

# **Jiangling Motors Corporation, Ltd.**



## **2021 Half-year Report**

2021-08

## **Chapter I Important Notes, Contents and Abbreviations**

### **Important Note**

The Board of Directors and its members, the Supervisory Board and its members, and the senior executives are jointly and severally liable for the truthfulness, accuracy and completeness of the information disclosed in the report and confirm that the information disclosed herein does not contain any false statement, misrepresentation or major omission.

Chairman Qiu Tiangao, CFO Li Weihua and Chief of Finance Department, Ding Ni, confirm that the Financial Statements in this Half-year Report are truthful, accurate and complete.

Except Director Thomas Hilditch authorized Vice Chairman Manto Wong to exercise voting rights on his behalf, all the other Directors were present at the Board meeting to review this Half-year Report.

Future plans, development strategies and other forward-looking statements in this report do not constitute a substantial commitment of the Company to investors. Investors are advised to pay attention to investment risks.

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

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

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## Abbreviations:

JMC, or the Company	Jiangling Motors Corporation, Ltd.
JIC	Nanchang Jiangling Investment Co., Ltd.
Ford	Ford Motor Company
CSRC	China Securities Regulatory Commission
JMCG	Jiangling Motors Group Co., Ltd.
JMCH	JMC Heavy Duty Vehicle Co., Ltd.
EVP	Executive Vice President
CFO	Chief Financial Officer
VP	Vice President

## **Catalogue on Documents for Reference**

1. Originals of 2021 Half-year financial statements signed by Chairman, Chief Financial Officer and Chief of Finance Department.
2. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC in the first half of 2021.
3. Chinese version of the Half-year Report prepared per the China GAAP.

## Chapter II Brief Introduction

### 1. Company's information

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

### 2. Contact person and method

	Board Secretary	Securities Affairs Representative
Name	Xu Lanfeng	Quan Shi
Address	No. 2111, Yingbin Middle Avenue, Nanchang City, Jiangxi Province, P.R.C	No. 2111, Yingbin Middle Avenue, Nanchang City, Jiangxi Province, P.R.C
Tel	86-791-85266178	86-791-85266178
Fax	86-791-85232839	86-791-85232839
E-mail	relations@jmc.com.cn	relations@jmc.com.cn

### 3. Other

#### I. Contact methods

Changes of registered address, headquarter address, postal code, website and e-mail in the reporting period

Applicable Not Applicable

Registered address	No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C.
Postal code of registered address	330001
Headquarter address	No. 2111, Yingbin Middle Avenue, Nanchang City, Jiangxi Province, P.R.C.
Postal code of headquarter address	330200
Website	<a href="http://www.jmc.com.cn">http://www.jmc.com.cn</a>
E-mail	relations@jmc.com.cn

II. Changes of newspapers for information disclosure, website for publication of JMC's half-year report and place for achieving half-year report in the reporting period

Applicable Not Applicable

There is no change of newspapers for information disclosure, website designated by CSRC for publication of JMC's Half-year Report and place for achieving Half-year Report. Please refer to 2020 Annual Report for details.

#### 4. Main accounting data and financial ratios

Unit: RMB

	Reporting period (2021 first half)	Same period last year	Change (%)
Revenue	17,675,621,088.00	14,073,417,878.00	25.6
Profit Attributable to the Equity Holders of the Company	405,214,055.00	207,771,782.00	95.03
Net Profit Attributable to Shareholders of Listed Company After Deducting Non-Recurring Profit or Loss	113,841,875.00	49,351,334.00	130.68
Net Cash Generated From Operating Activities	69,917,849.00	734,283,627.00	-90.48
Basic Earnings Per Share (RMB)	0.47	0.24	95.03
Diluted Earnings Per Share (RMB)	0.47	0.24	95.03
Weighted Average Return on Equity Ratio	3.62%	1.96%	up 1.66 percentage points
	At the end of the reporting period	At the end of the previous year	Change (%)
Total Assets	28,408,228,351.00	28,185,185,418.00	0.79
Shareholders' Equity Attributable to the Equity Holders of the Company	8,391,156,200.00	10,986,474,009.00	-23.62

#### 5. Accounting data difference between domestic and foreign accounting standards

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

## Chapter III Management Discussion and Analysis

### 1. Company's Core Business during the Reporting Period

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

During the reporting period, to cope with more severe competition, more stringent regulatory requirement, intensifying cost pressures and rising raw material prices, the Company further strengthened the concept of customer-centered, implemented customer direct connection, channel empowerment and other marketing measures to improve customer experience and promote sales growth. At the same time, the Company focused on quality improvement, new product development, operating cost control and production efficiency enhancement. In the first half of 2021, JMC achieved sales volume of 177,128 units, increased 25.45% compared with the same period last year. JMC light buses ranked No.1 in the segment market share. JMC Pickup ranked No.2 in the segment market share. JMC light trucks ranked No.4 in the segment market share. And JMC achieved revenue of RMB 17.68 billion, increased 25.6% compared with the same period last year, achieved net profit of RMB 4.05 million, increased 95.03% compared with the same period last year. It mainly reflects sales volume increase and continuous promotion of cost reduction and efficiency enhancement and strict control of expenses.

Looking back at the first 2021 half-year, benefiting from the policy incentive and continuous optimization of the economic structure, China's GDP in the first two quarters witnessed YOY growth of 18.3% and 7.9% respectively. The growth rate is gradually recovering to the potential rate. With that, China's auto industry is also transferring from medium-high speed growing to high-quality development. Generally speaking, in the first half, the accumulated auto sales volume in China reached 12,891,000 units, with YOY growth of 25.6%, thanks to the controlled epidemic. Specifically speaking, first, the sales volume of CV achieved 2.884 million, with YOY growth of 31.9% (among which LCV volume was 1.817 million, YOY growth was 25.2%), driven by such factors as Stage VI switch, overload governance, infrastructure construction kick-off, etc. Second, PV segment was recovering, with sales volume reaching 10.007 million units and YOY growth of 27.0% (among which SUV grew the fastest with the rate of 28.6%). Third, the sale volume of new energy vehicles was 1.206 million, with YOY growth exceeding 200%. The market driving power is further strengthened, which accelerates the structural adjustment between ICE and BEV. Fourth, some start-ups, including Neolix and Uisee, have run pilot operation at certain scenario, such as campus, mining area, ports and airports. Autonomous driving at certain scenarios is

developing from early stage to mid stage. The auto OEMs now focus more on the possibility of mass production, some L3 functions are being realized for mass production. With the requirement of high-quality development, new energy and intelligent connectivity have officially become the important breakthroughs for the transform and upgrade of auto industry in China.

Looking into the second half, the economy growth rate shall gradually slow down. The whole year fluctuation will be in an inversed tick shape. The whole year GDP growth rate will be around 7-9%, the demand for bulk commodity like vehicles are recovering. However, in the first half, the raw material price increased, PPI kicked the new high, while CIP runs at a low level, so the domestic demand will not rebound a lot. We need to pay great attention to the chip shortage, raw material price increase and other disadvantages. In the long run, the potential market demand is the fundamental power for the long-term benefit of auto industry. With the gradual economic stability, fading policy influence, adjusted supply and new demands activated by technology empowerment, the auto industry will enter a new round of high quality development. The sales volume peak was estimated to be around 40 million units in the future.

In the CV segment that JMC is involved, influenced by dual circulation, E-commerce, refined tourism and customized transportation development, the light bus sales volume get further improved. With gradually loosened restriction on urban access, together with people's pursuit for better life and the development of modern agriculture, the demands for Pickup shall be further released. With the new urbanization and the construction of city circles, there will be more demands on short and medium-distance transportation, which shall be an incentive to the light truck market. With the continuously improving income of people, SUV market shall gradually resume growth. The segments that JMC are involved shall enjoy further development with more incremental volume.

## 2. Core Competitiveness Analysis

JMC is committed to becoming the leader in LCV segment. In the first half of this year, JMC launched the competitive model of Shunda small truck targeting at retail market, with improved channel capability. All these shall bringer high market share of JMC light trucks in retail market. At the same time, JMC actively explored customer demands and responded to the national new energy strategy, with cost-effective Shunda BEV launched to enrich the new energy light truck product portfolio and to enhance the whole life cycle competitiveness of new energy products.

As the top light bus brand in China, JMC always takes customers as the center and makes deep insight into the operation scenarios of light buses, with European-style light bus products covering all scenarios including cargo transportation, people moving and refitting. During the period when COVID-19 broke out, Transit ambulance was honoured as Vehicle No.1 for Epidemic



Fighting with such advantages as swift rescue, quick after-sales response and high market share, etc. The recently launched new-generation Transit Pro provides more convenient and interesting driving experience with 2.2T diesel engine, AMT transmission, 13 intelligent driving assistance features and iFlyTek smart connectivity system. Uptime 100% solution can satisfy 24 hour demand and service requirements of customers, and meanwhile, leads the new era of digitalized light bus.

JMC Pickup products always center at customer demands and cover various scenarios. The American-style premium Pickup Vigus 9 was recognized by customers with its leading comfortable luxury. Commercial and lifestyle dual-use Vigus 7 was favored by customers with its leading Powertrain system, and the practical new Baodian was attractive to customers with its leading load capacity and low fuel consumption. In the first half of 2021, JMC Pickup achieved 35.77% growth in terms of sales volume, ranking among the top in the industry.

For Ford SUV products, customer experience shall get improved through the insight into the auto consumption market change and family structure development. The latest Ford showroom design and innovative customer experience were adopted with brand-new Family Space Ford experience showroom. With the philosophy of treating customers as family and the three key innovative characteristics, including relieving customers with faith, entertaining customers with courtesy and caring customers with love, Ford's "Best of Ford, Best of China" commitment shall get further fulfilled.

### 3. Core Business Analysis

#### Summary

Refer to the relevant content of "1. Company's Core Business during the Reporting Period".

#### Year-over-Year Changes of Main Financial Data

Unit: RMB

	2021 1H	2020 1H	YOY change	Reason
Revenue	17,675,621,088	14,073,417,878	25.60%	
Cost of sales	15,050,224,719	11,860,122,365	26.90%	
Distribution costs	949,514,418	592,187,320	60.34%	Due to the sales growth and the cost of bringing new models to market.
Administrative expenses	529,817,540	459,127,446	15.40%	
Finance expense	-145,442,287	-66,731,813	-117.95%	Due to the interest income from bank deposits increased.

Income tax expense	16,350,895	14,137,157	15.66%	
Research and Development	776,879,828	823,946,960	-5.71%	
Net cash generated from operating activities	69,917,849	734,283,627	-90.48%	Due to the increase of supplier payments.
Net cash used in investing activities	-225,537,449	-3,076,090,849	92.67%	Due to the decrease of current investments.
Net cash used in financing activities	-17,714,459	1,276,424,368	-101.39%	Due to the decrease of loan.
Net increase/(decrease) in cash and cash equivalents	-173,334,059	-1,065,382,854	83.73%	Due to the decrease of current investments.

Significant changes in the composition or source of profits during the reporting period

Applicable Not Applicable

There was no significant change in the composition or source of profits.

#### Composition of Core Business

Unit: RMB

	2021 1H		2020 1H		YOY change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Revenue	17,675,621,088	100%	14,073,417,878	100%	25.60%
By Industry					
Automobile Industry	17,675,621,088	100%	14,073,417,878	100%	25.60%
By Products					
Vehicle	16,283,174,183	92.13%	13,030,304,986	92.59%	24.96%
Components	1,023,854,381	5.79%	809,320,498	5.75%	26.51%
Automobile Maintenance services	53,595,545	0.30%	37,965,367	0.27%	41.17%
Material & Others	314,996,979	1.78%	195,827,027	1.39%	60.85%
By region					
China	17,675,621,088	100%	14,073,417,878	100%	25.60%

Reach to 10% of Revenue or Profit by Industry, Product or Region

Applicable Not Applicable

Unit: RMB

	Turnover	Cost	Gross Margin	Y-O-Y turnover change (%)	Y-O-Y Cost Change (%)	Y-O-Y gross margin change (points)
By Industry						
Automobile Industry	17,675,621,088	15,050,224,719	14.85%	25.60%	26.90%	-0.88%
By Products						
Vehicle	16,283,174,183	13,950,596,206	14.33%	24.96%	26.29%	-0.89%
By Region						
China	17,675,621,088	15,050,224,719	14.85%	25.60%	26.90%	-0.88%

Explanation on the above 30% year-on-year change of related data

Applicable Not Applicable

4. Non-core business analysis

Applicable Not Applicable

5. Analysis of Assets and Liabilities

I. Major changes

Unit: RMB

Asset item	June 30, 2021		December 31, 2020		YOY
	Amount	Proportion	Amount	Proportion	Proportion change
					(Points)
Cash and cash equivalents	10,950,186,735	38.55%	11,121,955,129	39.46%	-0.91%
Accounts receivables	3,401,921,804	11.98%	2,999,883,212	10.64%	1.34%
Inventories	2,178,815,436	7.67%	2,086,605,692	7.40%	0.27%
Long-term equity investments	39,232,347	0.14%	39,496,548	0.14%	0.00%
Fixed assets	4,785,494,825	16.85%	5,165,956,410	18.33%	-1.48%
Construction in progress	1,927,985,414	6.79%	1,535,497,770	5.45%	1.34%
Right-of-use asset	40,768,628	0.14%	28,405,890	0.10%	0.04%
Short-term borrowings	500,000,000	1.76%	500,000,000	1.77%	-0.01%
Contract liabilities	155,880,367	0.55%	558,526,846	1.98%	-1.43%
Long-term borrowings	2,326,688	0.01%	2,563,666	0.01%	0.00%
Lease liabilities	27,854,023	0.10%	18,998,952	0.07%	0.03%

II. Main Overseas Assets

Applicable Not Applicable

III. The fair value of the assets and liabilities.

Applicable Not Applicable

Unit: RMB

Item	Beginning of the period	Loss/profit in faire value in the period	Cumulative changes in fair value recorded into equity	Impairment in the period	Purchase in the period	Sell in the period	Other changes	End of the period
financial assets								
1.Trading financial assets (excluding derivative financial assets)	803,892,985	-681,478	0	0	1,600,000,000	1,850,000,000	0	553,211,507
2. Receivables financing	815,583,669	0	0	0	1,581,300,701	1,968,311,157	0	428,573,213
Subtotal	1,619,476,654	-681,478	0	0	3,181,300,701	3,818,311,157	0	981,784,720
Financial liabilities	3,716,727	4,449,015	0	0	0	0	0	8,165,742

Whether there is a significant change in the measurement attributes of the Company's main assets during the reporting period

Applicable Not Applicable

IV. Restriction on Assets Rights as of the End of the Reporting Period

There was no major restriction on assets rights as of the end of the reporting period.

