Group did not estimate the present value of defined benefit obligation. Based on the assessment and IAS 19, the Group estimated that, at 30 June 2017, a provision of RMB55,474,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB55,474,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB4,561,000 (2016: RMB4,561,000) has been included under current liabilities.

25 Provisions for warranty and other liabilities

The movement on the warranty provisions and other liabilities is as follows:

	30 June 2017	31 December 2016
At beginning of the year	284,627	214,722
Charged for the year (Note 6)	150,360	261,430
Utilised during the year	(118,548)	(191,525)
At end of the period	316,439	284,627

Analysis of total provisions:

	30 June 2017	31 December 2016
Non-current	149,128	130,987
Current	167,311	153,640
	316,439	284,627

The above represents the warranty costs for repairs and maintenance, which are estimated based on present after-sale service policies and prior years' experience on the occurrence of such cost.

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26 Trade and other payables

	30 June 2017	31 December 2016
Trade payables	7,173,967	7,731,169
Payroll and welfare payable	237,814	289,283
Dividend payables	531,512	5,840
Other payables	3,386,150	3,578,886
	<u>11,329,443</u>	<u>11,605,178</u>

For details of amount due to related parties, please refer to Note 31.

27 Dividends

A final dividend for 2016 of RMB 0.61 per share, amounting to a total dividend of RMB526,560,000 is proposed at the Shareholders' Meeting on 29 June 2017.

28 Cash generated from operations

	Six months ended 30 June	
	2017	2016
Profit before tax	615,338	770,620
Depreciation of PPE (Note 6, 12)	422,550	345,073
Amortisation of lease prepayment (Note 6, 13)	7,787	7,904
Amortisation of intangible assets (Note 6, 14)	18,169	5,631
Impairment charges of PPE (Note 12)	3,347	1,347
Provision for receivables impairment (Note 18)	2,207	8,710
Provision of inventories	19,663	10,124
Loss on disposals of PPE	246	895
Finance expenses	1,646	483
Finance income (Note 9)	(127,903)	(110,419)
Net foreign exchange transaction loss	5,383	6,863
Share of profit from investment accounted for using equity method (Note 15b)	(3,447)	(5,026)
Investment gain of forward exchange contracts	(1,583)	(276)
Changes on fair value of forward exchange contracts	2,590	(1,921)
Changes in working capital:		
- Increase in inventories	(52,548)	(32,459)
- (Increase) /decrease in trade and other receivables	(948,781)	460,103
- Increase in provisions for warranty	31,812	15,767
- decrease in trade and other payables	(727,034)	(376,818)
-decrease in pensions and other retirement benefits	(2,714)	(2,694)
Cash generated from operations	<u>(733,272)</u>	<u>1,103,907</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

28 Cash generated from operations (continued)

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

	Six months ended 30 June	
	2017	2016
Net book amount	2,161	3,289
Loss on disposal of PPE	(246)	(895)
Offset with trade and other payables	182	217
Proceeds from disposal of PPE	<u>2,097</u>	<u>2,611</u>

29 Contingencies

At 30 June 2017 the Group did not have any significant contingent liabilities.

30 Commitments

Capital commitments

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

	30 June 2017	31 December 2016
Contracted but not provided for:		
Purchases of buildings, plant and machinery	<u>631,540</u>	<u>572,773</u>

31 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 Motor Company ("Ford"), which owns 32% of the Company's shares, are major shareholders of the Company as at 30 June 2017. The shareholders of JMH are Chongqing Changan Automobile Corporation Ltd. and JMCGL, and both of them hold 50% equity interest of JMH, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCGL and its subsidiaries, JMH and its subsidiaries and joint venture, Ford and its subsidiaries and joint venture in the ordinary course of business during the six months ended 30 June 2017.

