

JIANGLING MOTORS CORPORATION, LTD.
FINANCIAL STATEMENTS AND
FOR THE SIX MONTHS ENDED 30 JUNE 2020

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

Assets	Note	30 June 2020 Consolidated*	31 December 2019 Consolidated	30 June 2020 Company*	31 December 2019 Company
Current assets					
Cash at bank and on hand	4(1)	7,922,272,404	8,937,936,658	7,165,034,132	8,677,928,946
Transactional financial assets	4(2)	2,725,990,657	-	2,725,990,657	-
Derivative financial assets	4(3)	1,475,752	-	1,475,752	-
Notes receivables	4(4)、 14(1)	42,368,305	85,816,311	4,905	20,792,000
Accounts receivables	4(5)	3,032,745,980	2,208,236,620	1,083,663,550	865,928,297
Receivables financing	4(6)	270,951,837	289,044,373	507,260,468	52,811,157
Advances to suppliers	4(7)	553,294,163	517,122,502	542,256,373	504,562,617
Other receivables	4(8)、 14(2)	94,908,695	115,983,137	3,267,748,739	3,118,317,705
Inventories	4(9)	1,694,426,123	1,946,869,092	1,339,814,288	1,471,931,881
Other current assets	4(10)	807,965,374	973,426,066	634,657,841	821,783,113
Total current assets		17,146,399,290	15,074,434,759	17,267,906,705	15,534,055,716
Non-current assets					
Long-term equity investments	4(11)、 14(3)	37,910,003	40,934,557	377,910,003	380,934,557
Fixed assets	4(12)	5,230,779,446	5,714,489,577	4,039,863,217	4,462,909,152
Construction in progress	4(13)	1,667,129,490	1,498,124,778	1,450,890,333	1,244,963,653
Right-of-use asset	4(14)	28,814,063	36,039,891	27,363,329	33,138,423
Intangible assets	4(15)	1,075,657,753	948,755,845	645,298,032	513,529,416
Development costs	4(15)	69,583,416	125,142,080	46,386,709	100,271,663
Deferred tax assets	4(17)	858,593,505	860,607,106	166,881,320	182,248,610
Total non-current assets		8,968,467,676	9,224,093,834	6,754,592,943	6,917,995,474
Total assets		26,114,866,966	24,298,528,593	24,022,499,648	22,452,051,190

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 JUNE 2020 (continued)

(All amounts in thousands of RMB unless otherwise stated)

Liabilities and owners' equity	Note	30 June 2020 Consolidated*	31 December 2019 Consolidated	30 June 2020 Company*	31 December 2019 Company
Current liabilities					
Short-term borrowings	4(19)	1,300,000,000	-	1,300,000,000	-
Derivative financial liabilities	4(3)	-	545,632	-	545,632
Notes payables	4(20)	71,901,506	31,400,000	-	-
Accounts payables	4(21)	8,735,960,426	8,116,169,589	8,456,366,479	7,908,815,398
Contract liabilities	4(22)	149,157,003	268,170,154	156,055,834	77,585,490
Employee benefits payable	4(23)	503,696,486	385,547,290	447,103,193	312,170,895
Taxes payable	4(24)	44,504,735	198,777,104	36,995,015	119,431,418
Other payables	4(25)	3,983,922,576	4,145,266,838	1,370,448,674	2,227,351,456
Current portion of non-current liabilities	4(26)	10,578,872	13,843,406	9,391,439	11,500,358
Other current liabilities	4(27)	273,213,888	264,558,923	25,389,602	13,333,551
Total current liabilities		15,072,935,492	13,424,278,936	11,801,750,236	10,670,734,198
Non-current liabilities					
Long-term borrowings	4(28)	3,013,368	3,197,814	3,013,368	3,197,814
Lease liabilities	4(29)	19,139,514	22,592,252	19,139,514	22,592,252
Provisions	4(30)	176,066,962	166,687,460	-	-
Deferred income	4(31)	34,693,362	34,389,578	34,693,362	34,389,578
Long-term employee benefits payable	4(32)	61,276,485	63,685,000	60,976,485	63,385,000
Deferred tax liabilities	4(17)	25,022,887	25,339,981	-	-
Other non-current liabilities	4(33)	78,808,313	61,793,791	68,780,832	50,930,075
Total non-current liabilities		398,020,891	377,685,876	186,603,561	174,494,719
Total liabilities		15,470,956,383	13,801,964,812	11,988,353,797	10,845,228,917
Owners' equity					
Share capital	4(34)	863,214,000	863,214,000	863,214,000	863,214,000
Capital surplus	4(35)	839,442,490	839,442,490	839,442,490	839,442,490
Other comprehensive income	4(36)	(11,395,500)	(11,395,500)	(11,616,750)	(11,616,750)
Surplus reserve	4(37)	431,607,000	431,607,000	431,607,000	431,607,000
Undistributed profits	4(38)	8,521,042,593	8,373,695,791	9,911,499,111	9,484,175,533
Total equity attributable to equity owners of the Company		10,643,910,583	10,496,563,781	12,034,145,851	11,606,822,273
Minority interests		-	-	-	-
Total owners' equity		10,643,910,583	10,496,563,781	12,034,145,851	11,606,822,273
Total Liabilities and owners' equity		26,114,866,966	24,298,528,593	24,022,499,648	22,452,051,190

note: * Unaudited financial indexes

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS FOR 2020 FIRST HALF-YEAR

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2020 First Half-year Consolidated*	2019 First Half-year Consolidated*	2020 First Half-year Company*	2019 First Half-year Company*
Revenue	4(39)、14(4)	14,073,417,878	13,721,953,502	13,100,109,933	12,974,537,618
Less: Cost of sales	4(39)、4(45)、14(4)	(11,860,122,365)	(11,678,659,344)	(11,197,514,026)	(11,226,955,738)
Taxes and surcharges	4(40)	(386,579,142)	(368,975,495)	(374,566,719)	(356,492,502)
Selling expenses	4(41)、4(45)	(592,187,320)	(705,875,262)	(106,442,789)	(116,506,548)
General and administrative expenses	4(42)、4(45)	(459,127,446)	(437,154,690)	(358,155,678)	(379,137,935)
Research and development expenses	4(43)、4(45)	(696,582,452)	(837,430,636)	(694,302,769)	(761,825,538)
Financial expenses	4(44)	66,731,813	89,690,604	67,945,339	111,649,983
Including: Interest expenses		(19,061,965)	(106,053)	(16,322,688)	(106,053)
Interest income		94,240,518	92,765,173	91,873,400	112,414,620
Add: Other income	4(48)	165,639,467	72,562,205	145,105,792	12,562,205
Investment income	4(49)、14(5)	28,278,000	13,840,645	28,278,000	13,840,645
Including: Share of profit of associates and joint ventures		(3,024,554)	333,625	(3,024,554)	333,625
Profit arising from changes in fair value	4(50)	10,012,041	(3,556,991)	10,012,041	(3,556,991)
Credit impairment losses	4(47)	(66,242,811)	1,056,124	(61,963,003)	1,397,263
Asset impairment losses	4(46)	(34,107,710)	(8,435,244)	(20,994,208)	(7,931,633)
Gains on disposals of assets	4(51)	(581,955)	(2,212,045)	(1,145,364)	(2,136,061)
Operating profit		248,547,998	(143,196,627)	536,366,549	259,444,768
Add: Non-operating income	4(52)	3,599,193	158,387,295	3,052,524	150,453,025
Less: Non-operating expenses	4(53)	(30,238,252)	(2,631,226)	(30,104,671)	(2,273,380)
Total profit		221,908,939	12,559,442	509,314,402	407,624,413
Less: Income tax expenses	4(54)	(14,137,157)	46,302,374	(21,565,844)	(16,530,546)
Net profit		207,771,782	58,861,816	487,748,558	391,093,867
Classified by continuity of operations					
Net profit from continuing operations		207,771,782	58,861,816	487,748,558	391,093,867
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Minority interests		-	-	-	-
Attributable to equity owners of the Company		207,771,782	58,861,816	487,748,558	391,093,867
Other comprehensive income, net of tax		-	-	-	-
Changes arising from remeasurement of net liability or net asset of defined benefit plan	4(36)				
Total comprehensive income		207,771,782	58,861,816	487,748,558	391,093,867
Attributable to equity owners of the Company	4(36)	207,771,782	58,861,816	487,748,558	391,093,867
Attributable to minority interests		-	-	-	-
Earnings per share					
Basic earnings per share(RMB Yuan)	4(55)	0.24	0.07	—	—
Diluted earnings per share(RMB Yuan)	4(55)	0.24	0.07	—	—

note: * Unaudited financial indexes

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS FOR 2020 FIRST HALF-YEAR

(All amounts in thousands of RMB unless otherwise stated)

Item	Note	2020 First Half-year Consolidated*	2019 First Half-year Consolidated*	2020 First Half-year Company*	2019 First Half-year Company*
Cash flows from operating activities					
Cash received from sales of goods or rendering of services		14,440,474,744	15,268,525,172	12,911,082,079	14,492,403,355
Cash received relating to other operating activities	4(56)	245,920,384	349,521,262	187,369,975	268,605,042
Sub-total of cash inflows		14,686,395,128	15,618,046,434	13,098,452,054	14,761,008,397
Cash paid for goods and services		(10,617,165,843)	(10,518,805,139)	(10,193,382,381)	(10,053,954,409)
Cash paid to and on behalf of employees		(1,084,107,268)	(1,205,849,910)	(962,774,043)	(1,072,966,988)
Payments of taxes and surcharges		(1,021,043,215)	(1,119,736,879)	(838,116,455)	(927,033,121)
Cash paid relating to other operating activities	4(56)	(1,229,795,175)	(1,338,302,942)	(768,797,800)	(805,267,011)
Sub-total of cash outflows		(13,952,111,501)	(14,182,694,870)	(12,763,070,679)	(12,859,221,529)
Net cash flows from operating activities	4(57)	734,283,627	1,435,351,564	335,381,375	1,901,786,868
Cash flows from investing activities					
Cash received from disposal of investments		6,471,000,000	4,700,000,000	9,238,976,131	6,847,500,000
Cash received from returns on investments		32,619,541	18,446,866	32,619,541	18,446,866
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,983,584	2,989,695	7,062,524	2,762,095
Cash received relating to other investing activities	4(56)	96,772,432	103,216,428	164,343,358	159,332,398
Sub-total of cash inflows		6,608,375,557	4,824,652,989	9,443,001,554	7,028,041,359
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(493,537,475)	(801,467,480)	(480,691,940)	(638,723,096)
Cash paid to acquire investments		(9,189,000,000)	(4,700,000,000)	(12,088,976,131)	(7,157,500,000)
Cash paid relating to other investing activities		(1,928,931)	(7,590,323)	(1,928,931)	(7,590,323)
Sub-total of cash outflows		(9,684,466,406)	(5,509,057,803)	(12,571,597,002)	(7,803,813,419)
Net cash flows from investing activities		(3,076,090,849)	(684,404,814)	(3,128,595,448)	(775,772,060)
Cash flows from financing activities					
Cash received from borrowings		1,800,000,000	-	1,800,000,000	-
Sub-total of cash inflows		1,800,000,000	-	1,800,000,000	-
Cash repayments of borrowings		(500,231,444)	(219,935)	(500,231,444)	(219,935)
Cash payments for distribution of dividends, profits or interest expenses		(18,544,156)	(150,021)	(15,845,917)	(150,021)
Cash payments relating to other financing activities	4(56)	(4,800,032)	-	(3,603,380)	-
Sub-total of cash outflows		(523,575,632)	(369,956)	(519,680,741)	(369,956)
Net cash flows from financing activities		1,276,424,368	(369,956)	1,280,319,259	(369,956)
Effect of foreign exchange rate changes on cash and cash equivalents		-	-	-	-
Net increase in cash and cash equivalents	4(57)	(1,065,382,854)	750,576,794	(1,512,894,814)	1,125,644,852
Add: Cash and cash equivalents at beginning of year	4(57)	8,937,936,658	7,616,879,976	8,677,928,946	6,244,682,576
Cash and cash equivalents at end of period	4(57)	7,872,553,804	8,367,456,770	7,165,034,132	7,370,327,428

note: * Unaudited financial indexes

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts in thousands of RMB unless otherwise stated)

Item	Note	Attributable to equity owners of the Company					Minority interests	Total owners' equity
		Sharecapital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits		
Balance at 1 January 2019		863,214,000	839,442,490	(10,178,250)	431,607,000	8,260,412,273	-	10,384,497,513
Movements for the six months ended 30 June 2020*		-	-	-	-	24,333,256	-	24,333,256
Total comprehensive income								
Net profit		-	-	-	-	58,861,816	-	58,861,816
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	58,861,816	-	58,861,816
Profit distribution								
Profit distribution to equity owners	4(38)	-	-	-	-	(34,528,560)	-	(34,528,560)
Balance at 30 June 2020*		863,214,000	839,442,490	(10,178,250)	431,607,000	8,284,745,529	-	10,408,830,769
Balance at 1 January 2020		863,214,000	839,442,490	(11,395,500)	431,607,000	8,373,695,791	-	10,496,563,781
Movements for the six months ended 30 June 2020*		-	-	-	-	147,346,802	-	147,346,802
Total comprehensive income								
Net profit		-	-	-	-	207,771,782	-	207,771,782
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	207,771,782	-	207,771,782
Profit distribution								
Profit distribution to equity owners	4(38)	-	-	-	-	(60,424,980)	-	(60,424,980)
Balance at 30 June 2020*		863,214,000	839,442,490	(11,395,500)	431,607,000	8,521,042,593	-	10,643,910,583

note: * Unaudited financial indexes

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.

COMPANY STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts in thousands of RMB unless otherwise stated)

Item	Note	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 1 January 2019		863,214,000	839,442,490	(10,395,750)	431,607,000	9,040,459,451	11,164,327,191
Movements for the six months ended 30 June		-	-	-	-	356,565,307	356,565,307
Total comprehensive income							
Net profit		-	-	-	-	391,093,867	391,093,867
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	391,093,867	391,093,867
Profit distribution							
Profit distribution to equity owners	4(38)	-	-	-	-	(34,528,560)	(34,528,560)
Balance at 30 June 2020*		863,214,000	839,442,490	(10,395,750)	431,607,000	9,397,024,758	11,520,892,498
Balance at 1 January 2020		863,214,000	839,442,490	(11,616,750)	431,607,000	9,484,175,533	11,606,822,273
Movements for the six months ended 30 June		-	-	-	-	427,323,578	427,323,578
Total comprehensive income							
Net profit		-	-	-	-	487,748,558	487,748,558
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	487,748,558	487,748,558
Profit distribution							
Profit distribution to equity owners	4(38)	-	-	-	-	(60,424,980)	(60,424,980)
Balance at 30 June 2020*		863,214,000	839,442,490	(11,616,750)	431,607,000	9,911,499,111	12,034,145,851

note: * Unaudited financial indexes

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

1 General information

Jiangling Motors Corporation, Ltd. (hereinafter “the Company”) is a Sino-foreign joint stock enterprise established under the approval of Hongban (1992) No. 005 of Nanchang Revolution and Authorisation Group of Company’s Joint Stock on the basis of Jiangxi Motors Manufacturing Factory on 16 June 1992. The registration number of the enterprise business license is No. 913600006124469438. The registered address of the Company and the address of its headquarters are both Nanchang City, Jiangxi Province of the People’s Republic of China (“the PRC”).

On 23 July 1993, with the approval of the China Securities Regulatory Commission (hereinafter “CSRC”) (Zheng Jian Fa Shen Zi [1993] No. 22) and (Zheng Jian Han Zi [1993] No. 86), the Company was listed on the Stock Exchange of Shenzhen on 1 December 1993, issuing 494,000,000 shares in total. On 8 April 1994, a total of 25,214,000 shares were distributed for the 1993 dividend distribution programme with the approval of the shareholders’ meeting and Jiangxi Securities Management Leading Group (Gan Securities [1994] No. 02). In 1995, with the approval of CSRC (Zheng Jian Fa Zi [1995] No. 144) and the Shenzhen Securities Management Office (Shenzhen Office Fu [1995] No. 92), the Company issued 174,000,000 ordinary shares (“B shares”). In 1998, with the approval of CSRC (Zheng Jian Fa Zi [1998] No. 19), the Company issued additional 170,000,000 B shares.

According to the resolution of the shareholders’ meeting regarding the split share structure reform on 11 January 2006, the Company implemented the *Scheme on Split Share Structure Reform* on 13 February 2006. After the implementation, the Company’s total paid-in capital remains the same. Related details are disclosed in Note 4(32).

As at 30 June 2020, the Company’s paid-in capital totalled RMB 863,214,000, with par value of RMB 1 per share.

The business scope of the Company and its subsidiaries (hereinafter “the Group”) includes production and sales of automobile assemblies such as automobiles, special (modified) vehicles, engines and chassis and other automobile parts, and provision of related after-sales services; retail and wholesale of imported E series automobiles of Ford Motor (China) Co., Ltd. (“FORD”) as the dealer; import and export of automobiles and parts; dealership of used cars; provision enterprise management and consulting services related to production and sales of automobiles.

Subsidiaries included in the consolidation scope for the current year are detailed in Note 5.

These financial statements were authorised for issue by the Company’s Board of Directors on 26 August 2020.

2 Summary of significant accounting policies and accounting estimates

The Group determines specific accounting policies and estimates based on the features of its production and operation, which mainly comprise the measurement of expected credit losses (“ECLs”) on receivables (Note 2(8)), valuation of inventories (Note 2(9)), depreciation of fixed assets and amortisation of intangible assets (Note 2(11), (14)), criteria for capitalisation of development expenditures (Note 2(14)), recognition and measurement of revenue (Note 2(19)), etc.

Key judgements applied by the Group on the determination of significant accounting policies are set out in Note 2(25).

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, specific accounting standards and relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereinafter collectively referred to as “the Accounting Standards for Business Enterprises” or “CASs”) and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 - General Rules on Financial Reporting* issued by CSRC.

The financial statements are prepared on a going concern basis.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company For the Six Months Ended 30 June 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company’s financial position of the Company as at 30 June 2020 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The Company’s accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency is Renminbi (“RMB”). The financial statements are presented in RMB.

(5) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Preparation of consolidated financial statements (Cont'd)

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive income for the period not attributable to the Company are recognised as minority interests, net profit attributed to minority interests and total comprehensive income attributed to minority interests, and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and net profit attributed to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Company or its subsidiary level, adjustment will be made from the perspective of the Group.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into recording currency using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into recording currency using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly include cash at bank and on hand, notes receivable, accounts receivable, other receivables, etc.

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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(i) Classification and measurement (Cont'd)

Measured at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to both collect the contractual cash flows and sell such financial assets, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, except for the impairment gains or losses, foreign exchange gains and losses, and interest income calculated using the effective interest method which are recognised in profit or loss for the current period. Such financial assets mainly include receivables financing, etc.

Measured at fair value through profit or loss:

Debt instruments held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss and included in financial assets held for trading. At initial recognition, the Group does not designate a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Financial assets that are due within one year (inclusive) as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control and significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets. The Group had no related equity instruments.

Investments in equity instruments not held for trading can be designated as financial assets at fair value through other comprehensive income, and included in other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period. The Group had no related equity instruments not held for trading.

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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment

Loss provision for financial assets at amortised cost and investments in debt instruments at fair value through other comprehensive income is recognised on the basis of ECLs.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the Group recognises the ECL as the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to collect.

As at each balance sheet date, the ECLs of financial instruments at different stages are measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risk since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risk since initial recognition and recognises the 12-month ECL provision.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instrument in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

For notes receivable, accounts receivable and receivables financing arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group measures the lifetime ECL provision regardless of whether there is a significant financing component.

In case the ECLs of an individually assessed financial asset can be evaluated with reasonable cost, the Group determines the ECLs based on impairment assessment of an individual financial asset. In case the ECLs of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings and related provision method are as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30JUNE 2020

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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(ii) Impairment (Cont'd)

Bank acceptance notes	State-owned banks and joint stock banks
General group of automobiles	Customers of general automobiles
Group of new energy automobiles	Customers of new energy automobiles
Group of other automobiles	Customers of other automobiles
Group of automobile parts	Customers of automobile parts
Group of interest from cash at bank	Accrued interest on cash at bank
Group of operating advances and warranties	Operating advances and warranties etc

For accounts receivable that are classified into the groups and notes receivables and receivables financing arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group calculates the ECLs with reference to historical credit losses experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the lifetime ECL rate. For other notes receivable, receivables financing and other receivables classified into groupings, the Group calculates the ECLs with reference to the historical credit loss experience, current conditions and forecasts of future economic conditions, and based on the exposure at default and the 12-month or lifetime ECL rate.