6. Investment

I. Summary

Applicable Not Applicable

II. Obtained Major Equity Investment during the Reporting Period

Applicable Not Applicable

III. Ongoing Major Non-Equity Investment during the Reporting Period

Applicable Not Applicable

Unit: RMB

Project Name	Fushan Site
Investment Method/ source	Self-funded
Fixed Assets (Y/N)	Y
Spending in 2021 (RMB Mils)	159,743,826
Investment Committed (RMB Mils)	1,202,953,697
Progress	55%
Date of disclosure	November 15, 2017
Index	Announcement of this project (No. 2017-044) was published in the website <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> .

VI. Financial Assets Investment

(a) Stock Investment

Applicable Not Applicable

(b) Derivative Investment

Applicable Not Applicable

## 7. Sales of Major Assets and Equity

### I. Sale of Major Assets

Applicable Not Applicable

### II. Sales of Major Equity

Applicable Not Applicable

Counterparty	Yunnan Yunnei Power Group Co., Ltd.
Sold equity	60% equity of Taiyuan Jiangling Power Co., Ltd., a wholly-owned subsidiary of the Company.
Date of sale	Yunnan Yunnei Power Group Co., Ltd. delisted the Equity on January 6, 2021 and the transfer is still in progress.
Transaction price (RMB mils)	360
Net profit contributed by the equity to the listed company from the beginning of the current period to the selling date	RMB -23.06 million in the first half of 2021.
Impact of the sale on the Company	The purpose of this transaction is to sell the Transaction Equity to external strategic partner to develop heavy engine business.
Proportion of net profit contributed by equity sale to the total net profit of the listed company	Not applicable.
Equity sale pricing principle	Public bidding process.
Whether it is a related transaction	No.
Association with the counterparty	No relationship.
Whether all the equity involved has been transferred	No.
Whether the plan is implemented as scheduled, if not, the reason and the measures taken by the company	Yes.
Date of disclosure	October 13, 2020 and January 7, 2021.
Index	The announcements (No. 2020-040 and No. 2021-002) were published on the website: <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .

8. Operating Results of Main Subsidiaries and Joint-Stock Companies whose impact on JMC's net profit more than 10%

Unit: RMB'000

Name of Companies	Type of Companies	Main Business	Registered Capital	Assets	Net Assets	Turnover	Operating Profit	Net Profit
Jiangling Motors Sales Co., Ltd.	Subsidiary	Sale of vehicles, service parts	50,000	6,636,315	186,521	15,549,130	-59,572	-43,660
JMC Heavy Duty Vehicle Co., Ltd.	Subsidiary	Production and sale of vehicles, engines, components, and related service	1,323,793	858,139	784,672	143	-65,471	-65,318
Taiyuan Jiangling Power Co., Ltd.	Subsidiary	Design, assemble and sell engines and their spare parts	600,000	573,601	562,896	5,937	-30,734	-23,058

Acquisition and disposal of the subsidiary

Applicable Not Applicable

9. Structured Entities Controlled by JMC

Applicable Not Applicable

10. Potential Challenges and Solutions

Amid regional outbreaks of global COVID-19 in 2021, there is still uncertainty in the recovery and growth of the world economy. China is actively promoting the construction of the new dual circulation development pattern. Stimulating consumption will be a long-term policy orientation, and both supply and demand will usher in dual upgrading. The rise of start-ups, stricter legal requirements, rising raw material price, tight chip supply and intensified industry competition all bring big challenges to the Company's operation. To maintain robust growth, JMC will continue to focus on the following areas:

- (1) Continue to make efforts in the prevention and control of the epidemic, and steadily promote the Company's production and sales;
- (2) Be customer-centered, show an in-depth insight into customer needs and changes in the market environment, find new business growth points, and gain market in disruptive industry changes;
- (3) Vigorously develop intelligent and digital products, transform from product provider to full ecological provider, improve customer experience and open up new sources of profits;

- (4) Focus continuously on national regulations and policies, and energy conservation and environmental protection requirements, keep up with the pace of policies, and actively promote the upgrading of product technology;
- (5) Improve supplier capabilities and component quality, and continue to reduce component procurement cost;
- (6) Strengthen corporate governance, strictly follow national laws and regulations, and improve risk assessment and control mechanism;
- (7) Continue expense management and control to optimize business structure;
- (8) Create a lean and efficient organization to respond flexibly to market changes through the established process optimization team.

JMC will focus on light commercial vehicles with the support of SUV, continue to consolidate the core business, and lay a solid foundation. At the same time, JMC focuses on marketing and service, drives the digital transformation of each business module, and improves customer experience. JMC also expands new businesses and profit models to build an ecological platform for sustainable development in the future. By strengthening sales channel construction, market awareness and consumer satisfaction are enhanced. Furthermore, the Company will promote new products design and development, achieve the quality and cost targets for new products to accelerate the progress of launching new competitive products to the market, with market share expanded and higher profit. Stable cash flow should be ensured to support the sustainable and high-quality development of the Company.

## Chapter IV Corporate Governance Structure

### 1. Annual and special shareholders' meeting

#### I Index to the Shareholders' Meeting in the reporting period

Meeting	Meeting Type	Investor Participation Ratio	Convening Date	Disclosure Date	Index
2021 First Special Shareholders' Meeting	Special Shareholders' Meeting	75.92%	January 25, 2021	January 26, 2021	The announcement (No. 2021-009) was published in the website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
2021 Second Special Shareholders' Meeting	Special Shareholders' Meeting	75.44%	May 25, 2021	May 26, 2021	The announcement (No. 2021-033) was published in the website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
2020 Annual Shareholders' Meeting	Annual Shareholders' Meeting	75.92%	June 25, 2021	June 26, 2021	The announcement (No. 2021-040) was published in the website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .

II Special Shareholders' Meeting convened by preferred shareholders whose voting rights were restored

Applicable  Not Applicable

### 2. Changes of directors, supervisors and senior management

Applicable  Not Applicable

Name	Position	Status	Date	Reason
Milton Wong	VP	Leave	January 31, 2021	Work rotation
Eric Hermann	VP	Appointed	February 1, 2021	
Wan Hong	VP	Leave	March 31, 2021	Retired
Xu Lanfeng	VP	Appointed	April 1, 2021	
Liu Rangpo	VP	Appointed	April 1, 2021	
Xiong Yi	VP	Appointed	April 1, 2021	
Anning Chen	Vice Chairman	Leave	June 25, 2021	Work arrangement
Manto Wong	Vice Chairman	Elected	June 25, 2021	
Xiong Chunying	Director	Elected	June 25, 2021	

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

Applicable  Not Applicable

The Company planned that neither cash dividend nor stock dividend was distributed, and not to convert capital reserve to share capital for the first half of 2021.

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

Applicable  Not Applicable



## Chapter V Environmental and social responsibility

### 1. Environmental protection

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

Yes No

Name of company or subsidiary	JMC	JMC
Name of principal pollutant and specific pollutant	Wastewater (COD, NH-N)	Exhaust gas (SO <sub>2</sub> , NO <sub>x</sub> , smoke, toluol, xylene)
Mode of discharge	Continuous discharge	Continuous discharge
Number of discharge outlet	6	180
Distribution of discharge outlet	3 in Mainsite, 2 in Xiaolan Site, 1 in Fushan Site, 1 in Cast Plant and 1 in Axle Plant	51 in Mainsite, 58 in Xiaolan Site, 32 in Fushan Site, 33 in Cast Plant and 6 in Axle Plant
Discharge concentration	"COD:32mg/L NH-N:0.904mg/L	SO <sub>2</sub> : 3mg/m <sup>3</sup> ; NO <sub>x</sub> : 70mg/m <sup>3</sup> ; smoke: 20mg/m <sup>3</sup> ; toluol: 0.252mg/m <sup>3</sup> ; dimethylbenzene: 1.3mg/m <sup>3</sup> ;
Applicable standard for pollutant discharge	"Wastewater Discharge Standard"(GB 8978-1996)	"The Emission Standard of Air Pollutants"; "Emission Standard of Air Pollutants for Boiler" (GB 13271-2014)
Total amount of discharge	COD: 54.49t; NH-N: 1.06	NO <sub>x</sub> : 5.86t
Total amount of discharge audited	COD≤841.68t; NH-N≤83.1414t	NO <sub>x</sub> ≤37.69t
Excessive discharge	Meet Standard	Meet Standard

### The construction and operation of pollutant preventive and control facilities

In order to achieve the environmental protection construction requirements of the new base and ensure that various environmental protection indicators meet the emission standards, the Company has continuously adopted various governance measures. In 2020, the Company has controlled the casting odor in the plant to ensure the exhaust gas pollutants up to the standard. In 2021, JMC start the VOCs control project of the Xiaolan Plant to consistent with regulatory compliance standards. Since 2006, the Company has successively built seven Wastewater Treatment Stations. In 2021, the Company built a 600-mu (equivalent to 98.842 acres) wastewater treatment station for the Fushan Plant and Xiaolan Frame Plant to reach the requirements for wastewater discharge standards. In the waste management process, JMC starts from the source, stores waste by classification, establishes a temporary

storage place for solid waste, posts warning graphic symbols, sets up signs, and strictly standardizes waste storage management. The company builds a Solid Waste Storage Station at Fushan Plant to store general solid waste and hazardous waste in strict accordance with requirements.

### **EIA on construction project and other administrative permits for environmental protection**

The Company strictly implements the construction project environmental impact assessment system. With respect to new construction, expansion and reconstruction, JMC comprehensively planned environmental protection and evaluated the “Three Simultaneities”. From the source of design, JMC carried out the philosophy of energy saving and low carbon all the time. The Company carries on the environmental monitoring every year according to the requirements, ensures the pollutant discharge meeting the requirements of discharge permit, formulates the stricter internal control target, and strives to reduce the impact of environmental pollution to the minimum. In 2021, the project of Xiaolan Simulation Collision Laboratory has been completed, and the approval of the environmental impact report form of VOC treatment project in painting workshop of Xiaolan Factory has been obtained.

### **Emergency plan on emergency environmental incidents**

In order to dilute or prevent environmental risks, JMC established an emergency preparation and response procedure and specific environmental emergency plans, so as to formulate corresponding control methods for potential accidents and emergencies occurred or that may probably occur, and has been filed with the environmental protection bureau. JMC organizes various emergency drills to the effectiveness of the plan.

### **Environmental self-monitoring scheme**

JMC’s Qingyunpu Main Plant Area and Xiaolan Plant Area were listed as key pollutant discharging organizations of wastewater/hazardous wastes, and monitored by themselves in strict accordance with the Method for Self-monitoring and Information Disclosure of State Key Monitoring Enterprises (Trial). Their self-monitoring schemes, monitoring results and annual monitoring reports on pollution sources were disclosed on the “Jiangxi Province pollution source enterprise portal system”.

### **Administrative penalties imposed for environmental problems during the reporting period**

None.

### **Other information related to environmental protection**

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

standards, stipulated the preventive and control measures for environmental pollution, and reported to competent administrative departments on environmental protection for approval.

**Other environmental related information**

None.

**2. Social responsibility**

The first half of 2021 was a transitional period of transferring from poverty alleviation to rural revitalization. According to the work arrangement of Jiangxi Provincial Party Committee and Provincial Government, and with the support of JMCG, JMC got involved in poverty alleviation achievement consolidation of Xianting Village, and also its rural revitalization.

In terms of consolidating the achievements in poverty alleviation, the team stationed in the village did a good job in monitoring the prevention of poverty return, and continued to provide assistance to registered poverty-stricken households to ensure that none of them returned to poverty. All grass-roots Party branches of JMC continue to carry out visits and solicitation activities, nearly 100 visits were carried out in the first half of this year.

In the promotion of rural revitalization, the team stationed in the village actively cooperated with the superior departments to carry out the orderly transition of Xianting village branch and village committee. Village cadres have been organized to learn from many agricultural industry characteristic bases in Nanchang city for many times to expand their ideas of rural development.

In the second half of 2021, the team stationed in the village will not only continue to consolidate the achievements of poverty alleviation, but also make more contribution to rural revitalization.

## Chapter VI Major Events

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

Applicable Not Applicable

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

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

Applicable Not Applicable

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

3. Illegal outside guarantee

Applicable Not Applicable

The Company had no illegal outside guarantee during the reporting period.

4. Appointment or dismissal of accounting firm

Whether the 2021 half-year report is audited?

Yes No

JMC 2021 half-year report is not audited.

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

Applicable Not Applicable

6. Explanation of the board of directors to abnormal opinions from accounting firm in 2021 half-year report

Applicable Not Applicable

7. Related matters regarding bankruptcy

Applicable Not Applicable

The Company did not go bankrupt during the reporting period.

8. Litigation or arbitration

Significant litigation or arbitration

Applicable Not Applicable

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

Other litigation

Applicable Not Applicable

9. Punishment

Applicable Not Applicable

The Company have not been punished by regulatory authorities.

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

Applicable Not Applicable

11. Major related transactions

I. Routine operation related party transactions

Applicable Not Applicable

Please refer to the note 7 “Related party Transactions” to the financial statements for details.

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

Applicable Not Applicable

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

III. Related party transaction concerning outside co-investment

Applicable Not Applicable

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

IV. Related credit and debt

Applicable Not Applicable

Is there non-operating related credit and debt?

Yes No

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

V. Transaction with related financial companies or financial companies that the company holds

Applicable Not Applicable

Deposits

Unit: RMB ‘000

Related Party	JMCG Finance Company
The related relationship	A subsidiary of JMCG
Maximum daily deposit limit	*
Deposit rate	1.725%-2.25%
Balance at the beginning of the period	1,231,830
Amount incurred	10,438,350
Balance at the end of the period	771,590

\* Note: JMC applies the consolidated deposit limit in JMCG Finance Company at the end of each month to the lower of the following: 1) 25% of JMCG Finance Company absorbing deposit in prior year end; or 2) 12% of JMC’s consolidated total cash reserve.