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31 Related party transactions (continued)

For the six months ended 30 June 2017, related parties, other than the subsidiary, and their relationship with the Group are as follows:

Name of related party	Relationship
JMCG	Shareholder of JMH
Nanchang JMCG Skyman Auto Component Co.,Ltd.	Subsidiary of JMH
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 Otomotiv Sanayi A.S.	Subsidiary of Ford
Auto Alliance (Thailand) Co.,Ltd.	Subsidiary of Ford
Ford Vietnam Limited	Subsidiary of Ford
Jiangxi JMCG Industry Co.,Ltd.	Subsidiary of JMCG
JMCG Property Management Co.	Subsidiary of JMCG
Nanchang Gear Co.,Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Material Utilization Co.,Ltd.	Subsidiary of JMCG
Jiangling Material Co.	Subsidiary of JMCG
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	Subsidiary of JMCG
JMCF	Subsidiary of JMCG
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Chassis Co.,Ltd.	Subsidiary of JMCG
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	Subsidiary of JMCG
JMCG Jingma Motors Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Lear Interior System Co.,Ltd.	Joint venture of JMCG
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Xincheng Auto Component Co.,Ltd.	Subsidiary of JMCG
Nanchang JMCG Shishun Logistics Co., Ltd.	Subsidiary of JMCG
Nanchang Lianda Machinery Co.,Ltd.	Subsidiary of JMCG
Jiangxi JMCG Yicheng Second-hand Motors Sales Co., Ltd.	Subsidiary of JMCG
Jiangxi Biaohong Engine Tappet Co.,Ltd.	Subsidiary of JMCG
Jiangxi Sinodef International Trade Co.,Ltd.	Subsidiary of JMCG
Nanchang Unistar Electric & Electronics Co.,Ltd.	Subsidiary of JMCG
Nanchang Hengou Industry Co., Ltd.	Associate of JMCG
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Non-ferrous Metal Die-casting Co.,Ltd	Subsidiary of JMCG
Jiangxi ISUZU Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Associate of JMCG
Nanchang Yinlun Heat-exchanger Co.,Ltd.	Associate of JMCG
JMCG Hequn Costume Co.,Ltd.	Associate of JMCG
Jiangling Aowei Automobile Spare Part Co.,Ltd.	Associate of JMCG
GETRAG (Jiangxi) Transmission Company	Associate of JMCG
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	Associate of JMCG
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	Associate of JMCG
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	Associate of JMCG
Ford Motor Company of Australia Limited	Subsidiary of Ford
Changan Ford Automobile Co.,Ltd.	Joint venture of Ford

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31 Related party transactions (continued)

(a) Purchases and sales of goods, provision and purchases of services

Purchase of goods	Six months ended 30 June	
	2017	2016
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	457,760	254,213
Ford	452,439	184,544
Jiangxi Jiangling Chassis Co.,Ltd.	421,636	384,153
GETRAG (Jiangxi) Transmission Company	391,606	311,994
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	326,851	298,479
Jiangxi Jiangling Lear Interior System Co.,Ltd.	282,853	227,342
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	278,927	135,181
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	234,711	138,623
Nanchang Unistar Electric & Electronics Co.,Ltd.	122,995	100,047
Hanon Systems	120,879	103,226
Changan Ford Automobile Co.,Ltd.	115,331	10,719
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	99,189	28,368
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	73,564	90,130
Auto Alliance (Thailand) Co.,Ltd.	72,011	-
JMCG	50,538	53,480
Nanchang JMCG Skyman Auto Component Co.,Ltd.	31,861	32,714
Nanchang Lianda Machinery Co.,Ltd.	30,357	35,657
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	29,077	18,710
Nanchang Yinlun Heat-exchanger Co.,Ltd.	28,259	23,343
Ford Otomotiv Sanayi A.S.	16,047	5,865
Jiangling Material Co.	14,658	11,117
Jiangling Aowei Automobile Spare Part Co.,Ltd.	13,956	15,318
Nanchang Gear Co.,Ltd.	12,040	8,976
Nanchang JMCG Xincheng Auto Component Co.,Ltd.	11,909	14,164
Jiangxi Biaohong Engine Tappet Co.,Ltd.	4,042	4,814
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	3,062	3,709
JMCG Hequn Costume Co.,Ltd.	2,543	1,504
Jiangxi Jiangling Non-ferrous Metal Die-casting Co.,Ltd	1,961	-
Jiangxi JMCG Industry Co.,Ltd.	1,355	831
Jiangxi Jiangling Material Utilization Co.,Ltd.	-	1,327
Others	3	4,952
	<u>3,702,420</u>	<u>2,503,500</u>