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments held at fair value through other comprehensive income, the Group adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

**NOTES TO THE FINANCIAL STATEMENTS
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2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Derecognition

A financial asset is derecognised when: (i) the contractual rights to the cash flows from the financial asset expire, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in other equity instruments, the difference aforementioned is recognised in retained earnings instead.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

Financial liabilities of the Group mainly comprise financial liabilities at amortised cost, including notes payable, accounts payable, other payables, borrowings, etc. Such financial liabilities are initially recognised at fair value, net of transaction costs incurred, and subsequently measured using the effective interest method. Financial liabilities that are due within one year (inclusive) are classified as current liabilities; those with maturities over one year but are due within one year (inclusive) as from the balance sheet date are classified as current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Financial instruments (Cont'd)

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(9) Inventories

(a) Classification

Inventories include raw materials, work in progress, finished goods, materials in transit, low value consumables, materials consigned for processing, etc., and are measured at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable value of inventories and method for making provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods of low value consumables

Low value consumables are amortised into expenses in full when issued for use.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries and the Group's long-term equity investments in its associates.

Subsidiaries are the investees over which the Company is able to exercise control. Associates are the investees that the Group has significant influence on their financial and operating decisions.

Investments in subsidiaries are presented using the cost method in the Company's financial statements, and adjusted to the equity method when preparing the consolidated financial statements. Investments in associates are accounted for using the equity method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Cash dividend or profit distribution declared by an investee is recognised as investment income into profit or loss for the current period.

Where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at that cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Long-term equity investments (Cont'd)

(b) Subsequent measurement and recognition of profit or loss (Cont'd)

For long-term equity investments accounted for using the equity method, the Group recognises the investment income or losses according to its share of net profit or loss of the investee. The Group does not recognise further losses when the carrying amounts of the long-term equity investments together with any long-term interests that, in substance, form part of the Group's net investment in investees are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions are satisfied, the Group continues recognising the investment losses and the provisions at the amount it expects to undertake. The Group's share of the changes in investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution is recognised in capital surplus with a corresponding adjustment to the carrying amounts of the long-term equity investment. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by the investees. Unrealised gains or losses on transactions between the Group and its investees are eliminated to the extent of the Group's equity interest in the investees, based on which the investment income or losses are recognised. Any losses resulting from transactions between the Group and its investees, which are attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control and significant influence over investees

Control is the power over investees that can bring variable returns through involvement in related activities of investees and the ability to influence the returns by using such power over investees.

Significant influence is the power to participate in making decisions on financial and operating policies of investees, but is not control or joint control over making those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries and associates is reduced to the recoverable amounts when the recoverable amounts are below their carrying amount (Note 2(15)).

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, moulds, and electronic and other equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. The fixed assets contributed by the state-owned shareholders upon the restructuring of the Company are recorded at the valued amount determined by the state-owned asset administration department.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Fixed assets (Cont'd)

(a) Recognition and initial measurement of fixed assets (Cont'd)

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	35 to 40 years	4%	2.4% to 2.7%
Machinery and equipment	10 to 15 years	4%	6.4% to 9.6%
Motor vehicles	6 to 10 years	4%	9.6% to 16%
Moulds	5 years	-	20%
Electronic and other equipment	5 to 7 years	4%	13.7% to 19.2%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

(c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(15)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation is charged starting from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2(15)).

(13) Borrowing costs

The borrowing costs that are directly attributable to acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of an asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

The capitalised amount of specific borrowings intended to be used for the acquisition or construction of qualifying assets is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investments.

The capitalised amount of general borrowings intended to be used for the acquisition or construction of qualifying assets is determined by the weighted average of the excess of accumulated capital expenditure over capital expenditure of the special borrowings multiplied by the weighted average effective interest rate of the utilised general borrowings. The effective interest rate is the rate at which the future cash flows of the borrowings over the expected lifetime or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

(14) Intangible assets

Intangible assets include land use rights, software use fees, non-patent technologies and after-sales service management mode, and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Intangible assets (Cont'd)

(b) Software use fees

Software use fees are amortised on a straight-line basis over the estimated useful life of 5 years.

(c) Non-patent technologies

Non-patent technologies are amortised on the straight-line basis over the useful life of 5 years.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase related to planned survey, evaluation and selection for research on manufacturing technique of automobile products is recognised in profit or loss in the period in which it is incurred. Prior to mass production, expenditure on the development phase related to the design and testing phase in regards to the final application of manufacturing technique of automobile products is capitalised only if all of the following conditions are satisfied:

- the development of manufacturing technique of automobile products has been fully demonstrated by technical team;
- management intends to complete the development of manufacturing technique of automobile products, and use or sell it;
- the research and analysis of preliminary market survey indicate that products manufactured with manufacturing technique of automobile products are marketable;
- adequate technical and financial supports are available for development of manufacturing techniques of automobile products and subsequent mass production; and,
- expenditure on development of manufacturing techniques of automobile products can be reliably collected.

Other expenditures on the development phase that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development expenditures previously recognised as profit or loss are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development expenditures in the balance sheet and transferred to intangible assets at the date when the asset is ready for its intended use.

(f) Impairment of intangible assets

The carrying amounts of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(15)).

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(15) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets that are not yet available for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying amount of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or a group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset group or group of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(16) Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(a) Short-term employee benefits

Short-term employee benefits include wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences, etc. The short-term employee benefits actually occurred are recognised as a liability in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Employee benefits (Cont'd)

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, premiums or contributions on basic pensions and unemployment insurance paid for employees belong to defined contribution plans; supplementary retirement benefits for employees are defined benefit plans.

(i) Defined contribution plans

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of the Ministry of Human Resources and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(ii) Defined benefit plans

The Group also provides employees with supplementary retirement benefits outside the insurance system prescribed by the State. Such supplementary retirement benefits belong to defined benefit plans. The defined benefit liabilities recognised on the balance sheet represent the present value of defined benefit obligations less the fair value of the plan assets. The defined benefit obligations are calculated annually by an independent actuary using projected unit credit method at the interest rate of treasury bonds with similar obligation term and currency. Service costs related to supplementary retirement benefits (including current service costs, historical service costs and settled gains or losses) and net interest are recognised in profit or loss for the current period or the cost of related assets, and changes arising from remeasurement of net liabilities or net assets of defined benefit plans are recognised in other comprehensive income.

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Employee benefits (Cont'd)

(c) Termination benefits (Cont'd)

Early retirement benefits

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by the management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss in the period in which they occur.

The termination benefits expected to be paid within one year since the balance sheet date are classified as employee benefits payable.

(17) Dividend distribution

Cash dividends are recognised as liabilities in the period in which the dividends are approved at the shareholders' meeting.

(18) Provisions

Provisions for product warranties, onerous contracts, etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Revenue

The Group manufactures and sells a range of automobiles and automobile parts to dealers and ending customers. Besides, the Group also provides automobile maintenance and additional warranty services. The Group recognises revenue when the customer obtains control of the goods and services. The revenue is recognised based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to customers.

(a) Selling automobiles and automobile parts to dealers and ending customers

The Group manufactures automobiles and automobile parts and sells such products to distributors and end customers. Sales of automobiles are recognised when automobiles are delivered out of warehouse as prescribed in the contract, being when the customers have accepted the products and the delivery documents have been signed by both parties. Sales of automobile parts are recognised when they are delivered to the designated location as prescribed in the contract, being when customers have accepted the products and the delivery documents have been signed by both parties.

When the contracts include two performance obligations, selling automobiles and providing shipping services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices on the commence date of the contract. Where these are not directly observable, they are estimated considering market information, expected cost plus margin ect.

The credit periods granted by the Group to dealers and ending customers are generally within one year and no more than two years, which is consistent with the industry practice, and there is no significant financing component. The Group provides product warranties for automobiles and automobile parts as required by laws and regulations, and recognises the corresponding provisions (Note 2(18)).

The Group provides dealers and end customers with sales discounts based on sales volume, and related revenue is recognised at contract consideration net of the discount amount estimated based on historical experience and using the expected value method.

(b) Rendering of services

The Group provides customers with automobile maintenance and additional quality warranty services. Revenue is recognised based on the progress of service provision within a certain period. The progress of obligation fulfilment is determined on the basis of inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

When the Group recognises revenue based on the stage of completion, the amount with unconditional collection right obtained by the Group is recognised as accounts receivable, and the rest is recognised as contract assets. Meanwhile, loss provision for accounts receivable and contract assets are recognised on the basis of ECLs (Note 2(8)). If the contract consideration received or receivable exceeds the amount for the completed service, the excess portion will be recognised as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30JUNE 2020**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(20) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including support funds for enterprise development, financial subsidies, 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 are recorded as deferred income and recognised in profit or loss on a reasonable and systemic basis over the useful lives of the assets. Government grants related to income that compensate future costs, expenses or losses are recorded as deferred income and recognised in profit or loss; government grants related to income that compensate incurred costs, expenses or losses are recognised in profit or loss directly for the current period.

The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants related to ordinary activities are included in operating profit. Otherwise, they are recorded in non-operating income.

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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible losses). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of reversal of such temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. When it is probable that the deductible temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the deductible temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(22) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as the lessee

At the commencement date, the Group shall recognise the right-of-use asset and measure the lease liabilities at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lessee exercises an option to terminate the lease. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss as incurred. Lease liabilities that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current liabilities.

The Group's right-of-use assets are leased buildings. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amounts of the right-of-use assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(15)).

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, instead of recognising right-of-use assets and lease liabilities, the Group recognised the lease payments in the cost of the underlying assets or in profit or loss for the current period on a straight-line basis over the lease term.

The Group as the lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

As the lessor, the Group does not hold any finance lease. Where the Group leases out self-owned buildings under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(23) Held for sale

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has entered a legally enforceable sales agreement with other parties and obtained relevant approval, and the sales transaction is expected to be completed within one year.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount, and the excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment loss.

Such non-current assets and assets and liabilities included in disposal groups classified as held for sale are classified as current assets and current liabilities respectively, and are separately presented in the balance sheet.

(24) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the accounting policies

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial assets management on the group basis, and factors to be considered include the methods for evaluating the financial assets performance and reporting such performance to key management personnel, the risks relating to the financial assets performance and corresponding management methods, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in time schedule or amount of the principal during the lifetime due to reasons such as repayment in advance; whether interest only includes time value of money, credit risk, other basic lending risks and considerations for costs and profits. For example, whether the repayment in advance reflects only the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(ii) Judgement on significant increase in credit risk

Judgement made by the Group for significant increase in credit risk is mainly based on whether the overdue days exceed 30 days, or whether one or more of the following indicators change significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor, etc.

Judgement made by the Group for the occurrence of credit impairment is mainly based on whether the overdue days exceed 90 days (i.e., a default has occurred), or whether one or more of the following conditions is/are satisfied: the debtor is suffering significant financial difficulties, the debtor is undergoing other debt restructuring, or the debtor probably goes bankrupt, etc.

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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Critical accounting estimates and judgements (Cont'd)

(a) Critical judgements in applying the accounting policies (Cont'd)

(iii) Judgement on capitalisation of development expenditures

Development expenditures are capitalised when the criteria in Note 2(14)(e) are fulfilled. The assessments on whether the criteria for capitalisation of development expenditures have been met involve judgements of the Group, including the technical feasibility of the project, the likelihood of the project generating sufficient future economic benefits and the timing to start capitalisation particularly. The Group makes the judgements on the capitalisation of development expenditures and records the process in meeting minutes based on feasibility analysis, regular review on the development project phase, etc.

(iv) Timing of revenue recognition

The Group sells automobiles and automobile parts to distributors and ending customers. As prescribed in the contract, control of automobiles is transferred to the customers when the good are out of the warehouse, while control of automobile parts is transferred when the parts are out of the warehouse or shipped to the designate destination based on the contract terms. The distributors and ending customers sign the delivery documents after they accept the products. Thereafter, the distributors or ending customers control the products and have the right to set the price, bear the risks of any obsolescence and loss of the products. The distributors and ending customers have obtained the control of the products after accepting the products. Therefore, the Group recognises the sales revenue of the products at the time when the delivery documents have been signed.

(v) Sales with product warranties

The Group provides statutory warranty for automobiles and automobile parts, and the periods and terms of such warranty comply with the requirements of laws and regulations related to the products. The Group does not provide any significant additional service or additional warranty for this purpose, thus this kind of warranty cannot be identified as a separate performance obligation. In addition, the Group also offers additional warranty other than the requirements of laws and regulations, which is identified as a separate performance obligation. The Group recognises the revenue of the additional warranty over time during the period when services are rendered.

(b) Critical accounting estimates and key assumptions

(i) Measurement of ECL

The Group calculates ECLs through default risk exposure and ECL rate, and determines the ECL rate based on default probability and default loss rate. In determining the ECL rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Group include the risk of economic downturn, the expected increase in unemployment rate, the external market environment, the technological environment and changes in customer conditions. The Group regularly monitors and reviews assumptions related to the calculation of ECLs. In 2020, there was no significant change in the above estimation techniques and key assumptions.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(ii) Provision for impairment of long-term assets

The Group assesses whether there is any indication that non-current assets other than financial assets may be impaired at the balance sheet date. When there are indications showing the carrying amounts of such assets cannot be recovered, an impairment test will be performed.

When the carrying amount of non-current assets or asset groups other than financial assets is higher than the recoverable amount, which is the higher of an asset's fair value less cost to sell and the present value of the future cash flows expected to be derived from the asset, such non-current assets or asset groups are impaired.

The net value of an asset's fair value less disposal costs is determined on the basis of the present value of the future cash flows expected to be derived from the asset or asset group. The present value of estimated future cash flows is determined based on the medium or long-term business development budget plan approved by management and adjusted with reference to market conditions.

The estimation of the present value of future cash flows involves significant judgements on revenue growth rate, sales price growth rate, long-term growth rate of the asset or asset group and the discount rate used in calculating the present value. The Group estimates the recoverable amount based on all available materials, including the forecast of production and sales volume and market information based on reasonable and supportable assumptions.

(iii) Taxation

The Group is subject to various taxes in the PRC, including enterprise income tax, value-added tax ("VAT") and consumption tax. Judgements are required for recognising the provision for such taxes. There are many transactions and events 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. When the final tax outcome of these events is different from amounts that are initially recorded, such differences will impact the tax provisions in the period of final tax outcome.

Deferred tax assets are recognised as management considers it is probable that taxable income will be available against which the temporary differences can be utilised. When the final tax outcome of such events is different from the initial expectation, such differences will have impacts on income tax and deferred tax during the final determination period.

As at 30June 2020, the Group's deferred tax assets calculated by management based on the expected income rate were RMB 858,593,505. Such deferred tax assets mainly arose from temporary differences such as provision for asset impairment, retirement benefits, provisions, etc., and losses. Deductible temporary differences and deductible losses that were not recognised as deferred tax assets amounted to RMB 1,420,399,732 (Note 4(17)).

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

2 Summary of significant accounting policies and accounting estimates (Cont'd)

(25) Critical accounting estimates and judgements (Cont'd)

(b) Critical accounting estimates and key assumptions (Cont'd)

(iv) Provisions

The Group undertakes after-sales repair or replacement obligations for sold automobiles based on the after-sales service agreement. Management estimates related provisions based on historical after-sales service data, including the repair and replacement provided as well as current trends.

Factors that may impact the estimation of warranty costs include improvement of the Group's productivity and production quality, as well as changes in related parts and labour costs. Any increase or decrease in provisions will have impact on profit or loss of the Group in future years.

(v) Provision for decline in the value of inventories

The Group's inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories refers to the amount of the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sales and related taxes.

If management adjusts the estimated selling prices of inventories, the estimated costs to completion, estimated selling and distribution expenses and related taxes, and the adjusted estimated selling prices are lower than those currently in use, or the estimated costs to completion, estimated selling and distribution expenses and related taxes are higher than those currently in use, the Group shall increase the provision for decline in the value of inventories.

If the actual selling prices, costs to completion, selling and distribution expenses and related taxes are higher or lower than management's estimates, the Group shall recognise the relevant differences in the consolidated income statement during the corresponding accounting period.

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

3 Taxation

- (1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxation basis	Tax rate
Enterprise income tax (a)	Taxable income	15% and 25%
VAT (b)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible input VAT of the current period)	13%, 9% and 6%
Consumption tax	Taxable sales amount	3%, 5% and 9%
City maintenance and construction tax (c)	The payment amount of VAT and consumption tax	5% and 7%

- (a) Pursuant to the *Circular on Enterprise Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54) and relevant regulations issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB 5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

Pursuant to the *Circular on Increasing the Pre-tax Deduction for Research and Development Expenses* (Cai Shui [2018] No. 99) issued by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology and relevant regulations, during the period from 1 January 2018 to 31 December 2020, the Groups' actual research and development expenses that are not recognised as intangible assets but included in profit or loss are allowed to 75% pre-tax additional deduction; those expenses recognised as intangible assets can be amortised before tax at 175% of the costs of intangible assets.

- (b) Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* (Announcement [2019] No. 39) and relevant regulations jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, the Group's taxable products sales revenue is subject to the VAT at the rate of 13% from 1 April 2019; the applicable VAT rate for the Group's transportation business is 9% from 1 April 2019.

The interest income from its wholly-owned subsidiaries is subject to VAT at the rate of 6%.

- (c) Pursuant to the *Circular of the State Council on Unifying the Collection of City Construction and Maintenance Tax and Educational Surcharge on Domestic and Foreign-Owned Enterprises and Individuals* (Guo Fa [2010] No. 35) issued by the State Council, the Group is subject to city construction and maintenance tax at the rates of 5% and 7%.

- (2) Tax preference

Pursuant to the *Circular of Jiangxi High-Tech Enterprise Certification Leading Group on the Announcement of the First Batch of High-Tech Enterprises of Jiangxi Province for the year 2018* (Gan Gao Qi Ren Fa [2018] No. 3), the Company is certified as a high-tech enterprise, and the valid term is three years. During the period from 1 January 2018 to 31 December 2020, the Company is subject to enterprise income tax at the rate of 15%.

In 2020, the Company's wholly-owned companies, including JMC Heavy Duty Vehicle Co., Ltd. ("JMCH"), Jiangling Motor Sales Co., Ltd. ("JMCS"), Shenzhen Fujiang New Energy Automobile Sales Co., Ltd. ("SZFJ"), Guangzhou Fujiang New Energy Automobile Sales Co., Ltd. ("GZFJ"), were subject to the enterprise income tax at the rate of 25%.

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30JUNE 2020**

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30June 2020	31 December 2019
Cash at bank (a)	7,872,553,804	8,937,936,658
Other cash(b)	49,718,600	-
	<u>7,922,272,404</u>	<u>8,937,936,658</u>

(a) As at 30 June 2020, cash at bank of the Group deposited with Jiangling Motor Group Finance Company (“JMCF”) was RMB 618,877,485 (31 December 2019: RMB 967,750,294) (Note 7(6)), and interest was calculated at 1.725% (2019: 0.455% to 3.30%) per annum, which was the interest rate applied to deposits with the same term. JMCF, a holding subsidiary of Jiangling Motors Group Co., Ltd (“JMCG”), is a non-banking financial institution. JMCG holds 50% equity capital of Nanchang Jiangling Investment Co., Ltd. (“JIC”), a main shareholder of the Company.

(b) As at 30 June 2020, the restricted cash amount of RMB 49,718,600 (31 December 2019: Nil) was restricted for the issuance of acceptance bill.

(2) Transactional financial assets

	30June 2020	31 December 2019
Structural deposits	<u>2,725,990,657</u>	<u>-</u>

(3) Derivative financial assets and derivative financial liabilities

	30June 2020	31 December 2019
Derivative financial assets - Forward exchange contracts	<u>1,475,752</u>	<u>-</u>
Derivative financial liabilities - Forward exchange contracts	<u>-</u>	<u>545,632</u>

As at 30June 2020 and 31 December 2019, derivative financial assets and derivative financial liabilities mainly represented forward exchange contracts

(4) Notes receivable

	30June 2020	31 December 2019
Bank acceptance notes i)	<u>42,368,305</u>	<u>85,816,311</u>

(a) As at 30June 2020, the Group had no pledged notes receivable.