Loan

Applicable Not Applicable

Credit granting or other financial business

Applicable Not Applicable

VI. Other major related party transactions

Applicable Not Applicable

Please refer to the note 7 “Related party Transactions” to the financial statements for details.

Index for the Announcement of Major related party transactions:

Announcement Title	Announcement Disclosure Date	Website for Disclosure
Jiangling Motors Corporation, Ltd. Public Announcement on Related Party Transactions	February 6, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Jiangling Motors Corporation, Ltd. Public Announcement on Related Party Transactions	May 29, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

12. Major contracts and execution

I. Entrustment, contract or lease

a. Entrustment

Applicable Not Applicable

There was no entrustment during the reporting period.

b. Contract

Applicable Not Applicable

There was no contract during the reporting period.

c. Lease

Applicable Not Applicable

See the note 7 (5) (b) to financial statements for lease of related parties.

Project earns more than 10% of net profit.

Applicable Not Applicable

II Major Guarantee

Applicable Not Applicable

The Company had no major guarantee during the reporting period.

III. Entrusted financial management

Applicable Not Applicable

There was no entrusted financial management in the reporting period.

IV. Major contract of daily operation

Applicable Not Applicable

V. Other Major Contracts

Applicable Not Applicable

There was no other major contract in the reporting period.

### 13. Other major events

Applicable Not Applicable

There was no other major event in the reporting period.

### 14. Major event of JMC subsidiary

Applicable Not Applicable

JMC Heavy Duty Vehicle Co., Ltd., a whole-owned subsidiary of JMC, was separated per vehicle and engine business into the surviving company “JMC Heavy Duty Vehicle Co., Ltd.” and the derived new company “Taiyuan Jiangling Power Co., Ltd.” in August 2020.

In October 2020, the Board of Directors approved to sell 60% of the equity of Taiyuan Jiangling Power Co., Ltd. through the public bidding process at Shanghai United Assets and Equity Exchange at a price of no less than RMB 359,975,079. At the expiration of the bidding announcement period, the above subject matter is solicited to an intended transferee, Yunnan Yunnei Power Group Co., Ltd. (hereinafter referred to as “Yunnei Group”), with a delisting price of RMB 360 million. In January 2021, the Company and Yunnei Group signed by consensus the corresponding assets and equity transaction contract in accordance with the relevant trading rules of Shanghai United Assets and Equity Exchange. As of the date of disclosure of the report, the relevant transaction between the Company and Yunnei Group is still in progress.

In January 2021, the Shareholders’ Meeting of JMC approved to increase the capital by RMB 1.142 billion in cash to JMC Heavy Duty Vehicle Co., Ltd. Upon completion of the capital increase, the registered capital of JMC Heavy Duty Vehicle Co., Ltd. was increased from RMB 181,793,174 to RMB 1,323,793,174.

In May 2021, the Shareholders’ Meeting of JMC approved to sell 100% of the equity of JMC Heavy Duty Vehicle Co., Ltd. through the public bidding process at Shanxi Property Rights Exchange at a price of no less than RMB 764,069,207. At the expiration of the bidding announcement period, the above subject matter is solicited to an intended transferee, Volvo Lastvagnar Aktiebolag. After the expiration of the bidding announcement period, Volvo Lastvagnar Aktiebolag paid the deposit in accordance with the relevant trading rules of Shanxi Property Rights Exchange. On August 23, 2021, by consensus, the Company signed the Equity Interest Transfer Agreement Relating to 100% of the Equity Interests in JMC Heavy Duty Vehicle Co., Ltd. with Volvo Lastvagnar Aktiebolag. According to this agreement, the base price

paid by Volvo Lastvagnar Aktiebolag for the relevant equity interests is RMB 781,400,000. As of the date of disclosure of the report, the relevant transaction between the Company and Volvo Lastvagnar Aktiebolag is still in progress.



## Chapter VII Share Capital Changes & Shareholders

### 1. Changes of shareholding structure

#### I. Table of the changes of shareholding structure

	Before the change		Change (+, -)					After the change	
	Shares	Proportion of total shares (%)	New shares	Bonus Shares	Reserve-converted shares	Others	Subtotal	Shares	Proportion of total shares (%)
I. Limited tradable A shares	750,840	0.09%	0	0	0	0	0	750,840	0.09%
1. Other domestic shares	750,840	0.09%	0	0	0	0	0	750,840	0.09%
Including:									
Domestic legal person shares	745,140	0.09%	0	0	0	0	0	745,140	0.09%
Domestic natural person shares	5,700		0	0	0	0	0	5,700	
II. Unlimited tradable shares	862,463,160	99.91%	0	0	0	0	0	862,463,160	99.91%
1. A shares	518,463,160	60.06%	0	0	0	0	0	518,463,160	60.06%
2. B shares	344,000,000	39.85%	0	0	0	0	0	344,000,000	39.85%
III. Total	863,214,000	100.00%	0	0	0	0	0	863,214,000	100.00%

#### Causes of shareholding changes

Applicable Not Applicable

#### Approval of changes of shareholding structure

Applicable Not Applicable

#### Shares Transfer

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

#### II. Changes of limited A shares

Applicable Not Applicable

### 2. Securities issuance and listing

Applicable Not Applicable

### 3. Shareholders and shareholding status

Total shareholders (as of June 30, 2021)	JMC had 48843 shareholders, including 43,086 A-share holders, and 5,757 B-share holders.					
Top ten shareholders						
Shareholder Name	Shareholder Type	Shareholding Percentage (%)	Shares at the End of Year	Change (+,-)	Shares with Trading Restriction	Shares due to Mortgage or Frozen
Nanchang Jiangling Investment Co., Ltd.	State-owned legal person	41.03%	354,176,000	0	0	0
Ford Motor Company	Foreign legal person	32.00%	276,228,394	0	0	0
Shanghai Automotive Co., Ltd.	State-owned Legal person	1.51%	13,019,610	0	0	0
Hong Kong Securities Clearing Company Ltd. (HKSCC)	Foreign legal person	0.81%	6,960,267	789,691	0	0
GAOLING FUND, L.P.	Foreign legal person	0.63%	5,453,086	0	0	0
INVESCO FUNDS SICAV	Foreign legal person	0.56%	4,841,889	0	0	0
National Social Security Fund - One One Eight Combinations	State-owned legal person	0.54%	4,643,501	4,643,501		
Jin Xing	Domestic natural person	0.42%	3,640,200	1,043,800	0	0
China Securities Finance Corporation Limited	State-owned legal person	0.27%	2,364,360	-17,742,539		
LSV EMERGING MARKETS EQUITY FUND, L.P.	Foreign legal person	0.26%	2,301,600	-404,600	0	0
Notes on association among above-mentioned shareholders	None.					
Top ten shareholders holding unlimited tradable shares						
Shareholder Name	Shares without Trading Restriction		Share Type			
Nanchang Jiangling Investment Co., Ltd.	354,176,000		A share			
Ford Motor Company	276,228,394		B share			
Shanghai Automotive Co., Ltd.	13,019,610		A share			
Hong Kong Securities Clearing Company Ltd. (HKSCC)	6,960,267		A share			
GAOLING FUND, L.P.	5,453,086		B share			
INVESCO FUNDS SICAV	4,841,889		B share			
National Social Security Fund - One One Eight Combinations	4,643,501		A share			
Jin Xing	3,640,200		B share			
China Securities Finance Corporation Limited	2,364,360		A share			
LSV EMERGING MARKETS EQUITY FUND, L.P.	2,301,600		B share			
Notes on association among above-mentioned shareholders	None.					

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

Yes No

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

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

Applicable Not Applicable

There was no change of shares held by Directors, Supervisors and senior management in the reporting period. Please refer to 2020 annual report for details.

5. Change of controlling shareholders or actual controlling parties

Change of controlling shareholders

Applicable Not Applicable

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

Change of actual controlling parties

Applicable Not Applicable

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

## **Chapter VIII Preferred Shares**

Applicable Not Applicable

JMC have no Preferred Shares during the reporting period.

## **Chapter IX Company Bond**

Applicable Not Applicable

## **Chapter X Financial Statements**

**JIANGLING MOTORS CORPORATION, LTD.**

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

**JUNE 2021**

**JIANGLING MOTORS CORPORATION, LTD.**

**CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

Assets	Note	30 June 2021 Consolidated*	31 December 2020 Consolidated	30 June 2021 Company*	31 December 2020 Company
<b>Current assets</b>					
Cash and cash equivalents	4(1)	10,950,186,735	11,121,955,129	8,208,750,569	8,473,562,045
Financial assets held for trading	4(2)	553,211,507	803,892,985	-	502,797,917
Accounts receivable	4(3)、 14(1)	3,401,921,804	2,999,883,212	3,108,512,087	3,330,880,651
Financing receivables	4(4)	428,573,213	815,583,669	529,914,581	29,412,448
Advances to suppliers	4(5)	579,396,268	452,714,683	579,292,941	451,832,917
Other receivables	4(6)、 14(2)	216,179,929	128,989,573	241,702,042	1,359,907,223
Inventories	4(7)	2,178,815,436	2,086,605,692	2,108,932,110	2,020,079,494
Other current assets	4(8)	885,726,989	737,369,737	825,850,162	678,079,950
<b>Total current assets</b>		<b>19,194,011,881</b>	<b>19,146,994,680</b>	<b>15,602,954,492</b>	<b>16,846,552,645</b>
<b>Non-current assets</b>					
Long-term equity investments	4(9)、 14(3)	39,232,347	39,496,548	2,807,175,840	1,561,496,548
Fixed assets	4(10)	4,785,494,825	5,165,956,410	3,991,109,365	4,331,796,677
Construction in progress	4(11)	1,927,985,414	1,535,497,770	1,828,963,510	1,429,348,858
Right-of-use assets	4(12)	40,768,628	28,405,890	38,582,276	28,405,890
Intangible assets	4(13)	1,063,475,861	931,391,553	773,702,506	637,918,837
Development expenditures	4(13)	29,063,385	173,473,242	29,063,385	173,473,242
Deferred tax assets	4(14)	1,328,196,010	1,163,969,325	365,889,704	370,120,915
<b>Total non-current assets</b>		<b>9,214,216,470</b>	<b>9,038,190,738</b>	<b>9,834,486,586</b>	<b>8,532,560,967</b>
<b>TOTAL ASSETS</b>		<b>28,408,228,351</b>	<b>28,185,185,418</b>	<b>25,437,441,078</b>	<b>25,379,113,612</b>

**JIANGLING MOTORS CORPORATION, LTD.**  
**CONSOLIDATED AND COMPANY BALANCE SHEET AS AT 30 JUNE 2021(CONTINUED)**

(All amounts in RMB Yuan unless otherwise stated)

Liabilities and owners' equity	Note	30 June 2021 Consolidated*	31 December 2020 Consolidated	30 June 2021 Company*	31 December 2020 Company
<b>Current liabilities</b>					
Short-term borrowings	4(16)	500,000,000	500,000,000	500,000,000	500,000,000
Derivative financial liabilities	4(17)	8,165,742	3,716,727	8,165,742	3,716,727
Notes payable	4(18)	1,565,665	-	-	-
Accounts payable	4(19)	9,408,546,403	10,026,215,877	9,401,623,759	10,022,399,964
Contract liabilities	4(20)	155,880,367	558,526,846	40,313,165	42,397,868
Employee benefits payable	4(21)	632,200,970	759,368,606	571,222,642	687,984,808
Taxes payable	4(22)	291,614,997	218,445,227	102,947,957	95,599,544
Other payables	4(23)	8,024,900,054	4,153,849,625	4,714,357,954	1,495,307,482
Current portion of non-current liabilities	4(24)	16,602,776	10,909,163	16,082,883	10,909,163
Other current liabilities	4(25)	382,857,533	410,899,328	33,417,221	39,220,370
<b>Total current liabilities</b>		19,422,334,507	16,641,931,399	15,388,131,323	12,897,535,926
<b>Non-current liabilities</b>					
Long-term borrowings	4(26)	2,326,688	2,563,666	2,326,688	2,563,666
Lease liabilities	4(27)	27,854,023	18,998,952	25,883,102	18,998,952
Provisions	4(28)	206,997,083	195,896,139	-	-
Deferred income	4(29)	48,943,773	49,944,625	48,943,773	49,944,625
Long-term employee benefits payable	4(30)	60,786,693	62,855,000	60,492,693	62,561,000
Deferred tax liabilities	4(14)	142,239,570	126,995,164	117,891,524	102,300,000
Other non-current liabilities	4(31)	105,589,814	99,526,464	98,706,996	90,866,994
<b>Total non-current liabilities</b>		594,737,644	556,780,010	354,244,776	327,235,237
<b>Total liabilities</b>		20,017,072,151	17,198,711,409	15,742,376,099	13,224,771,163
<b>Equity</b>					
Share capital	4(32)	863,214,000	863,214,000	863,214,000	863,214,000
Capital surplus	4(33)	839,442,490	839,442,490	839,442,490	839,442,490
Other comprehensive income	4(34)	(11,759,250)	(11,759,250)	(12,021,750)	(12,021,750)
Surplus reserve	4(35)	431,607,000	431,607,000	431,607,000	431,607,000
Retained earnings	4(36)	6,268,651,960	8,863,969,769	7,572,823,239	10,032,100,709
Total equity attributable to shareholders of the Company		8,391,156,200	10,986,474,009	9,695,064,979	12,154,342,449
Minority interests		-	-	-	-
<b>Total equity</b>		8,391,156,200	10,986,474,009	9,695,064,979	12,154,342,449
<b>TOTAL LIABILITIES AND EQUITY</b>		28,408,228,351	28,185,185,418	25,437,441,078	25,379,113,612