The Group purchased goods from related parties classified as two types: import parts and home-made parts.

- Purchase import parts from Ford or Ford's suppliers, based on agreed price;
- Purchase home-made parts from other related parts, based on quotation, cost accounting and negotiation.

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31 Related party transactions (continued)

(a) Purchases and sales of goods, provision and purchases of services (continued)

Purchase of services	Natures of transaction	Six months ended 30 June	
		2017	2016
Ford	Engineering service and design	148,586	46,590
Ford Global Technologies, LLC	Royalty fee	134,653	37,885
Nanchang JMCG Shishun Logistics Co., Ltd.	Transportation	128,924	85,587
Ford Otomotiv Sanayi A.S.	Engineering service and design	32,749	151,648
Nanchang Hengou Industry Co., Ltd.	Packing/truckage	29,705	30,836
JMCG Jiangxi Engineering Construction Co., Ltd.	Engineering construction and maintenance	20,430	789
Ford Otomotiv Sanayi A.S.	Secondments costs	16,652	15,334
Ford	Secondments costs	16,631	19,584
Jiangxi JMCG Industry Co.,Ltd.	Working meal	15,434	13,053
JMH	Royalty fee	10,000	-
Ford Otomotiv Sanayi A.S.	Royalty fee	9,582	6,736
Ford Motor (China) Co., Ltd.	Software and consulting fees	3,327	-
Ford Motor (China) Co., Ltd.	Regional personnel costs	2,847	2,702
Hanon Systems	Experimental manufacturing costs	2,263	2,479
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Agent business of importation	1,972	2,705
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	Experimental manufacturing costs	1,145	-
JMH	Secondments costs	957	641
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Regional personnel costs	937	1,871
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	Promotion	396	2,774

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31 Related party transactions (continued)

(a) Purchases and sales of goods, provision and purchases of services (continued)

Purchase of services	Natures of transaction	Six months ended 30 June	
		2017	2016
Changan Ford Automobile Co.,Ltd.	Design fee	-	1,650
Others	Design fee	3,750	236
		<u>580,940</u>	<u>423,100</u>

The Group purchased the service from related parties based on agreement price.

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31 Related party transactions (continued)

(a) Purchases and sales of goods, provision and purchases of services (continued)

Sales of goods	Six months ended 30 June	
	2017	2016
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	452,175	550,617
Jiangxi Jiangling Chassis Co., Ltd.	47,632	26,293
Nanchang Hengou Industry Co., Ltd.	44,199	-
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	42,953	84,586
JMCG Jingma Motors Co., Ltd.	39,224	38,436
Nanchang JMCG Liancheng Auto Component Co., Ltd.	30,036	22,918
Jiangxi Jiangling Non-ferrous Metal Die-casting Co., Ltd.	29,891	-
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	18,326	24,979
Jiangxi JMCG Yichang Second-hand Motors Sales Co., Ltd.	14,511	11,215
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	12,823	3,145
Nanchang Jiangling Hua Xiang Auto Components Co., Ltd.	9,155	1,908
Jiangxi Jiangling Lear Interior System Co., Ltd.	3,355	6,702
JMCG Property Management Co.	3,343	3,353
Jiangxi JMCG Industry Co., Ltd.	3,060	5,214
JMH	2,853	1,729
Jiangxi ISUZU Co., Ltd.	1,009	440
Jiangxi Jiangling Material Utilization Co., Ltd.	-	15,849
Jiangxi Sinodef International Trade Co., Ltd.	-	4,831
Others	766	1,135
	755,311	803,350

The Group sold goods to related parties, based on agreement price.