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(4) Notes receivable (Cont'd)

(b) As at 30June 2020, the Group had no notes receivable that have been endorsed or discounted but not yet matured presented in notes receivable.

i) In the six months ended 30June 2020, certain bank acceptance notes receivable of the Group were held to maturity for the purpose of daily treasury management, and were classified as financial assets measured at amortised cost. Meanwhile, certain bank acceptance notes of the Group were endorsed for the purpose of daily treasury management, and were therefore classified as financial assets at fair value through other comprehensive income and recognised as receivables financing (Note 4(6)).

(c) Provision for bad debts

For notes receivable arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group measures the loss provision based on the lifetime ECL regardless of whether there is a significant financing component.

As 30June 2020 and 31 December 2019, the acceptors of the Groups' notes receivable were mainly four major state-owned banks or national joint stock banks. Therefore, the Group expected there was no significant loss on related notes receivable arising from non-performance by these banks.

(5) Accounts receivable

	30June 2020	31 December 2019
Accounts receivable	3,253,139,024	2,362,312,151
Less: Provision for bad debts	<u>(220,393,044)</u>	<u>(154,075,531)</u>
	<u>3,032,745,980</u>	<u>2,208,236,620</u>

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30JUNE 2020**

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(5) Accounts receivable (Cont'd)

(a) The aging of accounts receivable is analysed as follows:

	30June 2020	31 December 2019
Within 1 year	2,718,317,770	1,761,105,893
1 to 2 years	516,202,759	584,836,934
2 to 3 years	9,907,003	7,736,444
Over 3 years	8,711,492	8,632,880
	<u>3,253,139,024</u>	<u>2,362,312,151</u>

(b) As at 30June 2020, the five largest accounts receivable were analysed by debtor as follows:

	Balance	Amount of provision for bad debts	% of total balance
Company 1	485,135,536	(1,090,986)	14.91%
Company 2	195,467,552	(254,926)	6.01%
Company 3	166,407,359	(314,427)	5.12%
Company 4	100,168,520	(6,290,583)	3.08%
Company 5	90,571,702	(123,722)	2.78%
	<u>1,037,750,669</u>	<u>(8,074,644)</u>	<u>31.90%</u>

(c) Provision for bad debts

For accounts receivable, the Group measures the loss provision based on the lifetime ECL regardless of whether there is a significant financing component.

(i) Accounts receivable for which provision for bad debts is made on the individual basis are analysed as follows:

	30June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Receivables for automobiles i)	89,652,880	100%	(89,652,880)
New energy subsidies receivable ii)	103,180,418	100%	(103,180,418)
	<u>192,833,298</u>		<u>(192,833,298)</u>

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(5) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) Accounts receivable for which provision for bad debts is made on the individual basis are analysed as follows (Cont'd):

i) As at 30June 2020, since aforesaid companies in debts had difficulties in operation and were involved in several legal proceedings, the Group considered that it was difficult to recover such receivables, so related provision for bad debts was made in full amount.

ii) As at 30June 2020, government subsidies receivable for new energy automobiles amounted to RMB 103,180,418. Since the estimated mileage of such new energy automobiles may not meet the target within two years, the Group considered it was difficult to recover such subsidies, so related provision for bad debts was made in full amount.

	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Receivables for automobiles i)	89,652,880	100%	(89,652,880)
New energy subsidies receivable ii)	20,410,500	100%	(20,410,500)
	<u>110,063,380</u>		<u>(110,063,380)</u>

i) As at 31 December 2019, since these companies in debts were involved in several legal proceedings, the Group considered that it was difficult to recover such receivables, so related provision for bad debts was made in full amount.

ii) As at 31 December 2019, government subsidies receivable for new energy automobiles amounted to RMB 20,410,500. Since the estimated mileage of such new energy automobiles may not meet the target within two years, the Group considered it was difficult to recover such subsidies, so related provision for bad debts was made in full amount.

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows:

Grouping - Sales of general automobiles:

	30June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	2,299,299,704	0.13%	(3,010,933)
Overdue for 1 to 30 days	17,580,652	0.13%	(23,022)
Overdue for 31 to 60 days	11,000,750	4.02%	(441,768)
Overdue for 61 to 90 days	1,530,698	5.49%	(83,964)
Overdue over 90 days	7,143,797	9.01%	(643,403)
	<u>2,336,555,601</u>		<u>(4,203,090)</u>

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30JUNE 2020**

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(5) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows (Cont'd):

Grouping - Sales of general automobiles (Cont'd):

	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	1,152,290,771	0.05%	(557,709)
Overdue for 1 to 30 days	15,981,120	0.05%	(7,735)
Overdue for 31 to 60 days	2,840,000	1.20%	(34,020)
Overdue for 61 to 90 days	322,500	1.97%	(6,361)
Overdue over 90 days	31,805,044	4.63%	(1,473,940)
	<u>1,203,239,435</u>		<u>(2,079,765)</u>

Grouping - Sales of new energy automobiles:

	30June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	<u>345,079,551</u>	6.05%	<u>(20,868,674)</u>

	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	<u>476,963,589</u>	5.53%	<u>(26,383,009)</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(5) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows (Cont'd):

Grouping - Sales of other automobiles:

	30June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	9,968,000	0.21%	(20,830)
Overdue for 1 to 30 days	-	-	-
Overdue for 31 to 60 days	-	-	-
Overdue for 61 to 90 days	218,000	5.71%	(12,458)
Overdue over 90 days	9,217,087	6.74%	(621,171)
	<u>19,403,087</u>		<u>(654,459)</u>
	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	40,409,688	5.88%	(2,377,114)
Overdue for 1 to 30 days	17,872,947	6.49%	(1,160,830)
Overdue for 31 to 60 days	5,835,616	26.08%	(1,521,779)
Overdue for 61 to 90 days	1,202,062	28.14%	(338,307)
Overdue over 90 days	28,182,682	30.07%	(8,474,046)
	<u>93,502,995</u>		<u>(13,872,076)</u>

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4 Notes to the consolidated financial statements (Cont'd)

(5) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows (Cont'd):

Grouping - automobile parts:

	30June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	242,226,442	0.30%	(746,318)
Overdue for 1 to 30 days	79,865,426	0.30%	(241,457)
Overdue for 31 to 60 days	18,899,555	0.50%	(94,498)
Overdue for 61 to 90 days	3,694,374	0.60%	(22,166)
Overdue over 90 days	14,581,690	5.00%	(729,084)
	<u>359,267,487</u>		<u>(1,833,523)</u>

	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	437,010,972	0.30%	(1,296,939)
Overdue for 1 to 30 days	29,418,407	0.30%	(88,255)
Overdue for 31 to 60 days	4,207,971	0.50%	(21,040)
Overdue for 61 to 90 days	2,822,814	0.60%	(16,937)
Overdue over 90 days	5,082,588	5.00%	(254,130)
	<u>478,542,752</u>		<u>(1,677,301)</u>

(iii) For the six months ended 30June 2020, the provision for bad debts for the year amounted to RMB 82,769,918 and the provision for bad debts reversed amounted to RMB16,452,405.

(d) For the six months ended 30June 2020, none of accounts receivable has been written off during the year.

(e) As at 30June 2020 and 31 December 2019, there were no accounts receivable pledged.

JIANGLING MOTORS CORPORATION, LTD.

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4 Notes to the consolidated financial statements (Cont'd)

(6) Receivables financing

	30June 2020	31 December 2019
Receivables financing	<u>270,951,837</u>	<u>289,044,373</u>

The Group endorses some of the bank acceptance notes as required by daily fund management, which also met the criteria for derecognition, and therefore classifies these bank acceptance notes as financial assets at fair value through other comprehensive income.

The Group had no bank acceptance notes for which the provision for impairment loss was made on individual basis, and measured provision for bad debts based on the lifetime ECL. As 30June 2020 and 31 December 2019, the acceptors of the Groups' notes receivable mainly comprised four major state-owned banks or national joint stock banks. Therefore, the Group expected there was no significant loss on related notes receivable from non-performance by these banks.

As 30June 2020, receivables financing with a carrying amount of RMB 22,182,906(31 December 2019: RMB 34,196,500) were pledged as collateral for the notes payable.(Note 4(20)).

As at 30June 2020, the Group's notes receivable, presented in receivables financing, that have been endorsed or discounted but not yet matured were as follows:

	Derecognised	Not derecognised
Bank acceptance notes	<u>222,142,685</u>	<u>-</u>

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4 Notes to the consolidated financial statements (Cont'd)

(7) Advances to suppliers

(a) The aging of advances to suppliers is analysed as follows:

	30June 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<u>553,294,163</u>	<u>100%</u>	<u>517,122,502</u>	<u>100%</u>

(b) As at 30June 2020, the five largest advances to suppliers are analysed by debtors as follows:

	Amount	% of total advances to suppliers
Company 1	503,623,198	91.02%
Company 2	30,109,553	5.44%
Company 3	11,313,363	2.04%
Company 4	4,001,653	0.72%
Company 5	1,839,838	0.33%
	<u>550,887,605</u>	<u>99.55%</u>

(8) Other receivables

	30June 2020	31 December 2019
Import working capital advances	35,000,000	35,000,000
Interest receivable from cash at bank	31,645,317	32,092,621
Advances for gas fee	9,778,950	13,208,651
Deposits receivable	5,497,100	7,280,273
Advances for research and development projects	4,580,134	6,141,895
Reserves receivable	832,236	1,530,488
Others	7,847,072	21,076,025
	<u>95,180,809</u>	<u>116,329,953</u>
Less: Provision for bad debts	<u>(272,114)</u>	<u>(346,816)</u>
	<u>94,908,695</u>	<u>115,983,137</u>

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4 Notes to the consolidated financial statements (Cont'd)

(8) Other receivables (Cont'd)

(a) The aging of other receivables is analysed as follows:

	30June 2020	31 December 2019
Within 1 year	91,579,450	113,830,378
1 to 2 years	2,381,912	786,581
2 to 3 years	343,570	429,695
Over 3 years	875,877	1,283,299
	<u>95,180,809</u>	<u>116,329,953</u>

(b) Provision for losses and changes in book balance statement:

	Stage 1		Stage 3		Total
	12-month ECL (grouping)		Lifetime ECL (credit-impaired)		
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Provision for bad debts
31 December 2019	114,128,008	(246,106)	2,201,945	(100,710)	(346,816)
Increase in the current period	—	-	—	-	-
Reversal in the current period	—	59,399	—	15,303	74,702
Write-off in the current period	—	-	—	-	-
Including: Charge-off in the current period	—	-	—	-	-
Derecognition	—	-	—	-	-
30June 2020	<u>93,880,964</u>	<u>(186,707)</u>	<u>1,299,845</u>	<u>(85,407)</u>	<u>(272,114)</u>

The Group had no other receivables transferred from Stage 1 to Stage 3, and no other receivables reversed from Stage 3 to Stage 1.

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4 Notes to the consolidated financial statements (Cont'd)

(8) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statement (Cont'd):

As at 30June 2020 and 31 December 2019, the Group did not have any other receivables at Stage 2. Other receivables at Stage 1 and Stage 3 were analysed below:

(i) As at 30June 2020 and 31 December 2019, the Group had no other receivables with provision for bad debts on individual basis.

(ii) As at 30June 2020 and 31 December 2019, the Group's other receivables with provision for bad debts on grouping basis were analysed below:

Other receivables with provision on the grouping basis at Stage 1:

	30June 2020			31 December 2019		
	Book balance	Provision for losses		Book balance	Provision for losses	
	Amount	Provision ratio	Amount	Amount	Provision ratio	Amount
Grouping of interest from cash at bank i):						
Within 1 year	31,645,317	-	-	32,092,621	-	-
Grouping of operating advances and guarantees:						
Within 1 year	59,934,133	0.30%	(179,802)	81,737,757	0.30%	(245,213)
Over 1 year	<u>2,301,514</u>	0.30%	<u>(6,905)</u>	<u>297,630</u>	0.30%	<u>(893)</u>
	<u>93,880,964</u>		<u>(186,707)</u>	<u>114,128,008</u>		<u>(246,106)</u>

i) As at 30June 2020 and 31 December 2019, the Group's interest receivable from cash at bank mainly came from four major state-owned banks or national joint stock banks. Therefore, the Group expected there was no significant loss on related interest receivable from non-performance by these banks.

Other receivables with provision on the grouping basis at Stage 3:

	30June 2020			31 December 2019		
	Book balance	Provision for losses		Book balance	Provision for losses	
	Amount	Provision ratio	Amount	Amount	Provision ratio	Amount
Grouping of operating advances and guarantees:						
Over 1 year	<u>1,299,845</u>	6.57%	<u>(85,407)</u>	<u>2,201,945</u>	4.57%	<u>(100,710)</u>

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4 Notes to the consolidated financial statements (Cont'd)

(8) Other receivables (Cont'd)

(c) The provision for bad debts in the current period amounted to RMB 74,702. The reversal in the current period is due to the actual receipt of other receivables relating to the provision for bad debts made in the prior period.

(d) No other receivables have been written off in the current period.

(e) As at 30June 2020, other receivables from top five debtors in respect of outstanding balance are analysed as follows:

	Nature	Balance	Aging	% of total other receivables	Provision for bad debts
Company 1	Advances classified as expenses	35,029,720	Within 1 year	36.80%	(106,189)
Company 2	Advances classified as expenses	6,291,984	Within 1 year	6.61%	(18,876)
Company 3	Advances classified as expenses	4,480,000	Within 1 year	4.71%	(13,440)
Company 4	Advances classified as expenses	3,486,966	Within 1 year	3.66%	(10,461)
Company 5	Advances classified as expenses	1,520,227	Within 2 year	1.60%	(6,081)
		<u>50,808,897</u>		<u>53.38%</u>	<u>(155,047)</u>

(9) Inventories

(a) Inventories are summarised by categories as follows:

	30June 2020			31 December 2019		
	Book balance	Provision for decline in the value of inventories	Carrying amount	Book balance	Provision for decline in the value of inventories	Carrying amount
Raw materials	1,027,476,599	(68,360,967)	959,115,632	928,829,697	(73,152,658)	855,677,039
Work in progress	188,468,341	(581,113)	187,887,228	158,440,370	(357,692)	158,082,678
Finished goods	309,661,919	(7,522,633)	302,139,286	624,485,048	-	624,485,048
Materials in transit	76,702,488	-	76,702,488	92,258,083	-	92,258,083
Low value consumables	150,758,686	(10,522,966)	140,235,720	168,917,445	(9,812,965)	159,104,480
Materials processed on commission	28,345,769	-	28,345,769	57,261,764	-	57,261,764
	<u>1,781,413,802</u>	<u>(86,987,679)</u>	<u>1,694,426,123</u>	<u>2,030,192,407</u>	<u>(83,323,315)</u>	<u>1,946,869,092</u>

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4 Notes to the consolidated financial statements (Cont'd)

(9) Inventories (Cont'd)

(b) Provision for decline in the value of inventories is analysed as follows:

	31 December 2019	Increase in the current period Provision	Decrease in the current period Reversal	Write-off	30 June 2020
Raw materials	(73,152,658)	(10,359,424)	2,658,465	12,492,650	(68,360,967)
Work in progress	(357,692)	(365,220)	15,797	126,002	(581,113)
Finished goods	-	(12,588,225)	-	5,065,592	(7,522,633)
Low value consumables	(9,812,965)	(3,287,005)	69,016	2,507,988	(10,522,966)
	<u>(83,323,315)</u>	<u>(26,599,874)</u>	<u>2,743,278</u>	<u>20,192,232</u>	<u>(86,987,679)</u>

(c) Provision for decline in the value of inventories is as follows:

	Specific basis for determining net realisable value	Reason for current period reversal or write-off of provision for decline in the value of inventories
Raw materials/ work in progress/ Finished goods/ low value consumables	Based on the estimated selling price, less the estimated costs to completion, estimated selling and distribution expenses and related taxes	Increase in the net realisable value of the inventories of which a provision for decline in the value had been made in prior years or sales realised

(10) Other current assets

	30 June 2020	31 December 2019
Taxes to be deducted and prepaid	807,965,374	961,430,941
Input VAT to be verified	-	11,995,125
	<u>807,965,374</u>	<u>973,426,066</u>

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4 Notes to the consolidated financial statements (Cont'd)

(11) Long-term equity investments		30 June 2020	31 December 2019
Associate			
- Hanon Systems (Nanchang) Co., Ltd. (Hanon Systems)		37,910,003	40,934,557
Less: Provision for impairment of long-term equity investments		-	-
		<u>37,910,003</u>	<u>40,934,557</u>

Associate

	31 December 2019	Movements for the current period			30 June 2020	Shareholding (%)	Voting rights (%)	Ending balance of provision for impairment
		Increase or decrease in investment	Share of net profit/(loss) under equity method	Cash dividends declared by joint ventures				
Hanon Systems	<u>40,934,557</u>	-	<u>(3,024,554)</u>	-	<u>37,910,003</u>	<u>19.15%</u>	<u>33.33%</u>	<u>-</u>

Related information of equity in associates is set forth in Note 5(2).

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4 Notes to the consolidated financial statements (Cont'd)

(12) Fixed assets

	30 June 2020	31 December 2019
Fixed assets (a)	5,226,203,286	5,714,483,873
Fixed assets pending for disposal (b)	4,576,160	5,704
	5,230,779,446	5,714,489,577

(a) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Moulds	Electronic and other equipment	Total
Cost						
31 December 2019	2,294,038,213	3,820,737,800	350,288,109	3,030,590,946	3,671,943,742	13,167,598,810
Increase in the current period						
Transfers from construction in progress	9,358,762	3,299,553	2,711,935	34,956,767	29,698,122	80,025,139
Decrease in the current period						
Disposal or retirement	(25,492,641)	(37,882,770)	(5,689,816)	(31,675,863)	(65,877,225)	(166,618,315)
Other decrease	-	-	-	-	(47,379)	(47,379)
30 June 2020	2,277,904,334	3,786,154,583	347,310,228	3,033,871,850	3,635,717,260	13,080,958,255
Accumulated depreciation						
31 December 2019	(519,318,152)	(2,278,813,606)	(204,218,309)	(2,085,299,039)	(2,324,170,685)	(7,411,819,791)
Increase in the current period						
Provision	(28,738,819)	(118,790,978)	(17,472,582)	(171,636,650)	(180,999,521)	(517,638,550)
Decrease in the current period						
Disposal or retirement	2,960,554	29,019,712	5,091,505	25,200,086	49,664,559	111,936,416
Other decrease	-	-	-	-	132,670	132,670
30 June 2020	(545,096,417)	(2,368,584,872)	(216,599,386)	(2,231,735,603)	(2,455,372,977)	(7,817,389,255)
Provision for impairment loss						
31 December 2019	-	(25,422,141)	(120,218)	(12,544,916)	(3,207,871)	(41,295,146)
Increase in the current period						
Provision	-	(2,518,345)	(4,254)	(6,368,056)	(1,360,459)	(10,251,114)
Decrease in the current period						
Disposal or retirement	-	6,817,782	81,795	5,820,387	1,460,582	14,180,546
30 June 2020	-	(21,122,704)	(42,677)	(13,092,585)	(3,107,748)	(37,365,714)
Carrying amount						
30 June 2020	1,732,807,917	1,396,447,007	130,668,165	789,043,662	1,177,236,535	5,226,203,286
31 December 2019	1,774,720,061	1,516,502,053	145,949,582	932,746,991	1,344,565,186	5,714,483,873

For the six months ended 30 June 2020, depreciation charged to fixed assets amounted to RMB 517,638,550 (the six months ended 30 June 2019: RMB 475,243,004), of which the amounts charged to cost of sales, selling expenses, general and administrative expenses, and research and development expenses were RMB 398,894,781 (the six months ended 30 June 2019: RMB 407,307,847), RMB 1,516,970 (the six months ended 30 June 2019: RMB 1,639,280), RMB 81,887,718 (the six months ended 30 June 2019: RMB 37,469,266) and RMB 35,339,081 (the six months ended 30 June 2019: RMB 28,826,611) respectively.

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4 Notes to the consolidated financial statements (Cont'd)

(12) Fixed assets (Cont'd)

(a) Fixed assets (Cont'd)

The cost of fixed assets transferred from construction in progress amounted to RMB 80,025,139 (the six months ended 30 June 2019: RMB 251,536,427).