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 2021 FIRST HALF-YEAR

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2021 First Half-year Consolidated*	2020 First Half-year Consolidated*	2021 First Half-year Company*	2020 First Half-year Company*
<b>Revenue</b>	4(37)、14(4)	17,675,621,088	14,073,417,878	16,423,558,481	13,100,109,933
Less: Cost of sales	4(37)、 4(43)、14(4)	(15,050,224,719)	(11,860,122,365)	(14,542,226,983)	(11,197,514,026)
Taxes and surcharges	4(38)	(479,241,514)	(386,579,142)	(457,195,578)	(374,566,719)
Selling and distribution expenses	4(39)、4(43)	(949,514,418)	(592,187,320)	(137,982,658)	(106,442,789)
General and administrative expenses	4(40)、4(43)	(529,817,540)	(459,127,446)	(446,001,303)	(358,155,678)
Research and development expenses	4(41)、4(43)	(726,466,190)	(696,582,452)	(718,611,661)	(694,302,769)
Financial expenses	4(42)	145,442,287	66,731,813	116,227,293	67,945,339
Including: Interest expenses		(12,133,084)	(19,061,965)	(12,101,916)	(16,322,688)
Interest income		149,147,665	94,240,518	119,819,393	91,873,400
Add: Other income	4(46)	333,292,836	165,639,467	333,208,941	145,105,792
Investment income	4(47)、14(5)	(10,863,242)	28,278,000	(4,619,007)	28,278,000
Including: Share of profit of associates and joint ventures	4(47)	(264,201)	(3,024,554)	(264,201)	(3,024,554)
Gains on changes in fair value	4(48)	(5,130,493)	10,012,041	(7,246,932)	10,012,041
Credit impairment losses	4(45)	7,389,378	(66,242,811)	1,197,855	(61,963,003)
Asset impairment losses	4(44)	-	(34,107,710)	-	(20,994,208)
Gains on disposal of assets	4(49)	11,152,182	(581,955)	20,345,706	(1,145,364)
<b>Operating profit</b>		421,639,655	248,547,998	580,654,154	536,366,549
Add: Non-operating income	4(50)	2,510,277	3,599,193	1,052,244	3,052,524
Less: Non-operating expenses	4(51)	(2,584,982)	(30,238,252)	(2,387,862)	(30,104,671)
<b>Total profit</b>		421,564,950	221,908,939	579,318,536	509,314,402
Less: Income tax expenses	4(52)	(16,350,895)	(14,137,157)	(38,064,142)	(21,565,844)
<b>Net profit</b>		405,214,055	207,771,782	541,254,394	487,748,558
Classified by continuity of operations					
Net profit from continuing operations		405,214,055	207,771,782	541,254,394	487,748,558
Net profit from discontinued operations		-	-	-	-
Classified by ownership of the equity					
Minority interests		-	-	-	-
Attributable to shareholders of the Company		405,214,055	207,771,782	541,254,394	487,748,558
<b>Other comprehensive income, net of tax</b>		-	-	-	-
Attributable to shareholders of the Company					
Other comprehensive income items which will not be reclassified to profit or loss					
Changes arising from remeasurement of defined benefit plan	4(34)	-	-	-	-
Attributable to minority interests					
<b>Total comprehensive income</b>		405,214,055	207,771,782	541,254,394	487,748,558
Attributable to shareholders of the Company		405,214,055	207,771,782	541,254,394	487,748,558
Attributable to minority interests		-	-	-	-

<b>Earnings per share</b>					
Basic earnings per share(RMB Yuan)	4(53)	0.47	0.24	—	—
Diluted earnings per share(RMB Yuan)	4(53)	0.47	0.24	—	—

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 2021 FIRST HALF-**  
**YEAR**

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	2021 First Half-year Consolidated*	2020 First Half-year Consolidated*	2021 First Half-year Company*	2020 First Half-year Company*
<b>Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		19,342,042,070	14,440,474,744	17,810,262,253	12,911,082,079
Cash received relating to other operating activities	4(54)	450,958,933	245,920,384	364,859,759	187,369,975
<b>Sub-total of cash inflows</b>		19,793,001,003	14,686,395,128	18,175,122,012	13,098,452,054
Cash paid for goods and services		(15,712,429,064)	(10,617,165,843)	(15,292,180,904)	(10,193,382,381)
Cash paid to and on behalf of employees		(1,504,023,988)	(1,084,107,268)	(1,400,304,399)	(962,774,043)
Payments of taxes and surcharges		(1,271,259,251)	(1,021,043,215)	(1,022,744,168)	(838,116,455)
Cash paid relating to other operating activities	4(54)	(1,235,370,851)	(1,229,795,175)	(663,632,878)	(768,797,800)
<b>Sub-total of cash outflows</b>		(19,723,083,154)	(13,952,111,501)	(18,378,862,349)	(12,763,070,679)
<b>Net cash flows from operating activities</b>	4(55)	69,917,849	734,283,627	(203,740,337)	335,381,375
<b>Cash flows from investing activities</b>					
Cash received from disposal of investments		1,850,000,000	6,471,000,000	2,142,000,000	9,238,976,131
Cash received from returns on investments		10,204,593	32,619,541	3,894,456	32,619,541
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13,292,324	7,983,584	12,434,835	7,062,524
Net cash received from disposal of subsidiaries and other business units		108,000,000	-	108,000,000	-
Cash received relating to other investing activities	4(54)	122,821,020	96,772,432	101,929,208	164,343,358
<b>Sub-total of cash inflows</b>		2,104,317,937	6,608,375,557	2,368,258,499	9,443,001,554
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(722,025,976)	(493,537,475)	(715,324,702)	(480,691,940)
Cash paid to acquire investments		(1,600,000,000)	(9,189,000,000)	(1,688,461,068)	(12,088,976,131)
Cash paid relating to other investing activities		(7,829,410)	(1,928,931)	(7,829,408)	(1,928,931)
<b>Sub-total of cash outflows</b>		(2,329,855,386)	(9,684,466,406)	(2,411,615,178)	(12,571,597,002)
<b>Net cash flows from investing activities</b>		(225,537,449)	(3,076,090,849)	(43,356,679)	(3,128,595,448)
<b>Cash flows from financing activities</b>					
Cash received from borrowings		989,255,556	1,800,000,000	989,255,556	1,800,000,000
<b>Sub-total of cash inflows</b>		989,255,556	1,800,000,000	989,255,556	1,800,000,000
Cash repayments of borrowings		(1,000,214,487)	(500,231,444)	(1,000,214,487)	(500,231,444)
Cash payments for distribution of dividends, profits or interest expenses		(2,346,105)	(18,544,156)	(2,346,105)	(15,845,917)
Cash paid relating to other financing activities	4(54)	(4,409,423)	(4,800,032)	(4,409,424)	(3,603,380)
<b>Sub-total of cash outflows</b>		(1,006,970,015)	(523,575,632)	(1,006,970,016)	(519,680,741)
<b>Net cash flows from financing activities</b>		(17,714,459)	1,276,424,368	(17,714,460)	1,280,319,259
<b>Effect of foreign exchange rate changes on cash and cash</b>		-	-	-	-

<b>equivalents</b>					
<b>Net decrease in cash and cash equivalents</b>	4(55)	(173,334,059)	(1,065,382,854)	(264,811,476)	(1,512,894,814)
Add: Cash and cash equivalents at beginning of year	4(55)	11,121,955,129	8,937,936,658	8,473,562,045	8,677,928,946
<b>Cash and cash equivalents at end of period</b>	4(55)	10,948,621,070	7,872,553,804	8,208,750,569	7,165,034,132

note: \* Unaudited financial indexes

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

**JIANGLING MOTORS CORPORATION, LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Attributable to equity owners of the Company					Minority interests	Total equity
		Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings		
<b>Balance at 1 January 2020</b>		863,214,000	839,442,490	(11,395,500)	431,607,000	8,373,695,791	-	10,496,563,781
<b>Movements for the six months ended 30 June 2020*</b>		-	-	-	-	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								
Distribution to shareholders	4(36)	-	-	-	-	(60,424,980)	-	(60,424,980)
<b>Balance at 30 June 2020*</b>		863,214,000	839,442,490	(11,395,500)	431,607,000	8,521,042,593	-	10,643,910,583
<b>Balance at 1 January 2021</b>		863,214,000	839,442,490	(11,759,250)	431,607,000	8,863,969,769	-	10,986,474,009
<b>Movements for the six months ended 30 June 2021*</b>		-	-	-	-	(2,595,317,809)	-	(2,595,317,809)
Total comprehensive income								
Net profit		-	-	-	-	405,214,055	-	405,214,055
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	405,214,055	-	405,214,055
Profit distribution								
Distribution to shareholders	4(36)	-	-	-	-	(3,000,531,864)	-	(3,000,531,864)
<b>Balance at 30 June 2021*</b>		863,214,000	839,442,490	(11,759,250)	431,607,000	6,268,651,960	-	8,391,156,200

note: \* Unaudited financial indexes

Legal representative: Qiu Tiangao

CFO: Li Weihua

Finance Department: Ding Ni

**JIANGLING MOTORS CORPORATION, LTD.**  
**COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	Share capital	Capital surplus	Other comprehensive income	Surplus reserves	Retained earnings	Total equity
<b>Balance at 1 January 2020</b>		863,214,000	839,442,490	(11,616,750)	431,607,000	9,484,175,533	11,606,822,273
<b>Movements for the six months ended 30 June 2020*</b>		-	-	-	-	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							
Distribution to shareholders	4(36)	-	-	-	-	(60,424,980)	(60,424,980)
<b>Balance at 30 June 2020*</b>		863,214,000	839,442,490	(11,616,750)	431,607,000	9,911,499,111	12,034,145,851
<b>Balance at 1 January 2021</b>		863,214,000	839,442,490	(12,021,750)	431,607,000	10,032,100,709	12,154,342,449
<b>Movements for the six months ended 30 June 2021*</b>		-	-	-	-	(2,459,277,470)	(2,459,277,470)
Total comprehensive income							
Net profit		-	-	-	-	541,254,394	541,254,394
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	541,254,394	541,254,394
Profit distribution							
Distribution to shareholders	4(36)	-	-	-	-	(3,000,531,864)	(3,000,531,864)
<b>Balance at 30 June 2021*</b>		863,214,000	839,442,490	(12,021,750)	431,607,000	7,572,823,239	9,695,064,979

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 2021

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

#### 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(33).

As at 30 June 2021, the Company’s paid-in capital totalled RMB863,214,000, with par value of RMB1 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 period are detailed in Note 5.

These financial statements were authorised for issue by the Company’s Board of Directors on 26 August 2021.

#### 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 (“ECL”) on receivables (Note 2(8)), valuation of inventories (Note 2(9)), depreciation of fixed assets and amortisation of intangible assets and right-of-use assets (Note 2(11), (14), (22)), criteria for capitalisation of development expenditures (Note 2(14)), recognition and measurement of revenue (Note 2(19)), etc.

Key judgements and critical accounting estimates and key assumptions applied by the Group on the determination of significant accounting policies are set out in Note 2(24).

**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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 2021 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 2021 and their financial performance, cash flows and other information for the year then ended.

(3) Fiscal year

The Company’s fiscal year starts on 1 January and ends on 30 June.

(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 not involving enterprises 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.



**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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. If the subsidiaries' loss for the current period attributed to the minority shareholders exceeds their share in the opening shareholder's equity, the excess will be deducted against the minority interests. 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.

**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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 and other receivables, etc.

**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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 financing receivables, 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. 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 in more than one year as from the balance sheet date and are expected to be held for over one year are included in other non-current financial assets, and the others are included in financial assets held for trading.

**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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 ECL.

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 ECL 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 low 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 low 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 financing receivables 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.

**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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)

In case the ECL of an individually assessed financial asset can be evaluated with reasonable cost, the Group determines the ECL based on impairment assessment of an individual financial asset. In case the ECL 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 ECL for the groupings. Basis for determining groupings and related provision method are as follows:

Grouping - Bank acceptance notes	State-owned banks and joint stock banks
Grouping - Sales of general automobiles	Customers of general automobiles
Grouping - Sales of new energy automobiles	Customers of new energy automobiles
Grouping - Sales of other automobiles	Customers of other automobiles
Grouping - Sales of automobile parts	Customers of automobile parts
Grouping - Interest from cash at bank	Accrued interest on cash at bank
Grouping - Operating advances and guarantees	Operating advances and guarantees

For accounts receivable that are classified into groupings and notes receivable and financing receivables arising from sales of goods and rendering of services in the ordinary course of operating activities, the Group calculates the ECL 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, financing receivables and other receivables classified into groupings, the Group calculates the ECL 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.

**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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.

(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.

**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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 products, 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 inventories

Provision for 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.

**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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 a 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 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 not involving enterprises under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination, such as 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.



**JIANGLING MOTORS CORPORATION, LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(All amounts in RMB Yuan unless otherwise stated)  
[English translation for reference only]

**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.

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**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	5 to 10 years	4%	9.6% to 19.2%
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.

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**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 next 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.

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**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 appropriately.

(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

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

**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 once a year, 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 asset 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 disposal costs 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 once a year 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 and termination 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.

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**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 in addition to 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 national debt 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.

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**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, compensation to suppliers, 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 on 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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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(19) Revenue

The Group manufactures automobiles and automobile parts and sells them to distributors and end customers. In addition, the Group also provides customers with auto maintenance and additional quality warranty services. The Group recognises revenue at the amount of the consideration that is entitled to be charged by the Group as expected when the customer obtains control over relevant goods or services.

(a) Selling automobiles and automobile parts to distributors and end customers

The Group manufactures automobiles and automobile parts and sells such products to distributors and end customers. The Group recognises revenue from sales of automobiles after they are delivered as prescribed in the contract, customers have accepted the products and the delivery documents have been signed by both parties. The Group recognises revenue from sales of parts after they are delivered to the designated location as prescribed in the contract, customers have accepted the products and the delivery documents have been signed by both parties.

Where two or more obligations are included in a contract between the Group and the customers, at the beginning date of the contract, the Group allocates the transaction price to individual obligation in the relative proportion to the individual selling prices of products or services committed in each individual obligation. When the individual selling price is unobservable, the Group makes reasonable estimates on the individual selling price with comprehensive consideration to all available information, and by using market adjustment method, cost plus method, etc.