Provision of services	Six months ended 30 June	
	2017	2016
Ford Motor Company of Australia Limited	-	6,698

The Group provided the services to related parties, based on agreement price.

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31 Related party transactions (continued)

(b) Rental

Rental cost

Lessor	Category	Rental cost of six months ended 30 June 2017	Rental cost of six months ended 30 June 2016
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Building	2,138	2,981
JMCG	Building	2,070	-
JMCG Property Management Co.	Building	211	106
		<u>4,419</u>	<u>3,087</u>

Rental income

Lessee	Category	Rental income of six months ended 30 June 2017	Rental income of six months ended 30 June 2016
JMH	Building	4	22
GETRAG (Jiangxi) Transmission Company	Building	3	-
		<u>7</u>	<u>22</u>

(c) Guarantee

As at 30 June 2017, bank loans of USD688,000 (equivalent to approximately RMB4,658,000) (2016:USD720,000 equivalent to approximately RMB4,997,000) were guaranteed by JMCF (Note 23).

(d) Sales of PPE

	Six months ended 30 June	
	2017	2016
Jiangxi JMCG Industrial Co., Ltd.	<u>2</u>	<u>5</u>

(e) Purchase of PPE

	Six months ended 30 June	
	2017	2016
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	<u>150</u>	<u>-</u>

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31 Related party transactions (continued)**(f) 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 2017, the total remuneration of the key management was approximately RMB 9,256,000 (the six months ended 30 June 2016: RMB 8,077,000).

(g) Interest received from cash deposit in related parties

	Six months ended 30 June	
	2017	2016
JMCF	10,098	5,879

During the six months ended 30 June 2017, the interest rates range from 1.495% to 2.25% per annum.

(h) Balances arising from sales/purchases of goods/services

Trade receivables from related parties	30 June 2017	31 December 2016
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	131,831	230,848
Nanchang Hengou Industry Co., Ltd.	40,987	1,694
JMCG Jingma Motors Co., Ltd.	19,593	10,530
Jiangxi Jiangling Chassis Co., Ltd.	7,149	-
JMH	3,370	1,664
Jiangxi JMCG Industry Co., Ltd.	1,633	2,036
Nanchang Jiangling Hua Xiang Auto Components Co., Ltd.	-	3,304
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	-	1,360
Ford Vietnam Limited	-	1,149
Others	293	135
	204,856	252,720
Other receivables from related parties	30 June 2017	31 December 2016
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	43,710	30,338
Ford Otomotiv Sanayi A.S.	1,225	1,225
Others	930	922
	45,865	32,485

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31 Related party transactions (continued)

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

Prepayments for purchasing of goods	30 June 2017	31 December 2016
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	586,520	410,220
Ford Otomotiv Sanayi A.S.	1,930	-
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	986	-
	<u>589,436</u>	<u>410,220</u>
Notes receivables from related parties	30 June 2017	31 December 2016
JMCG Jingma Motors Co., Ltd.	<u>36,395</u>	<u>44,827</u>
Prepayments for construction in progress	30 June 2017	31 December 2016
JMCG Jiangxi Engineering Construction Co., Ltd.	13,516	8,106
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	12,245	273
Others	150	-
	<u>25,911</u>	<u>8,379</u>
Prepayments for mould lease	30 June 2017	31 December 2016
Changan Ford Automobile Co., Ltd.	<u>22,259</u>	<u>32,528</u>
Cash deposit in related parties	30 June 2017	31 December 2016
JMCF (Note 19)	<u>963,588</u>	<u>874,990</u>

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31 Related party transactions (continued)