(i) Temporarily idle fixed assets

As at 30 June 2020, the fixed assets with a carrying amount of RMB 13,364,123 (a cost of RMB 170,300,819) (31 December 2019: a carrying amount of RMB 6,376,873 and a cost of RMB 155,507,908) were temporarily idle due to product process adjustment and other reasons. The analysis is as follows:

	Cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings	10,477,140	(4,429,208)	-	6,047,932
Machinery and equipment	130,920,989	(105,330,006)	(21,122,704)	4,468,279
Motor vehicles	3,481,663	(1,839,356)	(42,677)	1,599,630
Moulds	4,016,618	(3,359,520)	(547,669)	109,429
Electronic and other equipment	21,404,409	(17,157,808)	(3,107,748)	1,138,853
	<u>170,300,819</u>	<u>(132,115,898)</u>	<u>(24,820,798)</u>	<u>13,364,123</u>

(ii) Fixed assets with pending certificates of ownership:

	Carrying amount	Reasons for not obtaining certificates of ownership
Buildings	<u>953,427,141</u>	Pending procedures

(iii) Assessment on impairment of asset groups

The Company's subsidiary, JMCH, has shown signs of impairment of long-term assets due to accumulated losses. Management tested the entire assets of JMCH as an asset group for impairment. The method and key assumptions of impairment test of JMCH asset group are set out in Note 4(16). After testing, no impairment provision was made for fixed assets and construction in progress in JMCH asset group in the current period.

(b) Fixed assets pending for disposal

	30 June 2020	31 December 2019
Electronic and other equipment	3,997,633	3,208
Motor vehicles	4,168	2,496
Moulds	382,500	-
Machinery and equipment	191,859	-
	<u>4,576,160</u>	<u>5,704</u>

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4 Notes to the consolidated financial statements (Cont'd)

(13) Construction in progress

	30 June 2020			31 December 2019		
	Book balance	Provision for impairment loss	Carrying amount	Book balance	Provision for impairment loss	Carrying amount
Fushan new plant investment project	867,470,733	-	867,470,733	843,501,521	-	843,501,521
JMC capacity optimization	125,207,148	-	125,207,148	-	-	-
Engine construction project	113,435,977	-	113,435,977	132,731,701	-	132,731,701
Gasoline engine processing capacity expansion project	107,210,357	-	107,210,357	96,957,862	-	96,957,862
CX756 project	72,363,052	-	72,363,052	57,798,588	-	57,798,588
Vehicles capacity investment project	68,110,689	-	68,110,689	72,757,444	-	72,757,444
N356 project	67,065,496	-	67,065,496	56,765,898	-	56,765,898
Construction of Xiaolan 600 mu Phase 3 plan	50,897,386	-	50,897,386	35,720,297	-	35,720,297
Collision Simulation Laboratory	32,697,323	-	32,697,323	27,073,143	-	27,073,143
JF8/CX743 project	14,828,370	-	14,828,370	21,392,593	-	21,392,593
V348 conversion project	13,189,975	-	13,189,975	5,168,412	-	5,168,412
Independently developed gasoline engine project	12,678,592	-	12,678,592	12,192,019	-	12,192,019
Stamping/frame capacity improvement project	11,078,149	-	11,078,149	14,273,769	-	14,273,769
Technology research institute project	9,896,039	-	9,896,039	19,292,516	-	19,292,516
Xiaolan gasoline engine assembly Phase 2 project	4,122,311	-	4,122,311	4,122,311	-	4,122,311
N806 project	599,007	-	599,007	1,837,618	-	1,837,618
J09 project	441,190	-	441,190	-	-	-
New energy laboratory project	164,517	-	164,517	164,517	-	164,517
J28 project	-	-	-	1,049,999	-	1,049,999
Other miscellaneous and pending installation projects	96,364,825	(691,646)	95,673,179	96,016,216	(691,646)	95,324,570
	<u>1,667,821,136</u>	<u>(691,646)</u>	<u>1,667,129,490</u>	<u>1,498,816,424</u>	<u>(691,646)</u>	<u>1,498,124,778</u>

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4 Notes to the consolidated financial statements (Cont'd)

(13) Construction in progress (Cont'd)

(i) Movements of significant projects of construction in progress

Project name	Budget (in RMB 0'000)	31 December 2019	Increase in the current period	Transfer to fixed assets	Decrease of other	30 June 2020	% of project investment in budget	Progress of project	Accumulated capitalised borrowing costs	Including: Capitalised borrowing costs in the current period	Source of fund
Fushan new plant investment project	205,200	843,501,521	24,786,063	(816,851)	-	867,470,733	42%	42%	-	-	Self-owned funds
JMC capacity optimization	179,462	-	125,207,148	-	-	125,207,148	7%	7%	-	-	Self-owned funds
Engine construction project	67,000	132,731,701	-	(8,381,138)	(10,914,586)	113,435,977	66%	66%	-	-	Self-owned funds
Gasoline engine processing capacity expansion project	16,445	96,957,862	10,252,495	-	-	107,210,357	65%	65%	-	-	Self-owned funds
CX756 project	21,688	57,798,588	15,724,931	(1,160,467)	-	72,363,052	34%	34%	-	-	Self-owned funds
Vehicles capacity investment project	100,200	72,757,444	2,863,302	(7,510,057)	-	68,110,689	93%	93%	-	-	Self-owned funds
N356 project	11,269	56,765,898	18,651,593	(8,351,995)	-	67,065,496	80%	80%	-	-	Self-owned funds
Construction of Xiaolan 600 mu Phase 3 plan	20,977	35,720,297	15,249,417	(72,328)	-	50,897,386	24%	24%	-	-	Self-owned funds
Collision Simulation Laboratory	9,651	27,073,143	5,624,180	-	-	32,697,323	34%	34%	-	-	Self-owned funds
JF8/CX743 project	14,000	21,392,593	1,023,620	(7,587,843)	-	14,828,370	90%	90%	-	-	Self-owned funds
V348 major transformation project	6,037	5,168,412	8,282,351	(260,788)	-	13,189,975	23%	23%	-	-	Self-owned funds
Independently developed gasoline engine project	43,200	12,192,019	486,573	-	-	12,678,592	92%	92%	-	-	Self-owned funds
Stamping/frame capacity improvement project	56,778	14,273,769	2,811,547	(6,007,167)	-	11,078,149	81%	81%	-	-	Self-owned funds
Technology research institute project	97,000	19,292,516	48,078	(9,444,555)	-	9,896,039	20%	20%	-	-	Self-owned funds
Xiaolan gasoline engine assembly Phase 2 project	3,612	4,122,311	-	-	-	4,122,311	92%	92%	-	-	Self-owned funds
N806 project	2,860	1,837,618	730,695	(1,969,306)	-	599,007	99%	99%	-	-	Self-owned funds

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4 Notes to the consolidated financial statements (Cont'd)

(13) Construction in progress (Cont'd)

(i) Movements of significant projects of construction in progress (Cont'd)

Project name	Budget (in RMB 0'000)	31 December 2019	Increase in the current period	Transfer to fixed assets	Decrease of other	30 June 2020	% of project investment in Progress budget of project	Accumulated capitalised borrowing costs	Including: Capitalised borrowing costs in the current period	Source of fund
J09 project	61,800	-	966,790	(525,600)	-	441,190	93%	-	-	Self-owned funds
New energy laboratory project	7,049	164,517	-	-	-	164,517	78%	-	-	Self-owned funds
J28 project	6,224	1,049,999	42,334	(1,092,333)	-	-	83%	-	-	Self-owned funds
Other miscellaneous and pending installation projects		<u>96,016,216</u>	<u>29,397,569</u>	<u>(26,844,711)</u>	<u>(2,204,249)</u>	<u>96,364,825</u>		<u>292,897</u>	-	Self-owned funds and borrowings
		<u>1,498,816,424</u>	<u>262,148,686</u>	<u>(80,025,139)</u>	<u>(13,118,835)</u>	<u>1,667,821,136</u>				

(ii) Provision for impairment of construction in progress

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020	Reason for provision
Other miscellaneous and pending installation projects	<u>(691,646)</u>	<u>-</u>	<u>-</u>	<u>(691,646)</u>	The recoverable amount is below the carrying amount

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4 Notes to the consolidated financial statements (Cont'd)

(14) Right-of-use assets

	Buildings
Cost	
31 December 2019	48,809,592
Increase in the current period	
New lease contracts	-
30 June 2020	48,809,592
Accumulated depreciation	
31 December 2019	(12,769,701)
Increase in the current period	
Provision	(7,225,828)
30 June 2020	(19,995,529)
Provision for impairment loss	
31 December 2019	-
Increase in the current period	
Provision	-
30 June 2020	-
Carrying amount	
30 June 2020	28,814,063
31 December 2019	36,039,891

For the six months ended 30June 2020, depreciation of right-of-use assets amounted to RMB 7,225,828, of which RMB 5,775,094 and RMB 1,450,734 were included in cost of sales and selling expenses.

JIANGLING MOTORS CORPORATION, LTD.

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4 Notes to the consolidated financial statements (Cont'd)

(15) Intangible assets

	Land use rights	Software use fees	Non-patent technologies	After-sales services management model	Others	Total
Cost						
31 December 2019	886,309,822	176,542,395	290,025,954	36,979,184	1,648,171	1,391,505,526
Increase in the current period						
Transfers from construction in progress	-	2,204,249	-	-	-	2,204,249
Internal research and development	-	-	182,923,172	-	-	182,923,172
Decrease in the current period						
Disposal	-	-	-	-	-	-
30 June 2020	886,309,822	178,746,644	472,949,126	36,979,184	1,648,171	1,576,632,947
Accumulated amortisation						
31 December 2019	(166,614,748)	(109,014,815)	(128,492,763)	(36,979,184)	(1,648,171)	(442,749,681)
Increase in the current period						
Provision	(9,138,270)	(10,938,489)	(38,148,754)	-	-	(58,225,513)
Decrease in the current period						
Disposal	-	-	-	-	-	-
30 June 2020	(175,753,018)	(119,953,304)	(166,641,517)	(36,979,184)	(1,648,171)	(500,975,194)
Provision for impairment loss						
31 December 2019	-	-	-	-	-	-
Increase in the current period						
Provision	-	-	-	-	-	-
Decrease in the current period						
Disposal	-	-	-	-	-	-
30 June 2020	-	-	-	-	-	-
Carrying amount						
30 June 2020	710,556,804	58,793,340	306,307,609	-	-	1,075,657,753
31 December 2019	719,695,074	67,527,580	161,533,191	-	-	948,755,845

For the six months ended 30June 2020, amortisation charged to intangible assets amounted to RMB 58,225,513 (the six months ended 30June 2019: RMB 42,950,608), of which the amounts charged to cost of sales, selling expenses, general and administrative expenses, and research and development expenses were RMB 273,069, RMB 179,314, RMB 18,893,016 and RMB 38,880,114 respectively. (the six months ended 30 June 2019: RMB 248,998, RMB 169,811, RMB 17,156,357 and RMB 25,375,442).

The Group's development expenditures are set out below:

	31 December 2019	Increase in the current period	Charged to profit or loss	Recognised as intangible assets	30 June 2020
Automobile products development project	125,142,080	127,364,508	-	(182,923,172)	69,583,416

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(15) Intangible assets (Cont'd)

Expenditures on research and development of the Group incurred in the six months ended 30June 2020 amounted to RMB 823,946,960 (the six months ended 30June 2019: RMB 914,828,651) in total, of which RMB 696,582,452 (the six months ended 30June2019: RMB 837,430,636) was recognised in profit or loss for the current period, RMB 86,341,229 (the six months ended 30June 2019: RMB 4,781,497) was recognised as intangible assets for the current period and RMB 41,023,279 (the six months ended 30June2019: RMB 72,616,518) was included in the ending balance of development expenditures. As at 30 June 2020, the intangible assets developed by the Group accounted for 28.5% (31 December 2019: 17.0%) of the carrying amount of intangible assets.

(16) Goodwill

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Goodwill - JMCH	89,028,412	-	-	89,028,412
Less: Provision for impairment (a) - JMCH	(89,028,412)	-	-	(89,028,412)
	-	-	-	-

(a) Impairment

Management tested the entire assets of JMCH as an asset group for impairment. The recoverable amount of the asset group is based on a seven-year budget plan approved by management for medium- and long-term business development, adjusted for market conditions, using future cash flow forecast to calculate the net value of the fair value less disposal costs. Cash flows beyond the seven-year period are extrapolated using the estimated long-term growth rate. The long-term growth rate does not exceed the average growth rate for the heavy duty automobile business in which the asset group operates.

The key assumptions used by management and forecast period are consistent with the heavy duty automobile industry. Management determines budgeted gross margins based on industrial and past experience and forecast on future market development. The discount rates used by management are the after-tax interest rates that are able to reflect the risks specific to the asset groups. The fair value measurement is categorised within level 3 of the fair value hierarchy.

JIANGLING MOTORS CORPORATION, LTD.

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4 Notes to the consolidated financial statements (Cont'd)

(17) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2020		31 December 2019	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Accrued expenses and provisions	3,564,341,232	806,804,151	3,561,590,960	802,898,159
Recoverable losses	1,589,944,713	238,526,420	1,589,820,677	238,495,412
Provision for asset impairments	322,989,941	52,708,810	246,399,757	39,468,025
Retirement benefits plan	66,032,485	16,275,873	68,441,000	16,637,150
Non-patent technologies	83,320,759	20,830,190	64,246,382	16,061,596
Deferred income	34,693,362	5,204,004	34,389,578	5,158,437
Employee education funds unpaid	32,982,026	5,123,845	20,980,066	3,248,820
Others	39,673,028	6,821,550	36,034,838	6,154,413
	<u>5,733,977,546</u>	<u>1,152,294,843</u>	<u>5,621,903,258</u>	<u>1,128,122,012</u>

Including:

Expected to be recovered within one year (inclusive)	876,639,535	855,992,754
Expected to be recovered after one year	275,655,308	272,129,258
	<u>1,152,294,843</u>	<u>1,128,122,012</u>

(b) Deferred tax liabilities before offsetting

	30 June 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	1,200,337,561	283,859,248	1,161,290,511	260,407,296
Differences between the fair value of the identifiable net assets and book value arising from business combinations not under common control	100,091,548	25,022,887	101,359,924	25,339,981
Amortisation of intangible assets	35,603,191	8,341,346	32,088,825	6,968,005
Others	9,789,542	1,500,744	558,420	139,605
	<u>1,345,821,842</u>	<u>318,724,225</u>	<u>1,295,297,680</u>	<u>292,854,887</u>

Including:

Expected to be recovered within one year (inclusive)	64,715,843	47,363,058
Expected to be recovered after one year	254,008,382	245,491,829
	<u>318,724,225</u>	<u>292,854,887</u>

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(17) Deferred tax assets and deferred tax liabilities (Cont'd)

- (c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2020	31 December 2019
Deductible temporary differences	152,732,113	165,067,939
Deductible losses	1,267,667,619	1,006,172,312
	<u>1,420,399,732</u>	<u>1,171,240,251</u>

- (d) Deductible losses that are not recognised as deferred tax assets will be expired in following years:

	30 June 2020	31 December 2019
2020	72,469,642	72,469,642
2021	115,819,543	115,819,543
2022	150,713,078	150,713,078
2023	240,678,736	240,678,736
2024	351,896,252	426,491,313
2025	336,090,368	-
	<u>1,267,667,619</u>	<u>1,006,172,312</u>

- (e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	<u>30 June 2020</u>		<u>31 December 2019</u>	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	(293,701,338)	858,593,505	(267,514,906)	860,607,106
Deferred tax liabilities	(293,701,338)	25,022,887	(267,514,906)	25,339,981

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4 Notes to the consolidated financial statements (Cont'd)

(18) Provision for asset impairment and losses

	31 December 2019	Increase in the current period	Decrease in the current period		30 June 2020
			Reversal	Write-off	
Provision for bad debts of accounts receivable	154,075,531	82,769,918	(16,452,405)	-	220,393,044
Including: Provision for bad debts on individual basis	110,063,380	82,769,918	-	-	192,833,298
Provision for bad debts on grouping basis	44,012,151	-	(16,452,405)	-	27,559,746
Provision for bad debts of other receivables	346,816	-	(74,702)	-	272,114
Sub-total	154,422,347	82,769,918	(16,527,107)	-	220,665,158
Provision for decline in the value of inventories	83,323,315	26,599,874	(2,743,278)	(20,192,232)	86,987,679
Provision for impairment of fixed assets	41,295,146	10,251,114	-	(14,180,546)	37,365,714
Provision for impairment of construction in progress	691,646	-	-	-	691,646
Provision for impairment of goodwill	89,028,412	-	-	-	89,028,412
Sub-total	214,338,519	36,850,988	(2,743,278)	(34,372,778)	214,073,451
	368,760,866	119,620,906	(19,270,385)	(34,372,778)	434,738,609

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4 Notes to the consolidated financial statements (Cont'd)

(19) Short-term borrowings

	30 June 2020	31 December 2019
Bank credit loan	<u>1,300,000,000</u>	<u>-</u>

As at 30 June 2020, the weighted average interest rate of Short-term borrowings is 2.79%

(20) Notes payable

	30 June 2020	31 December 2019
Bank acceptance notes	<u>71,901,506</u>	<u>31,400,000</u>

As at 30 June 2020, the subsidiary of the Group, JMCH's notes receivable of RMB 71,901,506 (31 December 2019: 31,400,000) were secured by its receivables financing with a carrying amount of RMB 22,182,906 (31 December 2019: RMB 34,196,500) (Note 4(6)) and other cash amount of RMB 49,718,600 (31 December 2019: Nil) (Note 4(1)).

(21) Accounts payable

	30 June 2020	31 December 2019
Payable for spare parts	8,460,559,600	7,874,660,108
Payable for raw and auxiliary materials	<u>275,400,826</u>	<u>241,509,481</u>
	<u>8,735,960,426</u>	<u>8,116,169,589</u>

As at 30 June 2020, accounts payable with aging over 1 year amounted to RMB 444,858,938 (31 December 2019: RMB 329,574,913), which mainly represented materials payable for which a settlement price has not yet been determined, and such payables had not been finally settled yet.

(22) Contract liabilities

	30 June 2020	31 December 2019
Advances for automobiles and automobile parts	112,774,231	227,774,183
Advances for maintenance and warranty services	<u>115,151,087</u>	<u>102,109,762</u>
	227,925,318	329,883,945
Less: Contract liabilities expected to be included in revenue after one year (Note 4(33))	<u>(78,768,315)</u>	<u>(61,713,791)</u>
	<u>149,157,003</u>	<u>268,170,154</u>

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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(23) Employee benefits payable

	30 June 2020	31 December 2019
Short-term employee benefits payable (a)	440,143,879	379,453,114
Defined contribution plans payable (b)	57,458,431	-
Defined benefit plans payable (c)	3,430,000	3,430,000
Termination benefits payable (d)	2,664,176	2,664,176
	<u>503,696,486</u>	<u>385,547,290</u>

(a) Short-term employee benefits

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Wages and salaries, bonus, allowances and subsidies	333,252,396	920,923,479	(876,752,571)	377,423,304
Staff welfare	20,408,093	41,153,420	(39,493,221)	22,068,292
Social security contributions	-	39,015,571	(37,269,269)	1,746,302
Including: Medical insurance	-	34,229,353	(34,229,353)	-
Work injury insurance	-	2,268,425	(522,123)	1,746,302
Maternity insurance	-	2,517,793	(2,517,793)	-
Housing funds	-	66,580,205	(66,580,205)	-
Labour union funds and employee education funds	25,792,625	30,544,972	(18,328,240)	38,009,357
Other short-term employee benefits	-	2,598,126	(1,701,502)	896,624
	<u>379,453,114</u>	<u>1,100,815,773</u>	<u>(1,040,125,008)</u>	<u>440,143,879</u>

(b) Defined contribution plans

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Basic pensions	-	75,334,835	(19,627,370)	55,707,465
Supplementary pensions	-	10,400,000	(10,400,000)	-
Unemployment insurance	-	2,454,439	(703,473)	1,750,966
	<u>-</u>	<u>88,189,274</u>	<u>(30,730,843)</u>	<u>57,458,431</u>

(c) Defined benefit plans

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Post-retirement benefits payable (Note 4(32))	<u>3,430,000</u>	<u>1,821,577</u>	<u>(1,821,577)</u>	<u>3,430,000</u>

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4 Notes to the consolidated financial statements (Cont'd)

(23) Employee benefits payable (Cont'd)

(d) Termination benefits payable

	30 June 2020	31 December 2019
Early retirement benefits payable (Note 4(32))	1,326,000	1,326,000
Other termination benefits (i)	1,338,176	1,338,176
	<u>2,664,176</u>	<u>2,664,176</u>

(i) For the Six Months Ended 30 June 2020, other termination benefits paid by the Group for termination of the employment relationship is RMB 8,856,721.