The credit periods granted by the Group to distributors and end 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 distributors 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 car maintenance and additional quality assurance services, and recognizes revenue within a period of time based on the progress of the performance of the services provided. According to the nature of the service provided, the performance progress is determined in accordance with the value of the labour provided to the customer to the customer or the cost of the provided labour to the total labour cost.

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 ECL (Note 2(8)). If the contract price 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.



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**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 adopts the same presentation method for similar government grants.

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

Financial discounts directly received by the Group are deducted against related borrowing costs.

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**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.

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#### 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 represent 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 initially direct costs, less any lease incentives received. If it is reasonably probable 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, the Group may, instead of recognising right-of-use assets and lease liabilities, recognise 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 shall account for a lease modification as a separate lease if both: (1) the modification extends the scope of the lease by adding the right to use one or more underlying assets; (2) the increased consideration is equivalent to the amount of the individual price of the expanded part of the lease scope adjusted according to the contract conditions.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except for the simplified method for contract changes directly caused by COVID-19. For a lease modification which narrows the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other changes which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amount of the right-of-use asset.

For the rental waivers due to COVID-19 and for the period ended before 30 June 2021 only, the Group applies the simplified method, records the undiscounted waivers in profit or loss and adjusts lease liability when the agreement is reached to dismiss the original payment obligation.

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

(22) Leases (Cont'd)

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 a lessor, the Group has no financing liabilities. When the Group leases free buildings, the rental income from operating leases is recognized on a straight-line basis during the lease term.

(23) 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 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.

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

(24) 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 on applying the accounting policies

(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 only reflects 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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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR EDNED 30 June 2021

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

##### (24) 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 or end customers. The Group recognises revenue from sales of automobiles after they are delivered as prescribed in the contract, distributors or end customers have accepted the products and the delivery documents have been signed by both parties. The Group recognises revenue from sales of parts after they are delivered to the designated location as prescribed in the contract, distributors or end customers have accepted the products and the delivery documents are signed by both parties. Thereafter, the distributors or end customers own the products, have the right to set prices independently, and bear the risks from price fluctuation or damage of the products. The distributors or end 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.

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

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

(b) Critical accounting estimates and key assumptions

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 fiscal year are outlined below:

(i) Measurement of ECL

The Group calculates ECL 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 Group considers different macroeconomic scenarios. In the first half of 2021, the weights of “base”, “bad” and “good” are 68%, 16% and 16% under three economic scenarios respectively for the consideration of forward-looking information. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of ECL rate, including the risks of economic downturn, external market environment, changes of technological environment and customer, gross domestic product and money supply etc. In the first half of 2021, the Group has considered the uncertainty caused by the COVID-19 and updated relevant assumptions and parameters accordingly. The key macroeconomic parameters used in each scenario are listed as follows:

	Scenarios		
	Base	Bad	Good
Gross domestic product	14.25%	14.15%	14.34%
Money supply	9.20%	7.72%	10.68%

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

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

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

(ii) 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 disposal costs and the present value of the future cash flows expected to be derived from the asset, it shows non-current assets or asset groups are impaired.

The amount of an asset's fair value less disposal costs was determined by the price of a sale agreement in a fair trade, less the costs that are directly attributable to the disposal of the asset. Where there is no sales agreement but there is an active market of assets, the amount is determined by the market price less the costs that are directly attributable to the disposal of the asset. The market price of assets is determined by the considerations provided by the buyer. Where there is no sales agreement or active market of assets, the amount of an asset's fair value less disposal costs was determined based on the best information available, with reference to the latest transaction price or results of similar assets of the same industry.

Disposal costs include legal cost, taxes and handling fee related to asset disposal, and direct costs incurred to bring the assets to a saleable state..



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

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

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

(iii) Income tax and deferred income tax

The Group is subject to enterprise income tax in multiple regions. There are some transactions and events for which the ultimate tax treatment is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these regions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in Note 3(2), the Company is a high-tech enterprise. The “High-Tech Enterprise Certificate” is effective for three years. Upon expiration, application for high-tech enterprise assessment should be submitted again to the relevant government authorities. Based on the past experience of reassessment for high-tech enterprise upon expiration and its actual conditions, the Company considers that it is able to obtain the qualification for high-tech enterprises in the next 3 years, and therefore a preferential tax rate of 15% is used to calculate the corresponding deferred income tax. If the Company cannot obtain the qualification for high-tech enterprise upon expiration, the Company is subject to a statutory tax rate of 25% for the calculation of income tax, which further influences the recognised deferred tax assets, deferred tax liabilities and income tax expenses.

Deferred tax assets are recognised for the deductible tax losses that can be carried forward to subsequent years to the extent that it is probable that taxable profit will be available in the future against which the deductible tax losses can be utilised. Taxable profit that will be available in the future includes the taxable profit that will be realised through ordinary course of business and the taxable profit that will be increased upon the reversal of taxable temporary differences incurred in prior periods. Judgements and estimates are required to determine the time and amounts of taxable profit in the future. Any difference between the reality and the estimate may result in adjustment to the carrying amount of deferred tax assets.

(iv) Provisions

The Group undertakes after-sales repair or replacement obligations for automobiles sold 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 the future.

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

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

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

(v) Provision for inventories

The Group's inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is 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 the management revises the estimated selling price of the inventory, the estimated costs to be incurred by the time of completion, and the estimated selling expenses and related taxes, the revised estimated selling price is lower than the currently adopted estimated selling price, or the revised until The estimated costs, estimated sales expenses, and related taxes and fees at the completion of the project are higher than the currently adopted estimates, the Group needs to make provision for inventory.

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 YEAR EDNE 30 June 2021

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#### 3 Taxation

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

Category	Taxation basis	Tax rate
Corporate income tax (a)	Taxable income	15% and 25%
VAT (b)	Taxable value-added amount (Tax payable is calculated by multiplying the taxable sales amount by the applicable tax rate less deductible input VAT of the current period)	13%, 9% and 6%
Consumption tax (c)	Taxable sales amount	3%, 5% and 9%
City maintenance and construction tax (d)	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 *An announcement on extending the period of implementation of some preferential tax policies* (Cai Shui [2021] No. 06) relevant regulations issued by the State Taxation Administration, during the period from 1 January 2018 to 30 June 2021, the cost of newly purchased equipment with the original cost less than RMB5 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 further Increasing the Pre-tax Deduction for Research and Development Expenses* (Cai Shui [2021] No. 13) issued by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology and relevant regulations, during the period from 1 January 2021 to 30 June 2021, the Groups' actual research and development expenses that are not recognised as intangible assets but included in profit or loss are allowed to 100% pre-tax additional deduction; those expenses recognised as intangible assets can be amortised before tax at 200% 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 Taxation Administration and the General Administration of Customs, the Group's taxable products sales revenue is subject to the VAT at the rate of 13%. The Group's real estate leasing business is subject to the VAT at the rate of 9%.

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

- (c) Pursuant to the *Interim Regulations of the People's Republic of China on Consumption Tax* promulgated by the State Council (Order No. 539 of the State Council of the People's Republic of China) and the *Notice of Ministry of Finance and State Taxation Administration on Adjusting Consumption Tax Policies for Passenger Cars* (Cai Shui [2008] No. 105), the consumption tax rates of the Group's taxable products are 3%, 5% and 9%.

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**3 Taxation (Cont'd)**

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

(d) 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 was subject to enterprise income tax at the rate of 15%. At present, the company is re-identified as a high-tech enterprise.

In 2021, except for the Company, the Company's wholly-owned companies, including JMC Heavy Duty Vehicle Co., Ltd. ("JMCH"), Taiyuan Jiangling Motive Power Co., Ltd. ("JMPC"), Jiangling Motor Sales Co., Ltd. ("JMCS"), Shenzhen Fujiang New Energy Automobile Sales Co., Ltd. ("SZFJ"), and 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 YEAR EDNED 30 June 2021

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#### 4 Notes to the consolidated financial statements

##### (1) Cash and cash equivalents

	30 June 2021	31 December 2020
Bank balances (a)	10,948,621,070	11,121,955,129
Other cash and cash equivalents (b)	<u>1,565,665</u>	<u>-</u>
	<u>10,950,186,735</u>	<u>11,121,955,129</u>

- (a) As at 30 June 2021, cash at bank of the Group deposited with Jiangling Motor Group Finance Company ("JMCF") was RMB771,587,928 (31 December 2020: RMB1,231,825,734) (Note 7(6)), and interest was calculated at 1.725% to 2.25% (2020: 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 2021, Other cash and cash equivalents of RMB 1,565,665 (December 31, 2020: none) are margin deposits deposited for the Group to apply to the bank for the issuance of bank acceptance drafts.

##### (2) Financial assets held for trading

	30 June 2021	31 December 2020
Structured Deposits	<u>553,211,507</u>	<u>803,892,985</u>

##### (3) Accounts receivable

	30 June 2021	31 December 2020
Accounts receivable	3,628,257,248	3,233,785,212
Less: Provision for bad debts	<u>(226,335,444)</u>	<u>(233,902,000)</u>
	<u>3,401,921,804</u>	<u>2,999,883,212</u>

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

(3) Accounts receivable (Cont'd)

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

	30 June 2021	31 December 2020
Within 1 year	3,030,225,204	2,729,338,870
1 to 2 years	148,995,102	18,746,837
2 to 3 years	404,147,862	477,066,625
Over 3 years	44,889,080	8,632,880
	<u>3,628,257,248</u>	<u>3,233,785,212</u>

(b) As at 30 June 2021, the five largest accounts receivable aggregated by debtor were analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance
Company 1	869,532,495	(528,716)	23.97%
Company 2	151,108,994	(844,088)	4.16%
Company 3	143,474,765	(63,138)	3.95%
Company 4	141,613,288	(76,656)	3.90%
Company 5	90,840,644	(39,304)	2.50%
	<u>1,396,570,186</u>	<u>(1,551,902)</u>	<u>38.48%</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:

	30 June 2021		
	Book balance Amount	Provision for bad debts Lifetime ECL (%)	Amount
New energy subsidies receivable i)	103,180,418	100%	(103,180,418)
Receivables for automobiles ii)	81,112,880	100%	(81,112,880)
	<u>184,293,298</u>		<u>(184,293,298)</u>

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

(3) 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):

	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
New energy subsidies receivable i)	103,180,418	100%	(103,180,418)
Receivables for automobiles ii)	83,112,880	100%	(83,112,880)
	<u>186,293,298</u>		<u>(186,293,298)</u>

i) As at 30 June 2021, government subsidies receivable for new energy automobiles amounted to RMB103,180,418 (31 December 2020: RMB103,180,418). As the corresponding new energy vehicles may not meet the corresponding subsidy policy standards, the Group considered the receivables cannot be collected, therefore, full provision was made for those receivables.

ii) As at 30 June 2021 and 31 December 2020, since aforesaid companies in debts had difficulties in operation and were involved in several legal proceedings, the Group considered the receivables cannot be collected, therefore, full provision was made for those receivables.

(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 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	2,634,165,630	0.04%	(1,151,080)
Overdue for 1 to 30 days	179,467,156	0.04%	(79,794)
Overdue for 31 to 60 days	3,750,054	1.60%	(59,944)
Overdue for 61 to 90 days	2,932,562	2.52%	(73,907)
Overdue over 90 days	10,095,272	8.83%	(891,821)
	<u>2,830,410,674</u>		<u>(2,256,546)</u>

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

(3) 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 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	2,092,329,084	0.21%	(4,395,983)
Overdue for 1 to 30 days	262,730,035	0.21%	(551,996)
Overdue for 31 to 60 days	345,798	6.35%	(21,961)
Overdue for 61 to 90 days	1,936,800	10.74%	(208,085)
Overdue over 90 days	17,757,747	17.59%	(3,123,783)
	<u>2,375,099,464</u>		<u>(8,301,808)</u>

Grouping - Sales of new energy automobiles:

	30 June 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	122,873,663	5.01%	(6,160,075)
Overdue for 1 to 30 days	-	—	-
Overdue for 31 to 60 days	-	—	-
Overdue for 61 to 90 days	-	—	-
Overdue over 90 days	155,710,138	21.05%	(32,783,514)
	<u>278,583,801</u>		<u>(38,943,589)</u>

	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	149,343,763	6.28%	(9,378,788)
Overdue for 1 to 30 days	-	—	-
Overdue for 31 to 60 days	194,083,088	14.52%	(28,173,753)
Overdue for 61 to 90 days	-	—	-
Overdue over 90 days	3,993,700	16.25%	(649,037)
	<u>347,420,551</u>		<u>(38,201,578)</u>



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

(3) 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 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	334,969,475	0.25%	(842,011)

  

	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	288,024,625	0.30%	(864,074)
Overdue for 1 to 30 days	21,425,030	0.30%	(64,275)
Overdue for 31 to 60 days	11,544,651	0.50%	(57,723)
Overdue for 61 to 90 days	1,809,917	0.60%	(10,860)
Overdue over 90 days	2,167,676	5.00%	(108,384)
	<u>324,971,899</u>		<u>(1,105,316)</u>

(iii) For the six months ended 30 June 2021, The provision for bad debts amounted to RMB7,566,557 was reversed. The significant amounts collected or reversed were as follows:

	Reasons for reversal/recovery	Basis and justification for determining the provision for bad debts	Amount of reversal/recovery	Recovery method
Accounts receivable 1	The actual receipt of account receivables relating to the provision for bad debts made in the prior period.	The aforesaid companies in debts had difficulties in operation and were involved in several legal proceedings, the Group considered the receivables cannot be collected, therefore, full provision was made for those receivables.	2,000,000	Received

(d) For the six months ended 30 June 2021, The group has no actual write-off accounts receivable.

e) As at 30 June 2021 and 31 December 2020, there were no accounts receivable pledged.

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

(4) Financing receivables

	30 June 2021	31 December 2020
Financing receivables	<u>428,573,213</u>	<u>815,583,669</u>

The Group endorses the notes receivable as required by daily fund management, which also met the criteria for derecognition, and therefore classified those notes receivable as financial assets at fair value through other comprehensive income.

The Group had no notes receivable for which the provision for impairment was made on the individual basis, and measured provision for bad debts based on the lifetime ECL. As at 30 June 2021 and 31 December 2020, 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 bank acceptance notes arising from non-performance by these banks.