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

Trade payables to related parties	30 June 2017	31 December 2016
Jiangxi Jiangling Chassis Co.,Ltd.	301,854	267,405
Jiangxi Jiangling Lear Interior System Co.,Ltd.	270,491	381,357
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	258,189	286,710
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	194,953	210,407
GETRAG (Jiangxi) Transmission Company	185,437	180,956
Jiangxi Jiangling Special Purpose Vehicle Co.,Ltd.	167,843	255,916
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	116,678	144,608
Hanon Systems	83,797	87,404
Ford	81,868	117,540
Nanchang Unistar Electric & Electronics Co.,Ltd.	68,648	50,575
Faurecia Emissions Control Technologies (Nanchang) Co.,Ltd.	54,110	43,618
JMCG	51,201	73,518
Nanchang JMCG Skyman Auto Component Co.,Ltd.	34,032	23,538
Jiangxi Lingge Non-ferrous Metal Die-casting Co.,Ltd.	18,622	17,778
Nanchang Yinlun Heat-exchanger Co.,Ltd.	18,311	20,612
Nanchang Lianda Machinery Co.,Ltd.	17,716	23,570
Nanchang JMCG Xinchun Auto Component Co.,Ltd.	9,691	10,194
Jiangling Aowei Automobile Spare Part Co.,Ltd.	8,983	13,475
Auto Alliance (Thailand) Co.,Ltd.	6,888	12,004
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	6,454	3,654
Nanchang Gear Co.,Ltd.	5,836	5,777
Jiangxi JMCG Shangrao Industrial Co.,Ltd.	2,521	2,137
Jiangxi Biaohong Engine Tappet Co.,Ltd.	2,133	2,362
Changan Ford Automobile Co.,Ltd.	2,036	113,485
Ford Otomotiv Sanayi A.S.	2,015	2,687
Jiangxi Jiangling Non-ferrous Metal Die-casting Co.,Ltd	1,492	612
Jiangxi JMCG Industry Co.,Ltd.	1,481	188
Others	1,190	3,790
	1,974,470	2,355,877

JIANGLING MOTORS CORPORATION, LTD.

FOR THE SIX MONTHS ENDED 30 JUNE 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of RMB unless otherwise stated)

31 Related party transactions (continued)

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

Other payables to related parties	30 June 2017	31 December 2016
Ford	109,828	176,871
Ford Otomotiv Sanayi A.S.	95,045	232,672
Ford Global Technologies, LLC	59,147	58,517
JMCG Jiangxi Engineering Construction Co., Ltd.	18,145	12,511
JMH	10,696	1,303
Jiangxi Jiangling Lear Interior System Co.,Ltd.	10,556	16,154
Nanchang Hengou Industry Co., Ltd.	9,423	11,378
Nanchang JMCG Shishun Logistics Co., Ltd.	6,580	3,944
Nanchang Jiangling Hua Xiang Auto Components Co.,Ltd.	5,979	6,157
Nanchang JMCG Liancheng Auto Component Co.,Ltd.	3,879	3,751
Ford Motor (China) Co., Ltd.	3,689	1,199
Hanon Systems	2,520	257
Jiangxi Jiangling Group Special Vehicle Co.,Ltd.	1,090	951
GETRAG (Jiangxi) Transmission Company	665	1,550
JMCG Hequn Costume Co.,Ltd.	861	1,410
JMCG	53	1,041
Others	2,864	5,383
	341,020	535,049
Advance from related parties	30 June 2017	31 December 2016
Jiangxi JMCG Specialty Vehicles Corporation, Ltd.	176	4,294
Others	774	342
	950	4,636

(i) Related parties commitments

Capital commitments	30 June 2017	31 December 2016
JMCG Jiangxi Engineering Construction Co., Ltd.	49,019	40,334

Chapter XI Catalogue on Documents for Reference

1. Originals of 2017 Half-year financial statements signed by legal representative and Chief Financial Officer.
2. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC in the first half of 2017.
4. The Half-year Report in the China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
August 30, 2017