(24) Taxes payable

	30 June 2020	31 December 2019
Consumption tax payable	12,426,520	99,080,033
Enterprise income tax payable	12,509,633	75,018,772
Land use tax payable	4,850,904	5,399,750
Others	14,717,678	19,278,549
	<u>44,504,735</u>	<u>198,777,104</u>

(25) Other payables

	30 June 2020	31 December 2019
Promotion expenses	1,918,512,087	1,848,583,722
Research and development project expenses	856,944,969	1,016,587,970
Construction expenses	246,825,695	372,865,433
Goods transportation expenses	147,695,477	231,965,841
Advertising and new product planning fees	230,527,561	208,380,148
Guarantees	116,624,164	95,201,388
Trademark management fees	12,730,883	18,127,537
Technological transformation project expenses	17,943,759	17,135,118
Ordinary share dividends payable	66,863,535	6,790,176
Consulting expenses	22,628,093	5,425,621
Others	346,626,353	324,203,884
	<u>3,983,922,576</u>	<u>4,145,266,838</u>

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4 Notes to the consolidated financial statements (Cont'd)

(25) Other payables (Cont'd)

As at 30 June 2020, other payables with aging over 1 year of RMB 767,334,106 (31 December 2019: RMB 721,562,900) mainly comprised deposits collected from logistics companies, distributors and repair stations, payables for projects and payables for research and development expenses. Such payables had not been finally settled yet in view of the continuing business transactions with distributors, engineering projects and research and development projects that have not yet been accepted and completed.

(26) Current portion of non-current liabilities

	30 June 2020	31 December 2019
Current portion of lease liabilities (Note 4(29))	10,115,277	13,386,576
Current portion of long-term borrowings (Note 4(28))	463,595	456,830
	<u>10,578,872</u>	<u>13,843,406</u>

(27) Other current liabilities

	30 June 2020	31 December 2019
Provisions expected to be settled within one year (Note 4(30))	258,553,238	234,948,279
Others	14,660,650	29,610,644
	<u>273,213,888</u>	<u>264,558,923</u>

(28) Long-term borrowings

	30 June 2020	31 December 2019
Secured borrowings	3,476,963	3,654,644
Less: Current portion of long-term borrowings	(463,595)	(456,830)
	<u>3,013,368</u>	<u>3,197,814</u>

The above secured borrowings were long-term borrowings amounting to USD 491,131 secured by Jiangling Motor Group Finance Company, borrowed from Industrial and Commercial Bank of China ("ICBC"), Nanchang Ganjiang Sub-branch with interest payable every 6 months and the principal due for payment in instalments between 10 December 2007 and 27 October 2027. In the six months ended 30 June 2020, the interest rate of long-term borrowings was 1.5% (the six months ended 30 June 2019: 1.5%).

	Starting date	Maturity date	Interest Currency	Interest rate (%)	30 June 2020		31 December 2019	
					Amount in foreign currency	RMB equivalent	Amount in foreign currency	RMB equivalent
ICBC Nanchang Ganjiang Sub-branch	27 February 1998	27 October 2027	USD	1.5%	491,131	3,476,963	523,873	3,654,644

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4 Notes to the consolidated financial statements (Cont'd)

(29) Lease liabilities

	30 June 2020	31 December 2019
Lease liabilities	29,254,791	35,978,828
Less: Current portion of non-current liabilities (Note 4(26))	<u>(10,115,277)</u>	<u>(13,386,576)</u>
	<u>19,139,514</u>	<u>22,592,252</u>

(30) Provisions

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Product warranties i)	<u>401,635,739</u>	<u>155,588,778</u>	<u>(122,604,317)</u>	<u>434,620,200</u>
Less: Provisions expected to be settled within one year (Note 4(27))	<u>(234,948,279)</u>			<u>(258,553,238)</u>
	<u>166,687,460</u>			<u>176,066,962</u>

i) Product warranties are expenses expected to be incurred during the warranty period from free after-sales services, product warranty and other services for the finished vehicles sold.

(31) Deferred income

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020	Reason
Government grants (a)	<u>34,389,578</u>	<u>800,000</u>	<u>(496,216)</u>	<u>34,693,362</u>	Subsidy for projects

(a) Government grants

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020	Asset related/ Income related
Research and development - related subsidies	34,065,060	800,000	(496,216)	34,368,844	Income related
Others	<u>324,518</u>	<u>-</u>	<u>-</u>	<u>324,518</u>	Income related
	<u>34,389,578</u>	<u>800,000</u>	<u>(496,216)</u>	<u>34,693,362</u>	

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4 Notes to the consolidated financial statements (Cont'd)

(32) Long-term employee benefits payable

	30 June 2020	31 December 2019
Supplementary retirement benefits and early-retirement benefits eligible for recognition of provisions	66,032,485	68,441,000
Less: Payable within one year	<u>(4,756,000)</u>	<u>(4,756,000)</u>
	<u>61,276,485</u>	<u>63,685,000</u>

The retirement and early-retirement benefits payable within one year are included in employee benefits payable.

For retired and early-retired employees, the Group provides them with a certain amount of supplementary benefits during their retirement or early-retirement period. The amount of benefits depends on the employee's position, length of service and salary at the time of retirement or early-retirement, and is adjusted in accordance with inflation rate and other factors. The Group's obligations for supplementary retirement and early-retirement benefits as at the balance sheet date are calculated using projected unit credit method and are reviewed by an external independent actuary.

(a) Movements of retirement and early-retirement benefits of the Group are as follows:

	Present value of the obligations of the defined benefit plan	
	30 June 2020	31 December 2019
Opening balance	68,020,000	68,020,000
Cost of defined benefit plan recognised in profit or loss for the current period		
- Current service cost	-	1,203,000
- Past service cost	-	(1,523,000)
- Actuarial losses recognised immediately	-	1,420,000
- Net interest	-	2,300,000
Remeasurement of net liabilities for defined benefit plan		
- Actuarial losses	-	1,623,000
Other changes		
- Benefits paid	(2,408,515)	(4,602,000)
Ending balance	66,032,485	68,441,000

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4 Notes to the consolidated financial statements (Cont'd)

(32) Long-term employee benefits payable (Cont'd)

(b) The actuarial assumptions used to determine the present value of defined benefit plan obligations

	30 June 2020	31 December 2019
Discount rates	——	3.5%
Inflation rate	——	2.0%
Salaries and benefits growth rates	——	0%-6%

Future mortality assumptions were determined based on the China Life Insurance Mortality Table (2010-2013), which is publicly available statistical information for the Chinese region.

(33) Other non-current liabilities

	30 June 2020	31 December 2019
Contract liabilities expected to be included in revenue after one year (Note 4(22))	78,768,315	61,713,791
Others	39,998	80,000
	<u>78,808,313</u>	<u>61,793,791</u>

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4 Notes to the consolidated financial statements (Cont'd)

(34) Share capital

	31 December 2019	Movements for the current period					30 June 2020
		Shares newly issued	Bonus share	Transfer from capital surplus	Others	Sub-total	
Shares subject to trading restriction -							
Other domestic shares	750,915	-	-	-	(75)	(75)	750,840
Including: Shares held by							
domestic non-state-							
owned legal persons	749,940	-	-	-	-	-	749,940
Shares held by							
domestic natural							
persons	975	-	-	-	(75)	(75)	900
	<u>750,915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75)</u>	<u>(75)</u>	<u>750,840</u>
Shares not subject to trading restriction -							
Ordinary shares denominated in RMB	518,463,085	-	-	-	75	75	518,463,160
Domestically listed foreign shares	<u>344,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,000,000</u>
	<u>862,463,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>75</u>	<u>862,463,160</u>
	<u>863,214,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>863,214,000</u>

Since the implementation of the Company's Scheme on Share Split Reform on 13 February 2006, as at 30 June 2020, there are 750,840 shares currently unavailable for trading.

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4 Notes to the consolidated financial statements (Cont'd)

(34) Share capital (Cont'd)

	31 December 2018	Movements for the current year					31 December 2019
		Shares newly issued	Bonus share	Transfer from capital surplus	Others	Sub-total	
Shares subject to trading restriction -							
Other domestic shares	786,840	-	-	-	(35,925)	(35,925)	750,915
Including: Shares held by							
domestic non-state-							
owned legal persons	785,940	-	-	-	(36,000)	(36,000)	749,940
Shares held by							
domestic natural							
persons	900	-	-	-	75	75	975
	<u>786,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,925)</u>	<u>(35,925)</u>	<u>750,915</u>
Shares not subject to trading							
restriction -							
Ordinary shares denominated in							
RMB	518,427,160	-	-	-	35,925	35,925	518,463,085
Domestically listed foreign shares	344,000,000	-	-	-	-	-	344,000,000
	<u>862,427,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,925</u>	<u>35,925</u>	<u>862,463,085</u>
	<u>863,214,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>863,214,000</u>

Since the implementation of the Company's Scheme on Share Split Reform on 13 February 2006, as at 31 December 2019, there are 750,915 shares currently unavailable for trading. During the reporting period, 35,925 shares with trading restrictions were released from the restricted conditions on 30 December 2019 and converted to unrestricted ordinary shares denominated in RMB.

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4 Notes to the consolidated financial statements (Cont'd)

(35) Capital surplus

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Capital premium	816,609,422	-	-	816,609,422
Other capital surplus	22,833,068	-	-	22,833,068
	<u>839,442,490</u>	<u>-</u>	<u>-</u>	<u>839,442,490</u>

	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Capital premium	816,609,422	-	-	816,609,422
Other capital surplus	22,833,068	-	-	22,833,068
	<u>839,442,490</u>	<u>-</u>	<u>-</u>	<u>839,442,490</u>

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4 Notes to the consolidated financial statements (Cont'd)

(36) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the six months ended 30 June 2020			
	31 December 2019	Attributable to the parent company after tax	30 June 2020	Amount incurred before income tax for the current period	Less: Transfer- out of previous other comprehensive income in the current period	Less: Income tax expenses	Attributable to the parent company after tax
Other comprehensive income items which will not be reclassified to profit or loss							
Actuarial gains on defined benefit plans	(11,395,500)	-	(11,395,500)	-	-	-	-
	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2019			
	31 December 2018	Attributable to the parent company after tax	31 December 2019	Amount incurred before income tax for the current year	Less: Transfer- out of previous other comprehensive income in the current year	Less: Income tax expenses	Attributable to the parent company after tax
Other comprehensive income items which will not be reclassified to profit or loss							
Actuarial gains on defined benefit plans	(10,178,250)	(1,217,250)	(11,395,500)	(1,623,000)	-	405,750	(1,217,250)

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4 Notes to the consolidated financial statements (Cont'd)

(37) Surplus reserve

	31 December 2019	Increase in the current period	Decrease in the current period	30 June 2020
Statutory surplus reserve	431,607,000	-	-	431,607,000
	31 December 2018	Increase in the current year	Decrease in the current year	31 December 2019
Statutory surplus reserve	431,607,000	-	-	431,607,000

In accordance with the *Company Law*, the Company's Articles of Association and the resolution of the Board of Directors, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital upon approval from the appropriate authorities. As the accumulated appropriation to the statutory surplus reserve exceeded 50% of the registered capital, no appropriation was made in the current year. (2019: Nil).

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to compensate for the losses incurred in prior years or increase the share capital upon approval from appropriate authorities.

(38) Undistributed profits

	Six months ended 30 June	
	2020	2019
Undistributed profits at the beginning of the year	8,373,695,791	8,260,412,273
Add: Net profit attributable to shareholders of the parent company for the current period	207,771,782	58,861,816
Less: Ordinary share dividends payable (a)	(60,424,980)	(34,528,560)
Undistributed profits at the end of the year	8,521,042,593	8,284,745,529

- (a) In accordance with the resolution of the Board of Directors dated on 24 March 2020, the Company proposed a cash dividend to the shareholders at RMB 0.07 per share, amounting to RMB 60,424,980 calculated by 863,214,000 issued shares, and the proposal was approved at the Shareholders' Meeting on 19 June 2020.

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4 Notes to the consolidated financial statements (Cont'd)

(39) Revenue and cost of sales

	Six months ended 30 June	
	2020	2019
Revenue from main operations	13,877,590,851	13,540,006,632
Revenue from other operations	195,827,027	181,946,870
	<u>14,073,417,878</u>	<u>13,721,953,502</u>
	Six months ended 30 June	
	2020	2019
Cost of sales from main operations	11,670,570,165	11,511,538,229
Cost of sales from other operations	189,552,200	167,121,115
	<u>11,860,122,365</u>	<u>11,678,659,344</u>

(a) Revenue and cost of sales from main operations

	Six months ended 30 June			
	2020		2019	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sales of automobiles	13,030,304,986	11,046,531,024	12,327,573,061	10,656,458,637
Sales of automobile parts	809,320,498	582,437,916	1,168,533,129	813,069,826
Auto maintenance services	37,965,367	41,601,225	43,900,442	42,009,766
	<u>13,877,590,851</u>	<u>11,670,570,165</u>	<u>13,540,006,632</u>	<u>11,511,538,229</u>

(b) Revenue and cost of sales from other operations

	Six months ended 30 June			
	2020		2019	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Sales of materials	162,807,656	155,071,014	136,882,045	121,423,387
Others	33,019,371	34,481,186	45,064,825	45,697,728
	<u>195,827,027</u>	<u>189,552,200</u>	<u>181,946,870</u>	<u>167,121,115</u>

JIANGLING MOTORS CORPORATION, LTD.

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4 Notes to the consolidated financial statements (Cont'd)

(39) Revenue and cost of sales (Cont'd)

(c) The Group's revenue in Six months ended 30 June 2020 was broken down as follows:

	Six months ended 30 June 2020				Total
	Automobiles	Automobile parts	Automobiles Maintenance services	Materials and others	
Revenue from main operations	13,030,304,986	809,320,498	37,965,367	-	13,877,590,851
Including: Recognised at a time point	13,030,304,986	809,320,498	-	-	13,839,625,484
Recognised within a certain period	-	-	37,965,367	-	37,965,367
Revenue from other operations	-	-	-	195,827,027	195,827,027
	<u>13,030,304,986</u>	<u>809,320,498</u>	<u>37,965,367</u>	<u>195,827,027</u>	<u>14,073,417,878</u>

(i) As at 30 June 2020, the amount of revenue corresponding to the performance obligation of the Group that has been contracted but not yet performed or not fulfilled was RMB 115,151,087, which were expected to be recognised between 2020 and 2025.

(40) Taxes and surcharges

	Six months ended 30 June	
	2020	2019
Consumption tax	271,679,866	267,437,345
City maintenance and construction tax	50,598,211	41,419,650
Educational surcharge	43,310,138	36,956,574
Land use tax	9,774,064	10,568,114
Real estate tax	8,220,537	9,228,680
Stamp tax	2,779,740	2,765,628
Others	216,586	599,504
	<u>386,579,142</u>	<u>368,975,495</u>

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4 Notes to the consolidated financial statements (Cont'd)

(41) Selling expenses

	Six months ended 30 June	
	2020	2019
Advertising and new product planning fees	138,350,765	228,204,105
Warranties	155,588,778	159,699,478
Promotion expenses	91,894,222	106,690,658
Salaries and benefits	70,754,094	73,092,162
Sales network construction expenses	41,733,973	59,324,214
Storage expenses	17,822,522	9,830,994
Packaging material expenses	14,586,046	27,992,517
Others	61,456,920	41,041,134
	<u>592,187,320</u>	<u>705,875,262</u>

(42) General and administrative expenses

	Six months ended 30 June	
	2020	2019
Salaries and benefits	264,648,937	249,176,100
Depreciation and amortisation	100,780,734	54,625,623
Trademark management fees	20,627,894	40,360,050
Repair expenses	7,181,637	5,022,003
General office expenses	7,103,298	7,915,410
Travel expenses	2,092,846	4,283,270
Others	56,692,100	75,772,234
	<u>459,127,446</u>	<u>437,154,690</u>

(43) Research and development expenses

	Six months ended 30 June	
	2020	2019
Salaries and benefits	277,417,893	265,452,232
Design fee	145,947,582	243,683,558
Technology development expenses	102,381,915	76,309,417
Depreciation and amortisation	74,219,195	54,202,053
Material expenses	27,797,465	61,923,254
Others	68,818,402	135,860,122
	<u>696,582,452</u>	<u>837,430,636</u>

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4 Notes to the consolidated financial statements (Cont'd)

(44) Financial expenses

	Six months ended 30 June	
	2020	2019
Interest costs	18,259,820	106,053
Add: Interest expenses on lease liabilities	802,145	-
Interest expenses	19,061,965	106,053
Less: Interest income from bank deposits	(89,499,630)	(87,147,016)
Fund occupation fee (a)	(4,740,888)	(5,618,157)
Interest income	(94,240,518)	(92,765,173)
Exchange gains or losses	7,561,075	450,836
Others	885,665	2,517,680
	<u>(66,731,813)</u>	<u>(89,690,604)</u>

(a) The fund occupancy fee is a fee paid to the Group at a mutually agreed rate when a distributor defers payment or settles by bill of exchange.

(45) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	Six months ended 30 June	
	2020	2019
Changes in inventories of finished goods and work in progress	280,051,275	101,187,742
Consumed raw materials and low value consumables, etc.	10,272,137,288	10,151,019,516
Employee benefits	1,196,965,144	1,246,622,679
Depreciation of fixed assets	517,638,550	475,243,004
Amortisation of intangible assets	58,225,513	42,950,608
Depreciation of right-of-use assets	7,225,828	-
Transportation expenses	255,909,419	332,654,242
Design fee	145,947,582	243,683,558
Advertising and new product planning fees	138,350,765	228,204,105
Warranties	155,588,778	159,699,476
Promotion expenses	91,894,222	106,690,658
Fixed asset repair and maintenance expenses	41,966,653	40,472,764
Others	446,118,566	530,691,580
	<u>13,608,019,583</u>	<u>13,659,119,932</u>

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4 Notes to the consolidated financial statements (Cont'd)

(46) Asset impairment losses

	Six months ended 30 June	
	2020	2019
Decline in the value of inventories	23,856,596	5,309,701
Impairment of fixed assets	10,251,114	3,125,543
	<u>34,107,710</u>	<u>8,435,244</u>

(47) Credit impairment losses

	Six months ended 30 June	
	2020	2019
Losses on bad debts of accounts receivable	66,317,513	(1,132,652)
Losses on bad debts of other receivables	(74,702)	76,528
	<u>66,242,811</u>	<u>(1,056,124)</u>

(48) Other income

	Six months ended 30 June		
	2020	2019	
Research and development activities related subsidies	26,672,716	60,800,000	Asset related/ Income related
Subsidy for other operating activities	138,966,751	11,762,205	Income related
	<u>165,639,467</u>	<u>72,562,205</u>	

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4 Notes to the consolidated financial statements (Cont'd)

(49)	Investment income	Six months ended 30 June	
		2020	2019
	Investment income from financial assets held for trading	32,619,541	18,446,866
	Investment income from long-term equity investment under equity method	(3,024,554)	333,625
	Investment loss from forward exchange settlement	(1,316,987)	(4,939,846)
		<u>28,278,000</u>	<u>13,840,645</u>

There is no significant restriction on recovery of investment income of the Group.