As at 30 June 2021, the Group had no bank acceptance notes receivable that have been endorsed or discounted but not yet matured presented in financing receivables.

As at 30 June 2021, the notes receivables were endorsed or discounted by the Group but not matured as follows:

	Derecognised	Not derecognised
Bank acceptance notes	<u>821,924,876</u>	<u>-</u>

(5) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

	<u>30 June 2021</u>		<u>31 December 2020</u>	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	<u>579,396,268</u>	<u>100%</u>	<u>452,714,683</u>	<u>100%</u>

(b) As at 30 June 2021, the five largest advances to suppliers aggregated by debtor were analysed as follows:

	Amount	% of total balance
Company 1	489,145,695	84.42%
Company 2	57,098,374	9.85%
Company 3	13,333,848	2.30%
Company 4	8,432,977	1.46%
Company 5	3,343,681	0.58%
	<u>571,354,575</u>	<u>98.61%</u>

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

(6) Other receivables

	30 June 2021	31 December 2020
Interest receivable from cash at bank	85,462,590	60,283,645
Import working capital advances	25,000,000	35,000,000
Advances for gas fee	14,376,238	7,367,141
Deposits receivable	8,977,131	7,152,745
Advances for research and development projects	5,160,914	4,559,669
Cash advance	796,203	761,613
Others	76,801,941	14,082,669
	<u>216,575,017</u>	<u>129,207,482</u>
Less: Provision for bad debts	<u>(395,088)</u>	<u>(217,909)</u>
	<u>216,179,929</u>	<u>128,989,573</u>

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

	30 June 2021	31 December 2020
Within 1 year	211,315,522	128,336,086
Over 1 year	5,259,495	871,396
	<u>216,575,017</u>	<u>129,207,482</u>

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

	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 2020	129,207,482	(217,909)	-	-	(217,909)
Balance increase in the current period	87,367,535	-	-	-	-
Including: Write-off in the current period	-	-	-	-	-
Provision for bad debts in the current period	-	(177,179)	-	-	(177,179)
30 June 2021	<u>216,575,017</u>	<u>(395,088)</u>	<u>-</u>	<u>-</u>	<u>(395,088)</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.

As at June 30, 2021, the Group has no other receivables in stage 2 and Stage 3.

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

(6) Other receivables (Cont'd)

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

The analysis of other receivables at Stage 1 and Stage 3 is stated below:

(i) As at 30 June 2021 and 31 December 2020, the Group had no other receivables with provision for bad debts on the individual basis.

(ii) As at 30 June 2021 and 31 December 2020, the Group's other receivables with provision for bad debts on the grouping basis were analysed below:

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

	30 June 2021			31 December 2020		
	Book balance	Provision for losses		Book balance	Provision for losses	
	Amount	Provision ratio	Amount	Amount	Provision ratio	Amount
Portfolios of interest from cash at bank i):						
Within 1 year	85,462,590	-	-	60,283,645	-	-
Grouping - Operating advances and deposits:						
Within 1 year	125,852,932	0.30%	(379,239)	68,052,441	0.32%	(215,154)
Over 1 year	5,259,495	0.30%	(15,849)	871,396	0.32%	(2,755)
	<u>216,575,017</u>		<u>(395,088)</u>	<u>129,207,482</u>		<u>(217,909)</u>

i) As at 30 June 2021 and 31 December 2020, 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 that there was no material credit risk associated with related interest receivable and thus there was no significant losses on related interest receivable from non-performance by these banks.

(c) For the six months ended 30 June 2021, The amount of bad debt provision was RMB 177,179.

(d) For the six months ended 30 June 2021, The group has no actual write-off of other receivables.

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

(6) Other receivables (Cont'd)

(e) As at 30 June 2021, the five largest other receivables aggregated by debtor were analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Company 1	Assets receivables	32,555,714	Within 1 year	15.03%	(97,667)
Company 2	Advances classified as expenses	25,190,512	Within 1 year	11.63%	(75,572)
Company 3	Advances				
Company 3	Assets receivables	18,513,359	Within 1 year	8.55%	(55,540)
Company 4	Assets receivables	11,955,220	Within 1 year	5.52%	(35,866)
Company 5	Advances classified as expenses	9,486,001	Within 1 year	4.38%	(28,458)
		<u>97,700,806</u>		<u>45.11%</u>	<u>(293,103)</u>

(7) Inventories

(a) Inventories are summarised by categories as follows:

	30 June 2021			31 December 2020		
	Book balance	Provision for inventories	Carrying amount	Book balance	Provision for inventories	Carrying amount
Materials in transit	135,266,570	-	135,266,570	98,887,111	-	98,887,111
Raw materials	1,099,742,966	(88,186,867)	1,011,556,099	816,201,410	(109,312,198)	706,889,212
Work in progress	278,794,412	(175,387)	278,619,025	268,716,191	(175,387)	268,540,804
Finished goods	603,112,024	-	603,112,024	815,055,053	-	815,055,053
Low cost consumables	148,219,701	(32,479,143)	115,740,558	160,969,525	(32,479,143)	128,490,382
Materials processed on commission	34,521,160	-	34,521,160	68,743,130	-	68,743,130
	<u>2,299,656,833</u>	<u>(120,841,397)</u>	<u>2,178,815,436</u>	<u>2,228,572,420</u>	<u>(141,966,728)</u>	<u>2,086,605,692</u>

(b) Provision for inventories is analysed as follows:

	31 December	Increase in the current period	Decrease in the current period		30 June
	2020	Provision	Reversal	Write-off	2021
Raw materials	(109,312,198)	-	-	21,125,331	(88,186,867)
Work in progress	(175,387)	-	-	-	(175,387)
Low cost consumables	(32,479,143)	-	-	-	(32,479,143)
	<u>(141,966,728)</u>	<u>-</u>	<u>-</u>	<u>21,125,331</u>	<u>(120,841,397)</u>

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

(7) Inventories (Cont'd)

(c) Provision for inventories is as follows:

	Specific basis for determining net realisable value	Reason for current period write-off of provision for inventories
Raw materials/Work in progress/Low value consumables	Based on the estimated selling price, less the estimated costs to completion, estimated selling and distribution expenses and related taxes	The net realizable value of inventories with provision sales have been achieved

(8) Other current assets

	30 June 2021	31 December 2020
Taxes Prepaid, Input VAT to be deducted and to be verified	885,615,580	736,953,815
Others	111,409	415,922
	<u>885,726,989</u>	<u>737,369,737</u>

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

(9) Long-term equity investments

	30 June 2021	31 December 2020
Associate		
- Hanon Systems (Nanchang) Co., Ltd. ("Hanon Systems")	39,232,347	39,496,548
Less: Provision for impairment of long-term equity investments	-	-
	<u>39,232,347</u>	<u>39,496,548</u>

Associate

	31 December 2020	Movements for the current period			30 June 2021	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					Provision for impairment
Hanon Systems	39,496,548	-	(264,201)	-	-	39,232,347	19.15%	33.33%	-

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)**

(10) Fixed assets

	30 June 2021	31 December 2020
Fixed assets (a)	4,782,132,367	5,164,260,516
Fixed assets pending for disposal (b)	3,362,458	1,695,894
	<u>4,785,494,825</u>	<u>5,165,956,410</u>

(a) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Moulds	Electronic and other equipment	Total
<b>Cost</b>						
31 December 2020	2,300,951,630	4,011,283,000	353,517,996	3,154,261,304	4,004,241,347	13,824,255,277
Increase in the current period						
Transfer from construction in progress	-	5,283,649	4,740,766	85,010,394	34,570,398	129,605,207
Other increases	-	-	7,682,876	-	43,215,116	50,897,992
Decrease in the current period						
Disposal or retirement	(12,050,420)	(163,422,780)	(4,035,565)	(12,990,539)	(32,833,161)	(225,332,465)
Other decreases	-	(50,897,992)	-	-	-	(50,897,992)
30 June 2021	2,288,901,210	3,802,245,877	361,906,073	3,226,281,159	4,049,193,700	13,728,528,019
<b>Accumulated depreciation</b>						
31 December 2020	(573,584,513)	(2,390,076,662)	(232,596,897)	(2,372,671,702)	(2,596,189,492)	(8,165,119,266)
Increase in the current period						
Provision	(28,448,696)	(110,821,592)	(16,414,567)	(110,466,772)	(167,244,078)	(433,395,705)
Decrease in the current period						
Disposal or retirement	4,630,260	104,174,319	1,549,385	12,140,680	23,736,787	146,231,431
30 June 2021	(597,402,949)	(2,396,723,935)	(247,462,079)	(2,470,997,794)	(2,739,696,783)	(8,452,283,540)
<b>Provision for impairment</b>						
31 December 2020	-	(94,376,123)	(6,070,058)	(343,015,623)	(51,413,691)	(494,875,495)
Increase in the current period						
Provision	-	-	-	-	-	-
Decrease in the current period						
Disposal or retirement	-	-	32,466	676,494	54,423	763,383
30 June 2021	-	(94,376,123)	(6,037,592)	(342,339,129)	(51,359,268)	(494,112,112)
<b>Carrying amount</b>						
30 June 2021	1,691,498,261	1,311,145,819	108,406,402	412,944,236	1,258,137,649	4,782,132,367
31 December 2020	1,727,367,117	1,526,830,215	114,851,041	438,573,979	1,356,638,164	5,164,260,516



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

(10) Fixed assets (Cont'd)

(a) Fixed assets (Cont'd)

For the six months ended 30 June 2021, depreciation charged to fixed assets amounted to RMB433,395,705 (the six months ended 30 June 2020: RMB517,638,550), of which the depreciation expenses charged in the cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses were RMB336,443,335, RMB1,008,818, RMB63,916,100 and RMB32,027,452 (the six months ended 30 June 2020: RMB398,894,781, RMB1,516,970, RMB81,887,718 and RMB35,339,081), respectively.

The cost of fixed assets transferred from construction in progress amounted to RMB129,605,207 (the six months ended 30 June 2020: RMB80,025,139) (Note 4(11)).

(i) Temporarily idle fixed assets

As at 30 June 2021, the fixed assets with a carrying amount of approximately RMB59,246,836 (a cost of RMB1,012,789,184) (31 December 2020: a carrying amount of approximately RMB16,532,578 and a cost of RMB483,214,712) were temporarily idle due to factory relocation, the change of business development, product strategies and product process etc. The analysis is as follows:

	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	300,907,156	(246,471,314)	(37,209,692)	17,226,150
Motor vehicles	13,706,317	(9,122,213)	(2,498,046)	2,086,058
Moulds	479,556,654	(151,571,099)	(327,887,822)	97,733
Electronic and other equipment	218,619,057	(166,750,609)	(12,031,553)	39,836,895
	<u>1,012,789,184</u>	<u>(573,915,235)</u>	<u>(379,627,113)</u>	<u>59,246,836</u>

(ii) Fixed assets with pending certificates of ownership:

	Carrying amount	Reasons for not obtaining certificates of ownership
Buildings	<u>275,429,305</u>	Pending procedures

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

(10) Fixed assets (Cont'd)

(b) Fixed assets pending for disposal

	30 June 2021	31 December 2020
Electronic and other equipment	2,611,218	1,639,777
Machinery and equipment	662,952	56,117
Motor vehicles	88,288	-
	<u>3,362,458</u>	<u>1,695,894</u>

(11) Construction in progress

	30 June 2021			31 December 2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Fushan new plant investment project	642,211,422	-	642,211,422	522,070,550	-	522,070,550
Capacity optimization project	701,633,914	-	701,633,914	504,378,481	-	504,378,481
Construction of Xiaolan 600 mu Phase 3 plan	128,932,841	-	128,932,841	105,196,107	-	105,196,107
Engine construction project	99,021,903	-	99,021,903	106,148,911	-	106,148,911
CX756 project	61,099,732	-	61,099,732	89,516,432	-	89,516,432
N822 project	74,884,781	-	74,884,781	31,176,961	-	31,176,961
Collision Simulation Laboratory	44,998,123	-	44,998,123	45,422,684	-	45,422,684
CX743 conversion project	41,946,927	-	41,946,927	26,409,132	-	26,409,132
N356 project	13,789,890	-	13,789,890	13,789,890	-	13,789,890
V348 conversion project	9,518,173	-	9,518,173	23,183,603	-	23,183,603
JF8/CX743 project	9,173,450	-	9,173,450	7,347,943	-	7,347,943
Independently developed gasoline engine project	1,041,249	-	1,041,249	1,041,249	-	1,041,249
N806 Project	622,136	-	622,136	622,136	-	622,136
Stamping/frame Capacity improvement project	137,377	-	137,377	137,377	-	137,377
Other miscellaneous and pending installation projects	99,665,142	(691,646)	98,973,496	59,747,960	(691,646)	59,056,314
	<u>1,928,677,060</u>	<u>(691,646)</u>	<u>1,927,985,414</u>	<u>1,536,189,416</u>	<u>(691,646)</u>	<u>1,535,497,770</u>

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

(11) Construction in progress (Cont'd)