(50)	Gains on changes in fair value	Six months ended 30 June	
		2020	2019
	Derivative financial assets and derivative financial liabilities -		
	(Losses)/Gains on forward exchange contracts	2,021,384	(3,556,991)
	Financial assets held for trading	7,990,657	-
		<u>10,012,041</u>	<u>(3,556,991)</u>

(51)	Gains on disposals of assets	Six months ended 30 June		
		2020	2019	
	Losses on disposal of assets	(581,955)	(2,212,045)	Amount recognised in non-recurring profit or loss in Six months ended 30 June 2020
		<u>(581,955)</u>	<u>(2,212,045)</u>	<u>(581,955)</u>

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4 Notes to the consolidated financial statements (Cont'd)

(52)	Non-operating income	Six months ended 30 June		Amount recognised in non-recurring profit or loss in Six months ended 30 June 2020
		2020	2019	
	Government grants (a)	40,000	157,717,070	40,000
	Compensation and penalty income	1,434,743	652,679	1,434,743
	Others	2,124,450	17,546	2,124,450
		<u>3,599,193</u>	<u>158,387,295</u>	<u>3,599,193</u>
(a)	Details of government grants	Six months ended 30 June		
		2020	2019	Asset related/ Income related
	Enterprise development support fund	-	157,677,070	Income related
	Others	40,000	40,000	
		<u>40,000</u>	<u>157,717,070</u>	
(53)	Non-operating expenses	Six months ended 30 June		Amount recognised in non-recurring profit or loss in Six months ended 30 June 2020
		2020	2019	
	Losses on scrapping of assets	25,278,620	2,200,188	25,278,620
	Donations	4,936,682	11,730	4,936,682
	Others	22,950	419,308	22,950
		<u>30,238,252</u>	<u>2,631,226</u>	<u>30,238,252</u>
(54)	Income tax expenses	Six months ended 30 June		
		2020	2019	
	Current income tax calculated based on tax law and related regulations	12,440,650	40,510	
	Deferred income tax	1,696,507	(46,342,884)	
		<u>14,137,157</u>	<u>(46,302,374)</u>	

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4 Notes to the consolidated financial statements (Cont'd)

(54) Income tax expenses (Cont'd)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

	Six months ended 30 June	
	2020	2019
Total profit	221,908,939	12,559,442
Income tax expenses calculated at applicable tax rates	4,273,820	(38,027,978)
Effect of change in the tax rates	16,397,340	18,924,390
Tax credit	(68,983)	(8,791)
Super deduction	(74,643,356)	(64,123,564)
Non-taxable income	453,683	(882,321)
Costs, expenses and losses not deductible for tax purposes	143,379	293,905
Utilisation of previously unrecognised deductible temporary differences	(16,441,318)	-
Deductible temporary differences for which no deferred tax asset was recognised	-	4,195,231
Deductible losses for which no deferred tax asset was recognised	84,022,592	33,326,754
Income tax expenses	<u>14,137,157</u>	<u>(46,302,374)</u>

(55) Earnings per share

(a) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the parent company:

	Six months ended 30 June	
	2020	2019
Consolidated net profit attributable to the owners of the Company	207,771,782	58,861,816
Weighted average number of ordinary shares outstanding issued by the Company	863,214,000	863,214,000
Basic earnings per share	<u>0.24</u>	<u>0.07</u>

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. As there were no dilutive potential ordinary shares in Six months ended 30 June 2020 (Six months ended 30 June 2019: Nil), diluted earnings per share equalled to basic earnings per share.

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4 Notes to the consolidated financial statements (Cont'd)

(56) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June	
	2020	2019
Government grants	164,857,450	263,419,275
Deposits for bidding	28,090,361	32,565,950
Input VAT refund	23,559,902	-
Security deposits from distributors	22,539,331	46,069,304
Quality claims	530,263	1,655,279
Others	6,343,077	5,811,454
	<u>245,920,384</u>	<u>349,521,262</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June	
	2020	2019
Research and development expenses	515,676,803	475,334,955
Promotion expenses	147,975,736	130,074,334
Warranties	136,325,584	159,626,148
Advertising expenses	122,999,651	132,128,111
Maintenance expenses	20,729,104	36,873,253
Guarantees	17,904,238	33,100,907
Travel expenses	12,873,171	32,625,056
Others	255,310,888	338,540,178
	<u>1,229,795,175</u>	<u>1,338,302,942</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June	
	2020	2019
Interest from cash at bank	89,946,934	95,386,009
Interest from acceptance notes	4,229,944	4,264,256
Interest from credit sales	1,983,609	915,686
Investment income from forward exchange settlement	611,945	2,650,477
	<u>96,772,432</u>	<u>103,216,428</u>

JIANGLING MOTORS CORPORATION, LTD.

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4 Notes to the consolidated financial statements (Cont'd)

(56) Notes to the cash flow statement (Cont'd)

(d) Cash paid relating to other financing activities

	Six months ended 30 June	
	2020	2019
Repayments of lease liabilities	4,800,032	-

(57) Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June	
	2020	2019
Net profit	207,771,782	58,861,816
Add: Provision for asset impairment (Note 4(46))	34,107,710	8,435,244
Provision for credit impairment (Note 4(47))	66,242,811	(1,056,124)
Depreciation of fixed assets (Note 4(12))	517,638,550	475,243,004
Amortisation of intangible assets (Note 4(15))	58,225,513	42,950,608
Depreciation of right-of-use assets (Note 4(14))	7,225,828	-
Increase/(Decrease) in provisions	32,984,461	18,994,179
Losses/(Gains) on disposal of fixed assets	25,860,575	4,412,233
Financial expenses	(67,128,763)	(90,143,990)
Investment income (Note 4(49))	(28,278,000)	(13,840,645)
Loss/(Gains) on changes in fair value (Note 4(50))	(10,012,041)	3,556,991
Increase in deferred tax assets	2,013,602	(45,995,068)
Decrease in deferred tax liabilities	(317,095)	(347,816)
Decrease/(Increase) in inventories	216,420,338	333,470,124
Increase in restricted cash	(49,718,600)	(20,000,917)
Decrease/(Increase) in operating receivables	(728,501,730)	368,708,756
Increase/(Decrease) in operating payables	449,748,686	292,103,169
Net cash flows from operating activities	734,283,627	1,435,351,564

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (Cont'd)

(57) Supplementary information to the cash flow statement (Cont'd)

(b) Net increase/(decrease) in cash

	Six months ended 30 June	
	2020	2019
Cash at the end of the year	7,872,553,804	8,367,456,770
Less: Cash at the beginning of the year	(8,937,936,658)	(7,616,879,976)
Net increase/(decrease) in cash	<u>(1,065,382,854)</u>	<u>750,576,794</u>

(c) Cash and cash equivalents

	30 June 2020	31 December 2019
Cash on hand	<u>7,872,553,804</u>	<u>8,937,936,658</u>

(58) Monetary items denominated in foreign currency

	30 June 2020		
	Amounts denominated in foreign currencies	Translation exchange rate	Amounts in RMB
Other receivables - EUR	3,733	7.9610	<u>29,720</u>
Long-term borrowings - USD	491,131	7.0795	<u>3,476,963</u>
Other payables - USD	23,682,266	7.0795	167,658,599
EUR	3,309,512	7.9610	26,347,025
JPY	106,157,109	0.0658	<u>6,985,987</u>
			<u>200,991,611</u>

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

5 Interests in other entities

(1) Interests in subsidiaries

Structure of the enterprise group

Subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
JMCS	Nanchang, Jiangxi	Nanchang, Jiangxi	Retail, wholesale and lease of automobiles	100%	—	Set up by investment
JMCH	Taiyuan, Shanxi	Taiyuan, Shanxi	Manufacture and sales of automobiles	100%	—	Business combinations involving enterprises not under common control
SZFJ	Shenzhen, Guangdong	Shenzhen, Guangdong	Retail, wholesale and lease of automobiles	100%	—	Set up by investment
GZFJ	Guangzhou, Guangdong	Guangzhou, Guangdong	Retail, wholesale and lease of automobiles	100%	—	Set up by investment

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

5 Interests in other entities (Cont'd)

(2) Interests in associates

Summarised information of insignificant associates

	Six months ended 30 June	
	2020	2019
Aggregated carrying amount of investments	37,910,003	40,445,302
Aggregate of the following items in proportion		
Net profit (i)	(3,024,554)	333,625
Other comprehensive income (i)	-	-
Total comprehensive income	(3,024,554)	333,625

(i) The net profit and other comprehensive income have taken into account the impacts of both the fair value of the identifiable assets and liabilities upon the acquisition of investment in joint ventures and associates and the unification of accounting policies adopted by the joint ventures and the associates to those adopted by the Group.

6 Segment information

Revenue and profits of the Group mainly arise from production and domestic sales of automobiles, and the primary assets of the Group are all located in China. Management of the Group assesses the operating performance of the Group as a whole. Therefore, no segment report is prepared for the current year.

JIANGLING MOTORS CORPORATION, LTD.

**NOTES TO THE FINANCIAL STATEMENTS
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7 Related parties and related party transactions

(1) Information of main shareholders

(a) General information of main shareholders

	Type of enterprise	Place of registration	Legal representative	Nature of business	Code of organisation
JIC	State-owned enterprise	Nanchang, China	Qiu Tiangao	Investment and asset management	91360125MA38LUR91F
Ford Motor Company ("Ford")	Foreign enterprise	United States	William Clay Ford, Jr.	Manufacture and sales of automobiles	Not applicable

(b) Registered capital and changes in main shareholders

	31 December 2019	Increase in the current period	Decrease in the current period	30June 2020
	RMB			RMB
JIC	1,000,000,000	-	-	1,000,000,000
Ford	USD 41,000,000	-	-	USD 41,000,000

(c) The percentages of shareholding and voting rights in the Company held by main shareholders

	30June 2020		31 December 2019	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
JIC	41.03%	41.03%	41.03%	41.03%
Ford	32%	32%	32%	32%

(2) Information of the subsidiaries

The general information and other related information of the subsidiaries are set out in Note 5(1).

(3) Information of the associates

The information of associates that have related party transactions with the Group is set out in Note 5(2).

JIANGLING MOTORS CORPORATION, LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(4) Information of other related parties

	Relationship with the Group
JMCG	Shareholder of JIC
Chongqing Changan Automobile Co., Ltd.	Shareholder of JIC
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Subsidiary of JMCG
Jiangling Material Co., Ltd.	Subsidiary of JMCG
Jiangxi JMCG Industry Co., Ltd.	Subsidiary of JMCG
Nanchang Gear Co., Ltd.	Subsidiary of JMCG
Jiangxi Lingrui Recycling Resources Development Corporation	Subsidiary of JMCG
JMCG Property Management Co.	Subsidiary of JMCG
JMCG Jingma Motors Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Chassis Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Shishun Logistics Co., Ltd.	Subsidiary of JMCG
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Xinchun Auto Component Co., Ltd.	Subsidiary of JMCG
JMCF	Subsidiary of JMCG
Jingdezhen Shishun Logistics Co., Ltd.	Subsidiary of JMCG
Fuzhou Shishun Logistics Co., Ltd.	Subsidiary of JMCG
Ford Global Technologies, LLC	Subsidiary of Ford
Ford Motor (China) Co., Ltd.	Subsidiary of Ford
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Subsidiary of Ford
Ford Motor Co., Thailand Ltd.	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
Changan Ford Automobile Co., Ltd.	Joint venture of Ford
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Subsidiary of JMCG
Nanchang Lianda Machinery Co., Ltd.	Subsidiary of JMCG
Jiangling Aowei Automobile Spare Part Co., Ltd.	Subsidiary of JMCG
Jiangxi Biaohong Engine Tappet Co., Ltd.	Subsidiary of JMCG
Jiangxi JMCG boya brake system Co., Ltd	Subsidiary of JMCG
NC.Gear Forging Factory	Subsidiary of JMCG
Jiangxi JMCG Shangrao Industrial Co., Ltd.	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Frame Co., Ltd	Subsidiary of JMCG
Jiangling Motor Electricity Vehicle Sales Co., Ltd	Subsidiary of JMCG
Dali Wanfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Yunan Wanfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Beijing Beifang Changfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
China Changan Group Hefei Investing Co., Ltd.	Subsidiary of JIC's shareholder
Chongqing Anfu Vehicle Marketing Co., Ltd.	Subsidiary of JIC's shareholder
Guizhou Wanfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Chengdu Wanxing Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Chongqing Anbo Vehicle Sales Co., Ltd.	Subsidiary of JIC's shareholder
Beijing Baiwang Changfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Honghe Wanfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(4) Other related parties (Cont'd)

Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Joint venture of JMCG
Jiangxi Jiangling Lear Interior System Co., Ltd.	Joint venture of JMCG
Nanchang Unistar Electric & Electronics Co., Ltd.	Joint venture of JMCG
Nanchang Yinlun Heat-exchanger Co., Ltd.	Joint venture of JMCG
Jiangxi ISUZU Engine Co., Ltd.	Joint venture of JMCG
Jiangxi ISUZU Co., Ltd.	Joint venture of JMCG
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Associate of JMCG
GETRAG (Jiangxi) Transmission Company	Associate of JMCG
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	Associate of JMCG
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	Associate of JMCG
Jiangling Motor Holdings Co., Ltd.	Associate of JMCG
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Associate of JMCG
Nanchang Hengou Industry Co., Ltd.	Associate of JMCG
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Associate of JMCG
Jiangxi Jiangling Overseas Automobile Sales and Service Co., Ltd.	Associate of JMCG
Jiangxi Lingyun Automobile Industry Technology Co., Ltd.	Associate of JMCG
Jiujiang Fuwantong Vehicle Co., Ltd.	Subsidiary of JMCG
Jiangxi Fuxiang Vehicle Co., Ltd.	Subsidiary of JMCG
Yichun Xinfu Vehicle Co., Ltd.	Subsidiary of JMCG
Ji'an Qingyuan District Yongfuda Vehicle Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Group Health Science and Technology Co., Ltd.	Subsidiary of JMCG
Jiangling Motor Electricity Vehicle Co., Ltd.	Subsidiary of JMCG
Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	Subsidiary of JMCG

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions

(a) Purchase and sales of goods, provision and receipt of service

Purchase of goods:

Related parties	Nature of related party transactions	Six months ended 30 June	
		2020	2019
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Purchase of raw materials	405,185,757	356,064,379
Jiangxi JIANGLING Special Purpose Vehicle Co., Ltd.	Purchase of spare parts	383,892,896	360,406,734
Jiangxi JIANGLING Chassis Co., Ltd.	Purchase of spare parts	355,113,008	341,935,348
GETRAG (Jiangxi) Transmission Company	Purchase of spare parts	336,800,228	316,959,364
Ford	Purchase of spare parts	331,917,143	187,925,124
Nanchang JIANGLING HuaXiang Auto Components Co., Ltd.	Purchase of spare parts	272,438,364	341,795,713
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	Purchase of spare parts	211,129,621	95,763,670
Jiangxi JIANGLING Lear Interior System Co., Ltd.	Purchase of spare parts	203,467,840	255,708,959
Nanchang JMCG Shishun Logistics Co., Ltd.	Purchase of spare parts	180,731,669	86,295,892
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Purchase of spare parts	178,564,686	170,539,394
Nanchang Unistar Electric & Electronics Co., Ltd.	Purchase of spare parts	130,765,035	105,848,474
Hanon Systems	Purchase of spare parts	86,204,275	87,085,773
JMCG	Purchase of spare parts	71,583,876	53,907,443
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	Purchase of spare parts	45,571,842	50,766,740
Auto Alliance (Thailand) Co., Ltd.	Purchase of spare parts	45,263,124	11,702,847
Nanchang Lianda Machinery Co., Ltd.	Purchase of spare parts	32,528,800	30,230,608
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	Purchase of spare parts	32,436,589	33,619,724
Nanchang Yinlun Heat-exchanger Co., Ltd.	Purchase of spare parts	30,324,257	32,419,358
Ford Otomotiv Sanayi A.S.	Purchase of spare parts	25,895,662	12,312,393
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Purchase of spare parts	20,244,154	26,961,562
Jiangling Motor Holdings Co., Ltd.	Purchase of spare parts	19,423,653	20,879,223

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of service (Cont'd)

Purchase of goods (Cont'd):

	Nature of related party transactions	Six months ended 30 June	
		2020	2019
Related parties			
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Purchase of spare parts	18,057,702	12,366,281
Changan Ford Automobile Co., Ltd.	Purchase of spare parts	16,159,043	2,401,348
Jiangxi ISUZU Engine Co., Ltd.	Purchase of spare parts	11,670,041	7,415,880
Jiangling Material Co., Ltd.	Purchase of spare parts	10,789,819	13,022,298
Jiangling Aowei Automobile Spare Part Co., Ltd.	Purchase of spare parts	9,133,485	10,039,195
Nanchang JMCG Xincheng Auto Component Co., Ltd.	Purchase of spare parts	6,833,446	8,682,763
Jiangxi JMCG boya brake system Co., Ltd	Purchase of spare parts	6,169,098	2,113,558
Jiangxi Lingyun Automobile Industry Technology Co.,Ltd	Purchase of spare parts	5,462,414	-
Jiangxi Lingrui Recycling Resources Development Corporation	Purchase of spare parts	4,876,295	3,012,461
Nanchang Gear Co., Ltd.	Purchase of spare parts	3,700,664	5,921,454
Ford Motor Co. Thailand Ltd.	Purchase of spare parts	3,620,884	-
Jiangxi Biaohong Engine Tappet Co., Ltd.	Purchase of spare parts	3,475,864	3,133,788
NC.Gear Forging Factory	Purchase of spare parts	3,436,975	3,283,036
Jiangxi Jiangling Group Health Science and Technology Co., Ltd.	Purchase of epidemic prevention materials	2,214,000	-
Jiangxi JMCG Shangrao Industrial Co., Ltd.	Purchase of spare parts	1,383,417	1,458,728
Jiangxi JMCG Industry Co., Ltd.		270,582	5,746,130
Other related parties	Purchase of spare parts	180,104	151,666
		<u>3,506,916,312</u>	<u>3,057,877,308</u>

The products purchased by the Group from related parties are divided into two categories: purchase of imported parts and purchase of domestic parts.

- The pricing on imported parts purchased from Ford or its suppliers is based on the agreed price by both parties.
- The pricing on domestic accessories purchased from other related parties is determined through quotation, cost accounting, and negotiation between the two parties, and is adjusted regularly.

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of service (Cont'd)

Receipt of services:

Related parties	Nature of related party transactions	Six months ended 30 June	
		2020	2019
Nanchang JMCG Shishun Logistics Co., Ltd.	Truckage/Transportation	145,365,321	141,953,754
JMCG Jiangxi Engineering Construction Co., Ltd.	Engineering construction and maintenance fee	126,634,929	969,426
Ford	Engineering service and design	115,463,584	106,017,941
Ford Global Technologies, LLC	Royalty fee	111,064,126	110,123,099
Changan Ford Automobile Co., Ltd.	Service fee/Labor costs	26,903,713	58,387,301
Ford	Secondments costs	13,361,478	17,446,343
Ford Otomotiv Sanayi A.S.	Royalty fee	12,345,203	7,507,715
Jiangxi JMCG Industry Co., Ltd.	Working meal	10,620,614	12,668,922
Ford Motor (China) Co., Ltd.	Regional personnel costs	5,607,007	4,460,566
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Regional personnel costs	5,380,878	3,279,094
GETRAG (Jiangxi) Transmission Company	Design fee	4,551,480	460,005
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Promotion fee	4,099,057	160,377

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of service (Cont'd)

Receipt of services (Cont'd):

Related parties	Nature of related party transactions	Six months ended 30 June	
		2020	2019
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Agent business of importation	3,720,284	2,438,503
Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	Transportation and processing services	2,143,309	—
Ford Otomotiv Sanayi A.S.	Secondments costs	1,607,809	3,348,792
Chongqing Changan Automobile Co., Ltd.	Secondments costs	638,559	-
Jiangling Motor Holdings Co., Ltd.	Labor costs /Secondments costs	100,700	6,978,676
Nanchang Hengou Industry Co., Ltd.	Packing/Truckage	-	12,062,788
Ford Otomotiv Sanayi A.S.	Engineering service and design	-	25,936,605
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Promotion fee	-	2,901,526
Other related parties		3,543,314	2,275,448
		<u>593,151,365</u>	<u>519,376,881</u>

The Group's pricing on services received from related parties is based on the agreed price by both parties.