(a) Movement of significant projects of construction in progress

Project name	Budget (in RMB 0'000)	31 December 2020	Increase in the current period	Transfer to fixed assets in the current period	Decrease in the current period	30 June 2021	% of project investment in budget	Progress of project	Accumulative capitalised borrowing costs	Including: Borrowing costs capitalised in the current period	Source of fund
Fushan new plant investment project	205,200	522,070,550	130,765,582	(10,624,710)	-	642,211,422	55%	55%	-	-	Self-owned funds
Capacity optimization project	179,462	504,378,481	199,370,623	(2,115,190)	-	701,633,914	39%	39%	-	-	Self-owned funds
Construction of Xiaolan 600 mu Phase 3 plan	20,977	105,196,107	24,083,522	(346,788)	-	128,932,841	63%	63%	-	-	Self-owned funds
Engine construction project	67,000	106,148,911	4,002,290	(11,129,298)	-	99,021,903	69%	69%	-	-	Self-owned funds
CX756 project	19,000	89,516,432	31,100,951	(59,517,651)	-	61,099,732	69%	69%	-	-	Self-owned funds
N822 project Collision Simulation Laboratory	20,700 9,651	31,176,961 45,422,684	43,853,838 2,507,361	(146,018) (2,931,922)	-	74,884,781 44,998,123	36% 76%	36% 76%	-	-	Self-owned funds
CX743 conversion project	11,006	26,409,132	16,038,805	(501,010)	-	41,946,927	39%	39%	-	-	Self-owned funds
N356 project	13,600	13,789,890	360,450	(360,450)	-	13,789,890	80%	80%	-	-	Self-owned funds
V348 conversion project	4,390	23,183,603	5,288,213	(18,953,643)	-	9,518,173	72%	72%	-	-	Self-owned funds
JF8/CX743 project Independently developed gasoline engine project	13,690 43,200	7,347,943 1,041,249	3,281,804 -	(1,456,297) -	-	9,173,450 1,041,249	95% 92%	95% 92%	-	-	Self-owned funds
N806 Project Stamping/frame Capacity improvement project	2,860 56,778	622,136 137,377	- -	- -	-	622,136 137,377	70% 81%	70% 81%	-	-	Self-owned funds
Other miscellaneous and pending installation projects		59,747,960	76,063,127	(21,522,230)	(14,623,715)	99,665,142			292,897	-	Self-owned funds and loans
		<u>1,536,189,416</u>	<u>536,716,566</u>	<u>(129,605,207)</u>	<u>(14,623,715)</u>	<u>1,928,677,060</u>			<u>292,897</u>		

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

(11) Construction in progress (Cont'd)

(b) Provision for impairment of construction in progress

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021	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 lower than the book value

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

(12) Right-of-use assets

Buildings

Cost

31 December 2020	42,736,398
Increase in the current period	
New lease contracts	19,716,958
30 June 2021	62,453,356

Accumulated depreciation

31 December 2020	(14,330,508)
Increase in the current period	
Provision	(7,354,220)
30 June 2021	(21,684,728)

Provision for impairment

31 December 2020	-
Increase in the current period	-
Decrease in the current period	-
30 June 2021	-

Carrying amount

30 June 2021	40,768,628
31 December 2020	28,405,890

For the six months ended 30 June 2021, depreciation of right-of-use assets amounted to RMB7,354,220, of which RMB3,554,214, RMB1,685,693, RMB1,599,215 and RMB515,098 were included in cost of sales and selling distribution expenses, general and administrative expenses and research and development expenses(the six months ended 30 June 2020: RMB5,775,094, RMB1,450,734, RMB 0 and RMB 0), respectively.

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

(13) Intangible assets

	Land use rights	Software use fees	Non-patent technologies	After-sales services management model	Others	Total
<b>Cost</b>						
31 December 2020	751,625,667	206,965,791	540,153,070	36,979,184	1,599,516	1,537,323,228
Increase in the current period						
Transfer from construction in progress	-	14,623,715	-	-	-	14,623,715
Internal research and development	-	-	194,823,495	-	-	194,823,495
Decrease in the current period						
Disposal	-	-	-	-	-	-
30 June 2021	751,625,667	221,589,506	734,976,565	36,979,184	1,599,516	1,746,770,438
<b>Accumulated amortisation</b>						
31 December 2020	(181,512,922)	(130,785,042)	(216,248,050)	(36,979,184)	(1,599,516)	(567,124,714)
Increase in the current period						
Provision	(7,786,924)	(12,666,156)	(56,909,822)	-	-	(77,362,902)
Decrease in the current period						
Disposal	-	-	-	-	-	-
30 June 2021	(189,299,846)	(143,451,198)	(273,157,872)	(36,979,184)	(1,599,516)	(644,487,616)
<b>Provision for impairment</b>						
31 December 2020	-	-	(38,806,961)	-	-	(38,806,961)
Increase in the current period						
Provision	-	-	-	-	-	-
30 June 2021	-	-	(38,806,961)	-	-	(38,806,961)
<b>Carrying amount</b>						
30 June 2021	562,325,821	78,138,308	423,011,732	-	-	1,063,475,861
31 December 2020	570,112,745	76,180,749	285,098,059	-	-	931,391,553

For the six months ended 30 June 2021, amortisation charged to intangible assets amounted to RMB77,362,902 (the six months ended 30 June 2020: RMB58,225,513), of which the amounts charged to cost of sales, selling and distribution expenses, general and administrative expenses, and research and development expenses were RMB273,069, RMB223,108, RMB19,015,855 and RMB57,850,870 respectively. (the six months ended 30 June 2020: RMB 273,069, RMB 179,314, RMB 18,893,016 and RMB 38,880,114).

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

(13) Intangible assets (Cont'd)

The Group's development expenditures are set out below:

	31 December 2020	Increase in the current period	Decrease in the current period		30 June 2021
			Recognised as intangible assets	Write off	
Automobile products development project	<u>173,473,242</u>	<u>50,413,638</u>	<u>(194,823,495)</u>	<u>-</u>	<u>29,063,385</u>

Expenditures on research and development of the Group incurred in the six months ended 30 June 2021 amounted to RMB776,879,828 (the six months ended 30 June 2020: RMB823,946,960) in total, of which RMB726,466,190 (the six months ended 30 June 2020: RMB696,582,452) was recognised in profit or loss for the current period, RMB21,350,253 (the six months ended 30 June 2020: RMB86,341,229) was recognised as intangible assets for the current period and RMB29,063,385 (the six months ended 30 June 2020: RMB41,023,279) was included in the ending balance of development expenditures. As at 30 June 2021, the intangible assets developed by the Group accounted for 40% (31 December 2020: 31%) of the carrying amount of intangible assets.

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

(14) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2021		31 December 2020	
	Deductible temporary differences and deductible tax losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Accrued expenses and provisions	4,818,974,406	1,097,011,961	3,918,637,644	896,970,479
Recoverable losses	1,995,262,058	304,346,957	2,032,780,205	307,105,716
Provision for asset impairment	859,642,508	134,539,799	897,520,189	140,838,024
Non-patent technology	132,289,550	28,462,021	108,124,026	23,281,348
Retirement benefits plan	65,518,693	15,186,804	67,587,000	15,497,050
Deferred income	48,943,773	7,341,566	49,944,625	7,491,694
Employee education funds unpaid	59,205,852	9,272,799	42,695,014	6,607,339
Others	76,045,095	11,456,912	54,068,775	8,189,817
	<u>8,055,881,935</u>	<u>1,607,618,819</u>	<u>7,171,357,478</u>	<u>1,405,981,467</u>
Including:				
Expected to be recovered within one year (inclusive)		1,275,807,710		1,065,699,235
Expected to be recovered after one year		<u>331,811,109</u>		<u>340,282,232</u>
		<u>1,607,618,819</u>		<u>1,405,981,467</u>



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

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

(b) Deferred tax liabilities before offsetting

	30 June 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	1,386,782,904	272,291,672	1,247,553,627	235,959,055
Net losses related to debt exemption and equity transactions between parent and subsidiary	785,943,493	117,891,524	682,000,000	102,300,000
Amortisation of intangible assets	40,945,579	6,328,260	38,367,939	5,779,320
Differences between the fair value of the identifiable net assets and carrying amount arising from business combinations not under common control	97,392,184	24,348,046	98,780,656	24,695,164
Others	3,211,507	802,877	1,095,069	273,767
	<u>2,314,275,667</u>	<u>421,662,379</u>	<u>2,067,797,291</u>	<u>369,007,306</u>
Including:				
Expected to be recovered within one year (inclusive)		171,737,530		147,540,386
Expected to be recovered after one year		<u>249,924,849</u>		<u>221,466,920</u>
		<u>421,662,379</u>		<u>369,007,306</u>

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

(14) 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 2021	31 December 2020
Deductible losses	117,022,793	171,901,892
Deductible temporary differences	467,558	3,119,574
	<u>117,490,351</u>	<u>175,021,466</u>

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

	30 June 2021	31 December 2020
2024	<u>117,022,793</u>	<u>171,901,892</u>

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

	30 June 2021		31 December 2020	
	Offsetting amount	Balance after offsetting	Offsetting amount	Balance after offsetting
Deferred tax assets	(279,422,809)	1,328,196,010	(242,012,142)	1,163,969,325
Deferred tax liabilities	(279,422,809)	142,239,570	(242,012,142)	126,995,164

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

(15) Provision for asset impairment and losses

	31 December 2020	Increase in the current period	Decrease in the current period		30 June 2021
			Reversal	Write-off	
Provision for bad debts of accounts receivable	233,902,000	-	(7,566,556)	-	226,335,444
Including: Provision for bad debts on the individual basis	186,293,298	-	(2,000,000)	-	184,293,298
Provision for bad debts on the grouping basis	47,608,702	-	(5,566,556)	-	42,042,146
Provision for bad debts of other receivables	217,909	177,179	-	-	395,088
Sub-total	234,119,909	177,179	(7,566,556)	-	226,730,532
Provision for inventories	141,966,728	-	-	(21,125,331)	120,841,397
Provision for impairment of fixed assets	494,875,495	-	-	(763,383)	494,112,112
Provision for impairment of construction in progress	691,646	-	-	-	691,646
Provision for impairment of goodwill	89,028,412	-	-	-	89,028,412
Provision for impairment of intangible assets	38,806,961	-	-	-	38,806,961
Sub-total	765,369,242	-	-	(21,888,714)	743,480,528
	999,489,151	177,179	(7,566,556)	(21,888,714)	970,211,060

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

(16) Short-term borrowings

	30 June 2021	31 December 2020
Credit loan	<u>500,000,000</u>	<u>500,000,000</u>

As at June 31 2021, the interest rate for the short-term loan is 2.85% (December 31, 2020: 2.05% to 3.15%).

(17) Derivative financial liabilities

	30 June 2021	31 December 2020
Derivative financial liabilities - Forward exchange contracts	<u>8,165,742</u>	<u>3,716,727</u>

As at 30 June 2021 and 31 December 2020, derivative financial liabilities mainly represented forward exchange contracts.

(18) Notes payable

	30 June 2021	31 December 2020
Bank acceptance notes	<u>1,565,665</u>	<u>-</u>

(19) Accounts payable

	30 June 2021	31 December 2020
Payable for spare parts	9,207,129,657	9,672,652,729
Payable for raw and auxiliary materials	<u>201,416,746</u>	<u>353,563,148</u>
	<u>9,408,546,403</u>	<u>10,026,215,877</u>

As at 30 June 2021, accounts payable with ageing over 1 year amounted to RMB406,639,200 (31 December 2020: RMB431,202,897), which mainly represented materials payable for which settlement price has not yet been determined, and such payables had not been finally settled yet.

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

(20) Contract liabilities

	30 June 2021	31 December 2020
Advances for automobiles and automobile parts	113,014,269	521,367,837
Advances for maintenance and warranty services	148,455,912	136,685,473
	<u>261,470,181</u>	<u>658,053,310</u>
Less: Contract liabilities expected to be included in revenue after one year (Note 4(31))	(105,589,814)	(99,526,464)
	<u>155,880,367</u>	<u>558,526,846</u>

(21) Employee benefits payable

	30 June 2021	31 December 2020
Short-term employee benefits payable (a)	490,146,268	617,598,452
Defined contribution plans payable (b)	135,984,526	135,699,978
Defined benefit plans payable (c)	3,415,000	3,415,000
Termination benefits payable (d)	2,655,176	2,655,176
	<u>632,200,970</u>	<u>759,368,606</u>

(a) Short-term employee benefits

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Wages and salaries, bonus, allowances and subsidies	539,376,881	1,009,880,252	(1,158,816,011)	390,441,122
Staff welfare	26,872,505	54,777,228	(47,177,698)	34,472,035
Social security contributions	3,877,466	53,558,925	(53,401,795)	4,034,596
Including: Medical insurance	-	45,145,334	(44,992,082)	153,252
Work injury insurance	3,877,466	3,166,398	(3,162,671)	3,881,193
Maternity insurance	-	5,247,193	(5,247,042)	151
Housing funds	-	73,446,013	(73,276,315)	169,698
Labour union funds and employee education funds	47,471,600	39,788,461	(26,231,244)	61,028,817
Other short-term employee benefits	-	4,848,118	(4,848,118)	-
	<u>617,598,452</u>	<u>1,236,298,997</u>	<u>(1,363,751,181)</u>	<u>490,146,268</u>

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

(21) Employee benefits payable (Cont'd)

(b) Defined contribution plans

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Basic pensions	131,620,467	107,073,450	(106,814,225)	131,879,692
Supplementary pensions	-	10,400,000	(10,400,000)	-
Unemployment insurance	4,079,511	3,399,495	(3,374,172)	4,104,834
	<u>135,699,978</u>	<u>120,872,945</u>	<u>(120,588,397)</u>	<u>135,984,526</u>

(c) Defined benefit plans

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Post-retirement benefits payable (Note 4(30))	<u>3,415,000</u>	<u>1,282,213</u>	<u>(1,282,213)</u>	<u>3,415,000</u>

(d) Termination benefits payable

	30 June 2021	31 December 2020
Early retirement benefits payable (Note 4(30))	1,317,000	1,317,000
Other termination benefits (i)	<u>1,338,176</u>	<u>1,338,176</u>
	<u>2,655,176</u>	<u>2,655,176</u>

(i) For the six months ended 30 June 2021, other termination benefits paid by the Group for termination of the employment relationship were RMB13,174,883.

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

(22) Taxes payable

	30 June 2021	31 December 2020
Enterprise income tax payable	164,607,336	88,142,260
Consumption tax payable	65,438,708	78,952,885
Unpaid VAT	36,066,495	26,439,025
Land use tax payable	4,819,354	5,746,521
City maintenance and construction tax payable	2,558,480	2,005,985
Educational surcharge payable	1,827,486	1,432,847
Others	16,297,138	15,725,704
	<u>291,614,997</u>	<u>218,445,227</u>

(23) Other payables

	30 June 2021	31 December 2020
Ordinary share dividends payable	3,006,966,959	6,463,836
Construction expenses	2,694,444,804	2,213,691,765
Research and development project expenses	712,135,448	673,089,112
Advertising and new product planning fees	192,331,108	161,524,470
Construction expenses	181,182,323	290,525,592
Goods transportation expenses	163,702,631	148,274,852
Deposit payable	146,416,930	97,973,078
Technological transformation project expenses	46,511,283	21,530,592
Trademark management fees	13,153,276	2,485,538
Consulting expenses	11,514,272	10,298,545
Others	856,541,020	527,992,245
	<u>8,024,900,054</u>	<u>4,153,849,625</u>

As at 30 June 2021, other payables with ageing over 1 year of RMB1,075,939,516 (31December 2020: RMB819,824,836) 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 and service providers, and engineering projects and research and development projects that have not yet been accepted and completed.