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of service (Cont'd)

Sales of goods:

Related parties	Nature of related party transactions	Six months ended 30 June	
		2020	2019
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Sales of automobiles and accessories	515,648,431	474,714,048
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Sales of automobiles	247,784,771	63,909,306
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Sales of automobiles and accessories	116,257,012	12,666,706
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Sales of automobiles and accessories, utilities	99,880,081	9,065,509
Jiangxi Lingrui Recycling Resources Development Corporation	Scrapping materials and utilities	37,417,132	36,017,577
Jiangxi Jiangling Chassis Co., Ltd.	Sales of automobiles	25,066,364	23,932,221
Dali Wanfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	22,654,665	-
JMCG Jingma Motors Co., Ltd.	Sales of automobiles and accessories	21,175,865	20,101,266
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Sales of accessories	20,393,560	17,109,318
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Sales of automobiles	19,430,202	41,557,246
Nanchang JMCG Shishun Logistics Co., Ltd.	Sales of automobiles and accessories	11,258,826	4,499,315
Guizhou Wanfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	11,046,682	-
China Changan Group Hefei Investing Co., Ltd.	Sales of automobiles and accessories	8,700,430	-
Jiujiang Fuwantong Vehicle Co., Ltd.	Sales of automobiles and accessories	8,476,498	-
Beijing Beifang Changfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	8,291,761	-
Chongqing Anfu Vehicle Marketing Co., Ltd.	Sales of automobiles and accessories	5,983,015	-
Chongqing Anbo Vehicle Sales Co., Ltd.	Sales of automobiles and accessories	5,520,116	-
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Sales of accessories	3,933,437	3,385,165
Chengdu Wanxing Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	3,839,113	-
Nanchang Hengou Industry Co., Ltd.	Sales of accessories	3,794,800	4,245,457

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(a) Purchase and sales of goods, provision and receipt of service (Cont'd)

Sales of goods (Cont'd):

	Nature of related party transactions	Six months ended 30 June	
		2020	2019
Related parties			
Yunan Wanfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	3,000,142	-
Jingdezhen Shishun Logistics Co., Ltd.	Sales of automobiles	2,389,380	-
Jiangxi Jiangling Lear Interior System Co., Ltd.	Sales of accessories	2,349,992	1,722,622
Jiangxi Fuxiang Vehicle Co., Ltd.	Sales of automobiles and accessories, utilities	1,962,208	-
Honghe Wanfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	1,553,651	-
Jiangxi JMCG Industry Co., Ltd.	Sales of accessories and scrapping materials, utilities	1,532,473	2,302,598
Ji'an Qingyuan District Yongfuda Vehicle Co., Ltd.	Sales of automobiles and accessories	1,404,914	-
Beijing Baiwang Changfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	1,312,986	-
Yichun Xinfu Vehicle Co., Ltd.	Sales of automobiles and accessories	1,178,868	-
Jiangxi Jiangling Overseas Automobile Sales and Service Co., Ltd.	Sales of automobiles and accessories	911,369	4,341,320
Nanchang Lianda Machinery Co., Ltd.	Sales of accessories	273,615	1,025,899
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd. i)	Sales of automobiles	—	7,639,660
Other related parties		2,908,251	1,612,130
		<u>1,217,330,610</u>	<u>729,847,363</u>

i) In July 2019, due to the change of equity, Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd. was no longer a related party of the Group.

The Group's pricing on goods sold to related parties is based on the agreed price by both parties.

JIANGLING MOTORS CORPORATION, LTD.

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(b) Leases

(i) The Group as the lessor:

Name of the lessee	Type of the leased asset	Lease income recognised in	Lease income recognised in
		six months ended 30 June 2020	six months ended 30 June 2019
Jiangxi ISUZU Co., Ltd.	Buildings	53,411	-
GETRAG (Jiangxi) Transmission Company	Buildings	-	7,494
Jiangling Motor Holdings Co., Ltd.	Buildings	-	3,160
		<u>53,411</u>	<u>10,654</u>

(ii) Interest expenses on lease liabilities in the current period with the Group as the lessee:

	Six months ended 30 June	
	2020	2019
JMCG	305,570	-
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	41,038	-
	<u>346,608</u>	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(c) Guarantee received

Guarantor	Guaranteed amount	Starting date	Ending date	Fully performed or not
Jiangling Motor Group Finance Company ("JMCF")	3,476,963	5 March 2001	30 October 2029	Not fully performed

2020 first half-year, JMCF provided guarantees for some bank borrowings of the Group, with a maximum guarantee limit of USD 2,282,123. As at 30 June 2020, JMCF provided borrowing guarantee to the bank borrowing of USD 491,131, equivalent to RMB 3,476,963 (31 December 2019: USD 523,873, equivalent to RMB 3,654,644) guaranteed by the Group.

(d) Transfer of assets

	Nature of related party transactions	Six months ended 30 June	
		2020	2019
Related parties			
Jiangxi JMCG Industry Co., Ltd.	Sales of fixed assets	1,447	402
Nanchang JMCG Shishun Logistics Co., Ltd.	Sales of fixed assets	-	298,982
		<u>1,447</u>	<u>299,384</u>

The pricing on transfer of assets between the Group and related parties is based on the agreed price by both parties.

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**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

(e) Purchase of assets

Related parties	Nature of related party transactions	Six months ended 30 June	
		2020	2019
GETRAG (Jiangxi) Transmission Company Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Purchase of fixed assets	3,480,000	-
Jiangling Motor Holdings Co., Ltd.	Purchase of fixed assets	1,370,067	-
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Purchase of fixed assets	337,660	-
	Purchase of fixed assets	-	6,336,960
		<u>5,187,727</u>	<u>6,336,960</u>

The pricing on purchase of assets between the Group and related parties is based on the agreed price by both parties.

(f) Provision of technology sharing

Related parties	Nature of related party transactions	Six months ended 30 June	
		2020	2019
Ford Vietnam Limited	Technical service	11,123,000	2,874,000
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Technical service	8,290,000	-
Ford	Technical service	6,974,000	28,810,000
		<u>26,387,000</u>	<u>31,684,000</u>

The Group's pricing on technology sharing provided to related parties is based on the agreed price by both parties.

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7 Related parties and related party transactions (Cont'd)

(5) Related party transactions (Cont'd)

	<u>Six months ended 30 June</u>	
(g) Purchase of fuel consumption integral		
Related party	2020	2019
Jiangling Motor Electricity Vehicle Co., Ltd.		
	<u>23,315,612</u>	<u>-</u>

The Group's pricing on fuel consumption integral purchased from JMHE is based on the agreed price by both parties.

(h) Remuneration of key management

	2020	2019
Remuneration of key management	<u>6,783,165</u>	<u>6,361,409</u>

(i) Interest income

	2020	2019
Jiangling Motor Group Finance Company ("JMCF")	<u>8,942,382</u>	<u>6,771,234</u>

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties

Receivables from related parties:

	30June 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Accounts receivable				
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	485,135,536	(1,090,986)	272,986,397	(712,320)
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	76,245,326	(99,119)	19,328,984	(9,664)
Jiangxi Jiangling Chassis Co., Ltd.	14,051,875	(42,156)	13,054,052	(39,162)
Ford Vietnam Limited	11,123,000	(55,615)	5,980,000	(29,900)
JMCG Jingma Motors Co., Ltd.	10,916,815	(32,750)	5,563,310	(16,690)
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	6,742,249	(8,765)	-	-
Nanchang JMCG Liancheng Auto Component Co., Ltd.	5,867,879	(17,604)	12,767,031	(38,301)
Nanchang JMCG Frame Co., Ltd	5,574,403	(278,720)	5,574,403	(16,723)
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	3,364,388	(10,093)	2,131,677	(6,395)
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	2,438,000	(12,190)	9,529,400	(47,647)
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	2,160,598	(6,482)	2,128,387	(6,385)
Jiangxi Jiangling Lear Interior System Co., Ltd.	1,342,818	(4,028)	1,082,578	(3,248)
Jiangxi JMCG Specialty Vehicles Co., Ltd.	747,727	(2,243)	58,148,451	(30,290)
Ford	320,000	(1,600)	21,554,000	(107,770)
Nanchang JMCG Shishun Logistics Co., Ltd.	-	-	6,279,155	(178,666)
Jiangling Motor Electricity Vehicle Sales Co.,Ltd	-	-	5,961,020	(374,352)
Other related parties	2,564,363	(10,090)	1,357,184	(7,984)
	<u>628,594,977</u>	<u>(1,672,441)</u>	<u>443,426,029</u>	<u>(1,625,497)</u>

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

Receivables from related parties (Cont'd):

	30June 2020		31 December 2019	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Other receivables				
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	35,029,720	(106,189)	35,208,392	(106,725)
Other related parties	540,498	(1,621)	41,481	(125)
	<u>35,570,218</u>	<u>(107,810)</u>	<u>35,249,873</u>	<u>(106,850)</u>

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7 Related parties and related party transactions (Cont'd)**(6) Receivables from and payables to related parties (Cont'd)**

Receivables from related parties (Cont'd):

		30June 2020	31 December 2019
Advances to suppliers	Nanchang Baojiang Steel Processing Distribution Co., Ltd.	503,623,198	492,604,607
	Ford Otomotiv Sanayi A.S.	1,839,838	-
		<u>505,463,036</u>	<u>492,604,607</u>
Receivables financing	Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	717,942	17,148,451
	JMCG Jingma Motors Co., Ltd.	-	32,000,000
		<u>717,942</u>	<u>49,148,451</u>
Cash at bank	Jiangling Motor Group Finance Company ("JMCF")	<u>618,877,485</u>	<u>967,750,294</u>

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

Payables to related parties:

	30 June 2020	31 December 2019
Accounts payable		
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	448,855,710	468,877,821
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	350,666,967	269,635,441
Jiangxi Jiangling Chassis Co., Ltd.	328,068,328	247,903,618
Jiangxi Jiangling Lear Interior System Co., Ltd.	307,780,416	275,328,167
GETRAG (Jiangxi) Transmission Company Ford	241,059,134	241,934,120
Nanchang JMCG Shishun Logistics Co., Ltd.	198,530,541	145,686,393
Nanchang JMCG Liancheng Auto Component Co., Ltd.	131,317,801	135,343,920
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	130,713,541	133,716,243
Hanon Systems	117,075,030	127,516,031
Nanchang Unistar Electric & Electronics Co., Ltd.	93,271,572	86,208,726
JMCG	86,484,570	81,834,768
Changan Ford Automobile Co., Ltd.	77,184,767	41,122,001
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	65,230,878	57,562,568
Nanchang Yinlun Heat-exchanger Co., Ltd.	47,994,084	38,644,169
Jiangxi JMCG Specialty Vehicles Co., Ltd.	26,386,239	23,001,840
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	26,049,713	20,671,039
Nanchang Lianda Machinery Co., Ltd.	25,569,213	22,458,920
Auto Alliance (Thailand) Co., Ltd.	25,394,841	20,459,811
Jiangxi ISUZU Engine Co., Ltd.	18,305,158	797,030
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	17,627,677	5,957,636
Jiangling Motor Holdings Co., Ltd.	16,772,072	8,983,517
Jiangling Aowei Automobile Spare Part Co., Ltd.	15,057,395	23,805,405
Jiangxi JMCG boya brake system Co., Ltd.	8,571,868	14,676,461
Nanchang JMCG Xincheng Auto Component Co., Ltd.	6,527,242	2,917,900
Jiangxi Lingrui Recycling Resources Development Corporation	6,422,296	3,207,475
Jiangxi Lingyun Automobile Industry Technology Co., Ltd.	4,679,241	5,037,812
NC.Gear Forging Factory	4,133,996	5,019,020
Ford Otomotiv Sanayi A.S.	3,753,048	11,566
Nanchang Gear Co., Ltd.	2,980,941	5,715,771
Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	2,605,245	2,600,649
Jiangxi Biaohong Engine Tappet Co., Ltd.	2,143,309	-
Jiangling Material Co., Ltd.	2,089,092	1,982,683
Jiangxi JMCG Shangrao Industrial Co., Ltd.	1,578,752	1,505,272
Jiangxi JMCG Industry Co., Ltd.	1,563,223	1,139,163
Ford Motor Co., Thailand Ltd.	423,031	9,408,467
	615,725	-
	<u>2,843,482,656</u>	<u>2,530,671,423</u>

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

Payables to related parties (Cont'd):

	30June 2020	31 December 2019
Other payables		
Ford	99,756,238	188,389,590
Ford Global Technologies,LLC	62,971,290	67,275,297
Ford Otomotiv Sanayi A.S.	31,272,061	47,911,656
Jiangling Motor Electricity Vehicle Co., Ltd.	23,315,612	-
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	22,730,921	25,676,673
GETRAG (Jiangxi) Transmission Company	19,957,494	13,132,392
Changan Ford Automobile Co., Ltd.	15,169,355	26,537,316
Nanchang JMCG Shishun Logistics Co., Ltd.	9,394,565	6,916,458
JMCG Jiangxi Engineering Construction Co., Ltd.	8,763,829	10,407,756
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	7,471,471	7,616,969
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	6,786,002	6,983,776
JMCG	2,103,538	-
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	2,087,023	2,087,023
Jiangxi JMCG Industry Co., Ltd.	1,890,241	2,502,826
Jiangxi Jiangling Group Health Science and Technology Co., Ltd.	1,890,000	-
Ford Motor (China) Co., Ltd.	1,864,234	3,325,531
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	1,836,416	2,518,692
Jiangxi JMCG Specialty Vehicles Co., Ltd.	1,461,613	-
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	1,412,743	4,064,490
Nanchang Unistar Electric & Electronics Co., Ltd.	1,258,872	1,326,940
Jiangxi Jiangling Lear Interior System Co., Ltd.	1,225,170	1,207,000
Hanon Systems	755,000	4,362,412
Chongqing Changan Automobile Co., Ltd.	638,559	-
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	608,955	1,779,455
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	181,739	1,061,739
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	100,000	22,080,240
Other related parties	1,889,067	2,595,805
	<u>328,792,008</u>	<u>449,760,036</u>

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7 Related parties and related party transactions (Cont'd)

(6) Receivables from and payables to related parties (Cont'd)

Payables to related parties (Cont'd):

Contract liabilities	30June 2020	31 December 2019
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	-	2,681,847
Yunan Wanfu Vehicle Sales & Service Co., Ltd.	241,652	1,213,244
Other related parties	<u>1,852,667</u>	<u>918,571</u>
	<u>2,094,319</u>	<u>4,813,662</u>
Lease liabilities		
JMCG	10,874,815	12,672,782
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	<u>1,187,433</u>	<u>2,343,048</u>
	<u>12,062,248</u>	<u>15,015,830</u>

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(All amounts in RMB Yuan unless otherwise stated)

7 Related parties and related party transactions (Cont'd)

(7) Commitments in relation to related parties

Capital expenditure commitments	30 June 2020	31 December 2019
JMCG Jiangxi Engineering Construction Co., Ltd.	<u>563,684,390</u>	<u>23,174,665</u>

Guarantee of commitments in relation to related parties is set out in (Note 7(5)(c)).

8 Contingencies

As at 30 June 2020, the Group had no contingencies that needed to be accounted for in the notes to the financial statements.

9 Commitments

Capital commitments

Capital expenditures contracted for by the Group but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	30 June 2020	31 December 2019
Buildings, machinery and equipment	<u>1,220,164,000</u>	<u>701,817,000</u>

10 Events after the balance sheet date

Evaluation of the impact on the outbreak of Coronavirus Disease.

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in January 2020, a series of precautionary and control measures have continued to be implemented across the country. The Group will continue to earnestly implement the guaranteed supply for key medical materials for epidemic prevention and control, and support epidemic prevention and control work.

The epidemic has certain impacts on enterprise operation of some provinces and cities such as Hubei province and certain industries as well as overall economic operation. Thus, it is probable that the epidemic may affect the risk of the Group’s financial instruments or operating performance to a certain extent. The degree of impact depends on the situation and duration of epidemic prevention and control, and various regulation and control measures implemented.

The Group will continually pay close attention to the development of the epidemic, evaluate and actively respond to its impacts on the Company’s financial position and operating results. As at the date on which the financial statements were authorised for issue, the assessment work was still under progress and no material adverse effects had been identified.

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11 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The above financial risks and the Group's risk management policies to mitigate the risks are as follows:

The Board of Directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies, and supervising the implementation of risk management measures. The Group has established risk management policies to identify and analyse the risks faced by the Group. These risk management policies specify the risks such as market risk, credit risk and liquidity risk management. The Group regularly evaluates the market environment and changes in the Group's operating activities to determine whether to update the risk management policies or not. The Group's risk management is carried out under policies approved by the Board of Directors. The business departments of the Group work closely to identify and evaluate related risks, and determine countermeasures with management to avoid or reduce the adverse impact of the related risks on the Company. The internal audit department of the Group conducts periodical audit to the controls and procedures for risk management and reports the audit results to the Risk Management Committee of the Group.

- (1) Market risk
(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to USD. The Group monitors the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. Therefore, the Group can consider entering into forward exchange contracts to mitigate the foreign exchange risk (Note 4(3)).

The financial assets and the financial liabilities denominated in foreign currencies, which were held by the Company and the subsidiaries of the Group, whose recording currencies were RMB, were expressed in RMB as at 30 June 2020 and 31 December 2019 as follows:

	30 June 2020			Total
	USD	EUR	Others	
Financial assets denominated in foreign currency - Derivative financial assets	1,475,752	-	-	1,475,752
Other receivables	-	29,720	-	29,720
	<u>1,475,752</u>	<u>29,720</u>	<u>-</u>	<u>1,505,472</u>
Financial liabilities denominated in foreign currency - Current portion of long-term borrowings	463,595	-	-	463,595
Long-term borrowings	3,013,368	-	-	3,013,368
Other payables	167,658,599	26,347,025	6,985,987	200,991,611
	<u>171,135,562</u>	<u>26,347,025</u>	<u>6,985,987</u>	<u>204,468,574</u>

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11 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

	31 December 2019			Total
	USD	EUR	Others	
Financial assets denominated in foreign currency - Other receivables	-	29,722	-	29,722
Financial liabilities denominated in foreign currency - Derivative financial liabilities	545,632	-	-	545,632
Current portion of long-term borrowings	456,830	-	-	456,830
Long-term borrowings	3,197,814	-	-	3,197,814
Other payables	260,962,447	42,659,103	5,574,005	309,195,555
	<u>265,162,723</u>	<u>42,659,103</u>	<u>5,574,005</u>	<u>313,395,831</u>

As at 30 June 2020, if the RMB had strengthened/weakened by 10% against the USD while all other variables had been held constant, the Group's net profit would have been approximately RMB 14,436,603 (31 December 2019: approximately RMB 22,553,091) higher/lower for the financial assets and liabilities dominated in foreign currencies whose recording currency is RMB; if the RMB had strengthened/weakened by 10% against the EUR while all other variables had been held constant, the Group's net profit would have been approximately RMB 2,297,312 higher/lower (31 December 2019: approximately RMB 4,000,039).

(b) Interest rate risk

The Group's revenue and operating cash flows are hardly affected by the fluctuation of the market interest rate. As at 30 June 2020, interest of most of the Group's cash at bank was accrued at floating rate; interest of all bank borrowings was accrued at fixed rate. The Group does not take any measure to hedge interest risk at present.

As at 30 June 2020, if the interest rate of the Group's cash at bank increased or decreased by 10% while all other circumstances had been held constant, the Group's net profit for the year would have been approximately RMB 7,543,808 higher/lower (31 December 2019: approximately RMB 16,235,358).

As at 30 June 2020 and 31 December 2019, the fair value of the Group's cash at bank accrued at fixed rate was a reasonable approximation of its carrying amount.

JIANGLING MOTORS CORPORATION, LTD.

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11 Financial instrument and risk (Cont'd)

(2) Credit risk

Credit risk mainly arises from cash at bank and on hand, notes receivable, accounts receivable, receivables financing, other receivables, and derivative financial assets at fair value through profit or loss that are not included in the impairment assessment scope. The carrying amount of the Group's financial assets reflects its maximum credit exposure on the balance sheet date.

The Group expects that there is no significant credit risk associated with cash at bank and on hand since they are deposited at state-owned banks and other medium or large size listed banks with good reputation and high credit rating. The Group does not expect that there will be significant losses from non-performance by these banks.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable, receivables financing and other receivables. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

As at 30 June 2020, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows :

	30 June 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Short-term borrowings					
- Principal	1,300,000,000	-	-	-	1,300,000,000
- Interest	15,312,083	-	-	-	15,312,083
Notes payable	71,901,506	-	-	-	71,901,506
Accounts payable	8,735,960,426	-	-	-	8,735,960,426
Other payables	3,983,922,576	-	-	-	3,983,922,576
Lease liabilities	10,115,277	7,152,848	11,986,666	-	29,254,791
Long-term borrowings					
- Principal	463,595	463,595	1,390,785	1,158,988	3,476,963
- Interest	50,416	43,462	88,663	26,077	208,618
	<u>14,117,725,879</u>	<u>7,659,905</u>	<u>13,466,114</u>	<u>1,185,065</u>	<u>14,140,036,963</u>

JIANGLING MOTORS CORPORATION, LTD.**NOTES TO THE FINANCIAL STATEMENTS
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11 Financial instrument and risk (Cont'd)**(3) Liquidity risk (Cont'd)**

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Derivative financial liabilities	545,632	-	-	-	545,632
Notes payable	31,400,000	-	-	-	31,400,000
Accounts payable	8,116,169,589	-	-	-	8,116,169,589
Other payables	4,145,266,838	-	-	-	4,145,266,838
Lease liabilities	13,386,576	6,987,287	15,604,965	-	35,978,828
Long-term borrowings					
- Principal	456,830	456,830	1,370,492	1,370,492	3,654,644
- Interest	53,107	46,254	97,648	35,975	232,984
	<u>12,307,278,572</u>	<u>7,490,371</u>	<u>17,073,105</u>	<u>1,406,467</u>	<u>12,333,248,515</u>

12 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

JIANGLING MOTORS CORPORATION, LTD.

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12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis

As at 30 June 2020, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Derivative financial	-	1,475,752	-	1,475,752
Financial assets held for trading			2,725,990,657	2,725,990,657
Receivables financing	-	-	270,951,837	270,951,837
	<u>-</u>	<u>1,475,752</u>	<u>2,996,942,494</u>	<u>2,998,418,246</u>

As at 30 June 2020, the Group had no liabilities measured at fair value:

As at 31 December 2019, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Receivables financing	-	-	289,044,373	289,044,373
	<u>-</u>	<u>-</u>	<u>289,044,373</u>	<u>289,044,373</u>

As at 31 December 2019, the liabilities measured at fair value on a recurring basis by the above three levels were analysed below.

	Level 1	Level 2	Level 3	Total
Financial liabilities -				
Derivative financial liabilities	-	545,632	-	545,632
	<u>-</u>	<u>545,632</u>	<u>-</u>	<u>545,632</u>

The Group takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between Level 1 and Level 2 for the current year.

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate and exchange rate.

JIANGLING MOTORS CORPORATION, LTD.

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(All amounts in RMB Yuan unless otherwise stated)

12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

The changes in Level 3 financial assets are analysed below:

	31 December 2019	Increase	Decrease	Transfer into Level 3	Transfer out of Level 3	30 June 2020	Gains recognised in profit or loss (a)	Changes in unrealised gains or losses included in profit or loss for the current period with respect to assets still held as at 30 June 2020 - gains or losses arising from changes in fair value
Financial assets								
Financial assets held for trading - Structural deposits	-	9,189,000,000	(6,471,000,000)	-	-	2,718,000,000	32,619,541	7,990,657
Receivables financing - Notes receivable	289,044,373	328,944,967	(347,037,503)	-	-	270,951,837	-	-
Total assets	289,044,373	9,517,944,967	(6,818,037,503)	-	-	2,988,951,837	32,619,541	7,990,657

(a) Gains recognised in profit or loss is recognised in investment income in the income statement.

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12 Fair value estimates (Cont'd)

(1) Assets and liabilities measured at fair value on a recurring basis (Cont'd)

The changes in Level 3 financial assets are analysed below:

	31 December 2018	Increase	Decrease	Transfer into Level 3	Transfer out of Level 3	31 December 2019	Gains recognised in profit or loss (a)	Changes in unrealised gains or losses included in profit or loss for the current year with respect to assets still held as at 31 December 2019 - gains or losses arising from changes in fair value
Financial assets								
Financial assets held for trading -								
Monetary fund	-	3,300,000,000	(3,300,000,000)	-	-	-	5,739,140	-
Structural deposits	-	5,900,000,000	(5,900,000,000)	-	-	-	41,646,567	-
Other current assets -								
Notes receivable	6,246,244	1,654,757,442	(1,371,959,313)	-	-	289,044,373	-	-
Total assets	6,246,244	10,854,757,442	(10,571,959,313)	-	-	289,044,373	47,385,707	-

(a) Gains recognised in profit or loss for the current period has been recognised in investment income in the income statement.

JIANGLING MOTORS CORPORATION, LTD.

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12 Fair value estimates (Cont'd)

(2) Assets measured at fair value on a non-recurring basis

As at 30 June 2020 and 31 December 2019, the Group did not have assets measured at fair value on a non-recurring basis.

(3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include notes receivable, accounts receivable, other receivables, payables and long-term borrowings, etc.

The carrying amount of the Group's financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

The fair value of long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.

13 Capital management

The Group's capital management policies aim 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, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as "shareholders' equity" as shown in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of equity ratio.

As at 30 June 2020 and 31 December 2019, the Group's equity ratio was as follows:

	30 June 2020	31 December 2019
Total borrowings	1,303,476,963	3,654,644
Total equities	10,643,910,583	10,496,563,781
	<u>11,947,387,546</u>	<u>10,500,218,425</u>
Equity ratio	<u>10.91%</u>	<u>0.03%</u>

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14 Notes to the Company's financial statements

(1) Accounts receivable

	30 June 2020	31 December 2019
Accounts receivable	1,260,745,851	980,998,110
Less: Provision for bad debts	<u>(177,082,301)</u>	<u>(115,069,813)</u>
	<u>1,083,663,550</u>	<u>865,928,297</u>

(a) The aging of accounts receivable is analysed as follows:

	30 June 2020	31 December 2019
Within 1 year	782,355,884	489,899,574
1 to 2 years	475,240,745	490,230,937
2 to 3 years	<u>3,149,222</u>	<u>867,599</u>
	<u>1,260,745,851</u>	<u>980,998,110</u>

(b) As at 30 June 2020, the five largest accounts receivable were analysed by debtors as follows:

	Balance	Amount of provision for bad debts	% of total balance
Company 1	477,414,335	(1,060,063)	37.87%
Company 2	167,183,588	-	13.26%
Company 3	81,020,000	(81,020,000)	6.43%
Company 4	75,716,600	(98,432)	6.01%
Company 5	<u>26,016,000</u>	<u>(33,821)</u>	<u>2.06%</u>
	<u>827,350,523</u>	<u>(82,212,316)</u>	<u>65.63%</u>

(c) Provision for bad debts

For accounts receivable, irrespective of whether a significant financing component exists, the Company measures the loss provision according to the lifetime expected credit losses.

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13 Notes to the Company's financial statements (Cont'd)

(1) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(i) Accounts receivable for which provision for bad debts is made on the individual basis are analysed as follows:

	30 June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Provision for bad debts
Receivables from related parties within the Group i)	184,202,828	-	-
Accounts receivable for automobiles ii)	81,020,000	100%	(81,020,000)
New energy subsidies receivable iii)	84,903,126	100%	(84,903,126)
	<u>350,125,954</u>		<u>(165,923,126)</u>
	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Provision for bad debts
Receivables from related parties within the Group i)	179,138,311	-	-
Accounts receivable for automobiles ii)	81,020,000	100%	(81,020,000)
New energy subsidies receivable iii)	20,410,500	100%	(20,410,500)
	<u>280,568,811</u>		<u>(101,430,500)</u>

i) As at 30 June 2020, the Company's accounts receivable from subsidiaries JMCH, SZFJ and GZPJ were RMB 14,132,531, RMB 167,183,587 and RMB 2,886,710 respectively, totalling RMB 184,202,828. The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on the accounts receivable from subsidiaries, and there is no overdue or impairment.

As at 31 December 2019, the Company's accounts receivable from subsidiaries JMCH and SZFJ were RMB 10,847,413 and RMB 168,290,898 respectively, totalling RMB 179,138,311. The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on the accounts receivable from subsidiaries, and there is no overdue or impairment.

ii) As at 30 June 2020, since these companies in debts were involved in several legal proceedings, the Company considered that it was difficult to recover such receivables, so related provision for bad debts was made in full amount.

iii) As at 30 June 2020, state subsidies for new energy automobiles receivable amounted to RMB 84,903,126. Since the estimated mileage of such new energy automobiles may not meet the target within two years, the Company considered it was difficult to recover the state subsidies, so related provision for bad debts was made in full amount.

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14 Notes to the Company's financial statements (Cont'd)

(1) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows:

Grouping - Sales of general automobiles:

	30 June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	490,454,337	0.13%	(642,250)
Overdue for 1 to 30 days	395,139	0.13%	(517)
	<u>490,849,476</u>		<u>(642,767)</u>

	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	<u>52,890,945</u>	0.05%	<u>(25,599)</u>

Grouping - Sales of new energy automobiles:

	30 June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	<u>156,460,813</u>	5.77%	<u>(9,023,417)</u>

	31 December 2019		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	<u>252,014,858</u>	4.86%	<u>(12,256,229)</u>

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(All amounts in RMB Yuan unless otherwise stated)

14 Notes to the Company's financial statements (Cont'd)

(1) Accounts receivable (Cont'd)

(c) Provision for bad debts (Cont'd)

(ii) Accounts receivable for which provision for bad debts is made on the grouping basis are analysed as follows (Cont'd):

Grouping - spare parts:

	30 June 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	150,821,834	0.30%	(452,466)
Overdue for 1 to 30 days	77,138,981	0.30%	(231,417)
Overdue for 31 to 60 days	17,688,642	0.50%	(88,443)
Overdue for 61 to 90 days	3,689,604	0.60%	(22,138)
Overdue over 90 days	13,970,547	5.00%	(698,527)
	<u>263,309,608</u>		<u>(1,492,991)</u>
		31 December 2019	
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	357,250,172	0.30%	(1,071,751)
Overdue for 1 to 30 days	28,373,832	0.30%	(85,122)
Overdue for 31 to 60 days	3,849,541	0.50%	(19,248)
Overdue for 61 to 90 days	2,752,993	0.60%	(16,518)
Overdue over 90 days	3,296,958	5.00%	(164,846)
	<u>395,523,496</u>		<u>(1,357,485)</u>

(iii) The provision for bad debts for the year amounted to RMB 64,492,626 and reversed the provision for bad debts RMB 2,480,138.

(d) In these six months ended 30 June 2020, no accounts receivable had been written off.

(e) As at 30 June 2020 and 31 December 2019, the Company did not have accounts receivable that were pledged.

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**NOTES TO THE FINANCIAL STATEMENTS
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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables

	30 June 2020	31 December 2019
Receivables from JMCH	3,182,043,677	3,023,189,184
Import working capital advances	35,000,000	35,000,000
Interest receivable from cash at bank	28,851,270	30,719,215
Deposits receivable	5,409,600	7,192,773
Advances for research and development projects	1,014,184	2,109,522
Reserves receivable	385,973	959,945
Others	15,233,214	19,385,731
	<u>3,267,937,918</u>	<u>3,118,556,370</u>
Less: Provision for bad debts	<u>(189,179)</u>	<u>(238,665)</u>
	<u>3,267,748,739</u>	<u>3,118,317,705</u>

(a) The aging of other receivables is analysed as follows:

	30 June 2020	31 December 2019
Within 1 year	3,186,165,678	3,043,832,479
1 to 2 years	18,044,507	16,684,253
2 to 3 years	14,258,459	13,253,240
Over 3 years	49,469,274	44,786,398
	<u>3,267,937,918</u>	<u>3,118,556,370</u>

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements

	Stage 1					Stage 3		Total
	Expected credit losses in the following 12 months (grouping)		Expected credit losses in the following 12 months (individual)		Sub-total Provision for bad debts	Lifetime ECL (Credit impaired)		
	Book balance	Provision for bad debts	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
31 December 2019	94,158,526	(190,319)	3,023,189,184	-	(190,319)	1,208,660	(48,346)	(238,665)
Increase in the current period	—	-	—	-	-	—	-	-
Reversal in the current period	—	20,522	—	-	20,522	—	28,964	49,486
Write-off in the current period	—	-	—	-	-	—	-	-
Including: Charge-off in the current period	—	-	—	-	-	—	-	-
Derecognition	—	-	—	-	-	—	-	-
30 June 2020	85,450,202	(169,797)	3,182,043,677	-	(169,797)	444,039	(19,382)	(189,179)

As at 30 June 2020, the Group had no other receivables transferred from Stage 1 to Stage 3, and no other receivables reversed from Stage 3 to Stage 1.

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements (Cont'd)

As at 30 June 2020 and 31 December 2019, the Company did not have any other receivables at Stage 2. Other receivables at Stage 1 and Stage 3 were analysed below:

(i) As at 30 June 2020 and 31 December 2019, provision for bad debts of other receivables on individual basis was analysed as follows:

		30 June 2020		
Stage 1	Book balance	12-month ECL (%)	Provision for bad debts	Reason
Receivables from JMCH	<u>3,182,043,677</u>	-	<u>-</u>	i)

		31 December 2019		
Stage 1	Book balance	12-month ECL (%)	Provision for bad debts	Reason
Receivables from JMCH	<u>3,023,189,184</u>	-	<u>-</u>	i)

i) As at 30 June 2020, the Company's other receivables from subsidiary JMCH were RMB 3,182,043,677 (31 December 2019: RMB 3,023,189,184). The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on the accounts receivable from subsidiaries, and there is no overdue or impairment.

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(b) Provision for losses and changes in book balance statements (Cont'd)

(ii) As at 30 June 2020 and 31 December 2019, the Company's other receivables with provision for bad debts on grouping basis were analysed below:

Other receivables with provision on the grouping basis at Stage 1:

	30 June 2020			31 December 2019		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	%	Amount	Amount	%	Amount
Grouping of interest receivable from cash at bank i):						
Within 1 year	28,851,270	-	-	30,719,215	-	-
Grouping of operating advances and guarantees:						
Within 1 year	<u>56,598,932</u>	0.30%	<u>(169,797)</u>	<u>63,439,311</u>	0.30%	<u>(190,319)</u>
	<u>85,450,202</u>		<u>(169,797)</u>	<u>94,158,526</u>		<u>(190,319)</u>

i) As at 30 June 2020 and 31 December 2019, the Company's interest receivable from cash at bank mainly came from four major state-owned banks or national joint stock banks. Therefore, the Company expected there was no significant loss on related interest receivable from non-performance by these banks.

Other receivables with provision on the grouping basis at Stage 3:

	30 June 2020			31 December 2019		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	%	Amount	Amount	%	Amount
Grouping of operating advances and guarantees:						
Over 1 year	<u>444,039</u>	4.36%	<u>(19,382)</u>	<u>1,208,660</u>	4.00%	<u>(48,346)</u>

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14 Notes to the Company's financial statements (Cont'd)

(2) Other receivables (Cont'd)

(c) In the six months ended 30 June 2020, the Company did not increase any provision for bad debts. The provision for bad debts reversed amounted to RMB 49,486. The reversal in the current period was due to the actual receipt of other receivables relating to the provision for bad debts made in the prior period.

(d) In the six months ended 30 June 2020, no other receivables had been written off.

(e) As at 30 June 2020, other receivables from top five debtors in respect of outstanding balance were analysed as follows:

	Nature	Balance	Aging	% of total balance	Provision for bad debts
Company 1	Subsidiary current accounts and personnel costs, etc.	3,182,043,677	Within 6 years	97.38%	-
Company 2	Advances	35,000,000	Within 1 year	1.07%	(105,000)
Company 3	Advances	6,291,984	Within 1 year	0.19%	(18,876)
Company 4	Advances	4,480,000	Within 1 year	0.14%	(13,440)
Company 5	Advances	3,486,966	Within 1 year	0.11%	(10,461)
		<u>3,231,302,627</u>		<u>98.89%</u>	<u>(147,777)</u>

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14 Notes to the Company's financial statements (Cont'd)

(3) Long-term equity investments

	30 June 2020	31 December 2019
Subsidiaries (a)	340,000,000	340,000,000
Associates (b)	37,910,003	40,934,557
	<u>377,910,003</u>	<u>380,934,557</u>
Less: Provision for impairment of long-term equity investments	-	-
	<u>377,910,003</u>	<u>380,934,557</u>

(a) Subsidiaries

	Accounting method	Investment cost	31 December 2019	Movements for the current period	Classified as held for sale	30 June 2020	Shareholding (%)	Voting rights (%)	Ending balance of provision for impairment	Provision for impairment in the current period	Cash dividends declared in the current period
JMCH	Cost method	270,000,000	270,000,000	-	-	270,000,000	100%	100%	-	-	-
JMCS	Cost method	50,000,000	50,000,000	-	-	50,000,000	100%	100%	-	-	-
SZFJ	Cost method	10,000,000	10,000,000	-	-	10,000,000	100%	100%	-	-	-
GZFJ	Cost method	10,000,000	10,000,000	-	-	10,000,000	100%	100%	-	-	-
			<u>340,000,000</u>	<u>-</u>	<u>-</u>	<u>340,000,000</u>			<u>-</u>	<u>-</u>	<u>-</u>

(b) Associates

Refer to Note 4(11).

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14 Notes to the Company's financial statements (Cont'd)

(4) Revenue and cost of sales

	Six months ended 30 June	
	2020	2019
Revenue from main operations	12,901,713,333	12,797,370,935
Revenue from other operations	198,396,600	177,166,683
	<u>13,100,109,933</u>	<u>12,974,537,618</u>

	Six months ended 30 June	
	2020	2019
Cost of sales from main operations	11,010,954,908	11,065,887,460
Cost of sales from other operations	186,559,118	161,068,277
	<u>11,197,514,026</u>	<u>11,226,955,737</u>

(a) Revenue and cost of sales from main operations

	Six months ended 30 June			
	2020		2019	
	Revenue from main operations	Cost of sales from main operations	Revenue from main operations	Cost of sales from main operations
Sales of automobiles	12,091,989,040	10,397,191,187	11,636,452,656	10,215,567,046
Sales of automobile parts	771,758,926	572,162,496	1,117,017,837	808,310,648
Automobile maintenance services	37,965,367	41,601,225	43,900,442	42,009,766
	<u>12,901,713,333</u>	<u>11,010,954,908</u>	<u>12,797,370,935</u>	<u>11,065,887,460</u>

(b) Revenue and cost of sales from other operations

	Six months ended 30 June			
	2020		2019	
	Revenue from other operations	Cost of sales from other operations	Revenue from other operations	Cost of sales from other operations
Sales of materials	157,745,817	149,930,871	130,017,203	114,894,018
Others	40,650,783	36,628,247	47,149,479	46,174,259
	<u>198,396,600</u>	<u>186,559,118</u>	<u>177,166,683</u>	<u>161,068,277</u>

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(All amounts in RMB Yuan unless otherwise stated)

14 Notes to the Company's financial statements (Cont'd)

(4) Revenue and cost of sales (Cont'd)

(c) The breakdown of revenue earned in the six months ended 30 June 2020 were as follows:

	Six months ended 30 June 2020				Total
	Automobiles	Automobile parts	Auto maintenance services	Materials and others	
Revenue from main operations	12,091,989,040	771,758,926	37,965,367	-	12,901,713,333
Including: Recognised at a time point	12,091,989,040	771,758,926	-	-	12,863,747,965
Recognised within a certain period	-	-	37,965,367	-	37,965,367
Revenue from other operations	-	-	-	198,396,600	198,396,600
	<u>12,091,989,040</u>	<u>771,758,926</u>	<u>37,965,367</u>	<u>198,396,600</u>	<u>13,100,109,933</u>

(i) As at 30 June 2020, the amount of revenue corresponding to the performance obligation of the Company that had been contracted but not yet performed or not fulfilled was RMB 104,206,171, which was expected to be recognised between 2020 and 2025.

(5) Investment income

	Six months ended 30 June	
	2020	2019
Investment income from financial assets held for trading	32,619,541	18,446,866
Investment income from long-term equity investment under equity method	(3,024,554)	333,625
Investment loss from forward exchange settlement	(1,316,987)	(4,939,846)
	<u>28,278,000</u>	<u>13,840,645</u>

There is no significant restriction on the remittance of investment income to the Company.

JIANGLING MOTORS CORPORATION, LTD.**NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in RMB Yuan unless otherwise stated)

1 Statement of non-recurring profit or loss

	Six months ended 30 June	
	2020	2019
Profit or loss on disposal of non-current assets	(25,860,575)	(4,412,233)
Government grants recognised in profit or loss for the current period	165,679,468	230,279,274
Gains and losses arising from changes in fair value of financial assets and liabilities held at fair value through profit or loss, and investment gains and losses from disposal of related financial assets and liabilities	41,314,596	9,950,029
Fund occupation fee received from non-financial institutions	4,740,888	5,618,157
Net amount of other non-operating income and expenses	(1,400,440)	239,188
	<u>184,473,937</u>	<u>241,674,415</u>
Effect of income tax	(26,053,489)	(47,882,915)
Effect of gains and losses on minority interests (net of tax)	-	-
	<u>158,420,448</u>	<u>193,791,500</u>

Basis for preparation of statement of non-recurring profit or loss

Under the requirements in the *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public - Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refers to that arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

2 Return on net assets and earnings per share

	Return on weighted average rate net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June					
	2020	2019	2020	2019	2020	2019
Net profit attributable to ordinary shareholders of the Company	1.96%	0.57%	0.24	0.07	0.24	0.07
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	0.47%	-1.30%	0.06	(0.16)	0.06	(0.16)