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

(24) Current portion of non-current liabilities

	30 June 2021	31 December 2020
Current portion of lease liabilities (Note 4(27))	16,179,742	10,481,886
Current portion of long-term borrowings (Note 4(26))	<u>423,034</u>	<u>427,277</u>
	<u>16,602,776</u>	<u>10,909,163</u>

(25) Other current liabilities

	30 June 2021	31 December 2020
Provisions expected to be settled within one year (Note 4(28))	368,170,576	343,121,509
Others	<u>14,686,957</u>	<u>67,777,819</u>
	<u>382,857,533</u>	<u>410,899,328</u>

(26) Long-term borrowings

	30 June 2021	31 December 2020
Secured borrowings	2,749,722	2,990,943
Less: Current portion of long-term borrowings (Note 4(24))	<u>(423,034)</u>	<u>(427,277)</u>
	<u>2,326,688</u>	<u>2,563,666</u>

The above secured borrowings were long-term borrowings amounting to USD 425,647 secured by JMCF, borrowed from Industrial and Commercial Bank of China ("ICBC"), Nanchang Ganjiang Sub-branch with interest payable every half year and the principal was paid in instalments between 10 December 2007 and 27 October 2027. For the six months ended 30 June 2021, the interest rate of long-term borrowings was 1.5% (For the Six Months Ended 30 June 2020: 1.5%).

	Starting date	Maturity date	Currency	Interest rate (%)	30 June 2021		31 December 2020	
					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%	425,647	2,749,722	458,389	2,990,943

(27) Lease liabilities

	30 June 2021	31 December 2020
Lease liabilities	44,033,765	29,480,838
Less: Current portion of non-current liabilities (Note 4(24))	<u>(16,179,742)</u>	<u>(10,481,886)</u>
	<u>27,854,023</u>	<u>18,998,952</u>

(a) As at the six months ended 30 June 2021, the lease payment related to the lease contract that the Group has signed but has not yet begun to execute is RMB361,843,200((Note 11 (3))(December 31, 2020: RMB361,843,200).



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

(28) Provisions

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Product warranties i)	511,619,012	238,355,518	(197,813,393)	552,161,137
provision for contracts	<u>27,398,636</u>	-	<u>(4,392,114)</u>	<u>23,006,522</u>
	539,017,648	238,355,518	(202,205,507)	575,167,659
Less: Provisions expected to be settled within one year (Note 4(25))	<u>(343,121,509)</u>			<u>(368,170,576)</u>
	<u>195,896,139</u>			<u>206,997,083</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 vehicles sold.

(29) Deferred income

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021	Reason
Government grants (a)	<u>49,944,625</u>	<u>960,000</u>	<u>(1,960,852)</u>	<u>48,943,773</u>	Subsidy for projects

(a) Government grants

	31 December 2020	Increase in the current period	Recognised in other income	Offset financial expenses	30 June 2021	Asset related/ Income related
Research and development-related subsidies	47,519,981	960,000	(200,727)	-	48,279,254	Income related
Government interest subsidies	1,760,125	-	-	(1,760,125)	-	Income related
Others	<u>664,519</u>	-	-	-	<u>664,519</u>	Income related
	<u>49,944,625</u>	<u>960,000</u>	<u>(200,727)</u>	<u>(1,760,125)</u>	<u>48,943,773</u>	

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

(30) Long-term employee benefits payable

	30 June 2021	31 December 2020
Supplementary retirement benefits and early-retirement benefits eligible for recognition of provisions	65,518,693	67,587,000
Less: Payable within one year	<u>(4,732,000)</u>	<u>(4,732,000)</u>
	<u>60,786,693</u>	<u>62,855,000</u>

The retirement and early-retirement benefits payable within one year are included in employee benefits payable(Note 4(21)(c), (d)).

For retired and early-retired employees, the Group provides them with 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 2021	31 December 2020
Opening balance	67,587,000	68,441,000
Cost of defined benefit plan recognised in profit or loss for the current period		
- Current service cost	-	1,242,000
- Past service cost	-	-
- Actuarial (gains)/losses recognised immediately	-	(843,000)
- Net interest	-	2,324,000
Remeasurement of net liabilities for defined benefit plan		
- Actuarial losses	-	485,000
Other movements		
- Benefits paid	(2,068,307)	(4,062,000)
Ending balance	65,518,693	67,587,000

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

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

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

	30 June 2021	31 December 2020
Discount rates	—	3.75%
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.

(31) Other non-current liabilities

	30 June 2021	31 December 2020
Contract liabilities expected to be included in revenue after one year (Note 4(20))	<u>105,589,814</u>	<u>99,526,464</u>

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

(32) Share capital

	31 December 2020	Movements for the current period					30 June 2021
		Shares newly issued	Bonus share	Transfer from capital surplus	Others	Sub-total	
Shares subject to trading restriction -							
Other domestic shares							
Including: Shares held by domestic non-state- owned legal persons	745,140	-	-	-	-	-	745,140
Shares held by domestic natural persons	5,700	-	-	-	-	-	5,700
	<u>750,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,840</u>
Shares not subject to trading restriction -							
Ordinary shares denominated in RMB	518,463,160	-	-	-	-	-	518,463,160
Domestically listed foreign shares	344,000,000	-	-	-	-	-	344,000,000
	<u>862,463,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 2021, there were 750,840 shares currently unavailable for trading.

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

(32) Share capital (Cont'd)

	31 December 2019	Movements for the current year					31 December 2020
		Shares newly issued	Bonus share	Transfer from capital surplus	Others	Sub-total	
Shares subject to trading restriction -							
Other domestic shares							
Including: Shares held by domestic non-state- owned legal persons	749,940	-	-	-	(4,800)	(4,800)	745,140
Shares held by domestic natural persons	975	-	-	-	4,725	4,725	5700
	<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>

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

(33) Capital surplus

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Share premium	816,609,422	-	-	816,609,422
Other capital surplus	<u>22,833,068</u>	<u>-</u>	<u>-</u>	<u>22,833,068</u>
	<u>839,442,490</u>	<u>-</u>	<u>-</u>	<u>839,442,490</u>

  

	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Share premium	816,609,422	-	-	816,609,422
Other capital surplus	<u>22,833,068</u>	<u>-</u>	<u>-</u>	<u>22,833,068</u>
	<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)**

(34) Other comprehensive income

	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the Six Months Ended 30 June 2021			
	31 December 2020	Attributable to the parent company after tax	30 June 2021	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	(11,759,250)	-	(11,759,250)	-	-	-	-
	Other comprehensive income in the balance sheet			Other comprehensive income in the income statement for the year ended 31 December 2020			
	31 December 2019	Attributable to the parent company after tax	31 December 2020	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	(11,395,500)	(363,750)	(11,759,250)	(485,000)	-	121,250	(363,750)

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

(35) Surplus reserve

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
Statutory surplus reserve	431,607,000	-	-	431,607,000
	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Statutory surplus reserve	431,607,000	-	-	431,607,000

In accordance with the *Company Law of the People's Republic of China*, 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 period(2020: 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.

(36) Retained earnings

	Six months ended 30 June	
	2021	2020
Retained earnings at the beginning of the year	8,863,969,769	8,373,695,791
Add: Net profit attributable to shareholders of the parent company for the current period	405,214,055	207,771,782
Less: Ordinary share dividends payable (a)	(3,000,531,864)	(60,424,980)
Retained earnings at the end of the period	6,268,651,960	8,521,042,593

- (a) According to the resolution of the board of directors on March 26th, 2021, the board of directors proposed that the Company distribute cash dividends of RMB3.476 per share to all shareholders. Based on the issued shares of 863,214,000, the proposed cash dividends total RMB3,000,531,864, and the proposal was approved by the shareholders' meeting on June 25, 2021



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

(37) Revenue and cost of sales

	Six months ended 30 June	
	2021	2020
Revenue from main business	17,360,624,109	13,877,590,851
Revenue from other business	314,996,979	195,827,027
	<u>17,675,621,088</u>	<u>14,073,417,878</u>
	Six months ended 30 June	
	2021	2020
Cost of sales from main business	14,756,422,659	11,670,570,165
Cost of sales from other business	293,802,060	189,552,200
	<u>15,050,224,719</u>	<u>11,860,122,365</u>

(a) Revenue and cost of sales from main business

	Six months ended 30 June			
	2021		2020	
	Revenue from main business	Cost of sales from main business	Revenue from main business	Cost of sales from main business
Sales of automobiles	16,283,174,183	13,950,596,206	13,030,304,986	11,046,531,024
Sales of automobile parts	1,023,854,381	747,849,973	809,320,498	582,437,916
Automobile maintenance services	53,595,545	57,976,480	37,965,367	41,601,225
	<u>17,360,624,109</u>	<u>14,756,422,659</u>	<u>13,877,590,851</u>	<u>11,670,570,165</u>

(b) Revenue and cost of sales from other business

	Six months ended 30 June			
	2021		2020	
	Revenue from other business	Cost of sales from other business	Revenue from other business	Cost of sales from other business
Sales of materials	257,593,313	238,590,185	162,807,656	155,071,014
Others	57,403,666	55,211,875	33,019,371	34,481,186
	<u>314,996,979</u>	<u>293,802,060</u>	<u>195,827,027</u>	<u>189,552,200</u>

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

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

(c) The Group's revenue in 2021 was broken down as follows:

	Six months ended 30 June 2021				Total
	Automobiles	Automobile parts	Automobile maintenance services	Materials and others	
Revenue from main business	16,283,174,183	1,023,854,381	53,595,545	-	17,360,624,109
Including: Recognised at a time point	16,283,174,183	1,023,854,381	-	-	17,307,028,564
Recognised within a certain period	-	-	53,595,545	-	53,595,545
Revenue from other business	-	-	-	314,996,979	314,996,979
	<u>16,283,174,183</u>	<u>1,023,854,381</u>	<u>53,595,545</u>	<u>314,996,979</u>	<u>17,675,621,088</u>

(i) As at 30 June 2021, the amount of revenue corresponding to the performance obligation of the Group that has been contracted but not yet performed or not fulfilled was RMB148,455,912, which was expected to be recognised between 2021 and 2026.

(38) Taxes and surcharges

	Six months ended 30 June	
	2021	2020
Consumption tax	366,921,695	271,679,866
City maintenance and construction tax	46,652,034	50,598,211
Educational surcharge	42,987,981	43,310,138
Land use tax	9,534,267	9,774,064
Real estate tax	8,736,554	8,220,537
Stamp tax	4,155,789	2,779,740
Others	253,194	216,586
	<u>479,241,514</u>	<u>386,579,142</u>

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

(39) Selling and distribution expenses

	Six months ended 30 June	
	2021	2020
Promotion expenses	241,079,452	91,894,222
Warranties	238,355,518	155,588,778
Advertising and new product planning fees	139,947,287	138,350,765
Sales network construction expenses	122,520,260	41,733,973
Salaries and benefits	96,986,506	70,754,094
Storage expenses	30,124,253	17,822,522
Packaging material expenses	18,318,542	14,586,046
Depreciation and amortisation expenses	2,917,619	3,147,018
Others	59,264,981	58,309,902
	<u>949,514,418</u>	<u>592,187,320</u>

(40) General and administrative expenses

	Six months ended 30 June	
	2021	2020
Salaries and benefits	303,656,754	264,648,937
Depreciation and amortisation expenses	84,531,170	100,780,734
Trademark management fees	22,232,060	20,627,894
General office expenses	10,744,528	7,103,298
Repair expenses	6,143,557	7,181,637
Travelling expenses	3,114,916	2,092,846
Others	99,394,555	56,692,100
	<u>529,817,540</u>	<u>459,127,446</u>

(41) Research and development expenses

	Six months ended 30 June	
	2021	2020
Salaries and benefits	273,546,646	277,417,893
Research and development expenses	123,421,584	102,381,915
Design fee	93,888,283	145,947,582
Depreciation and amortisation expenses	90,393,420	74,219,195
Materials expenses	72,889,999	27,797,465
Others	72,326,258	68,818,402
	<u>726,466,190</u>	<u>696,582,452</u>

**JIANGLING MOTORS CORPORATION, LTD.**

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

(42) Financial expenses

	Six months ended 30 June	
	2021	2020
Interest costs	13,014,765	18,259,820
Add: Interest expenses on lease liabilities	878,444	802,145
Less: Government subsidies (Note 4(29))	(1,760,125)	-
Interest expenses	12,133,084	19,061,965
Less: Interest income from bank deposits	(142,004,807)	(89,499,630)
Fund occupation fee (a)	(7,142,858)	(4,740,888)
Interest income	(149,147,665)	(94,240,518)
Exchange gains or losses	(8,772,108)	7,561,075
Others	344,402	885,665
	<u>(145,442,287)</u>	<u>(66,731,813)</u>

(a) The fund occupation fee is the fee paid to the Group at the rate agreed by both parties when the distributors delay payment or settle with a bill of exchange.

(43) 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	
	2021	2020
Changes in inventories of finished goods and work in progress	201,864,808	280,051,275
Consumed raw materials, low value consumables, etc.	13,230,742,782	10,272,137,288
Employee benefits	1,370,346,825	1,196,965,144
Depreciation of fixed assets	433,395,705	517,638,550
Amortisation of intangible assets	77,362,902	58,225,513
Depreciation of right-of-use assets	7,354,220	7,225,828
Transportation expenses	424,338,871	255,909,419
Warranties	238,355,518	155,588,778
Promotion expenses	241,079,452	91,894,222
Advertising and new product planning fees	139,947,287	138,350,765
Design fee	93,888,283	145,947,582
Research and development expenses	123,421,584	102,381,915
Fixed asset repair and maintenance expenses	63,661,306	41,966,653
Others	610,263,324	343,736,651
	<u>17,256,022,867</u>	<u>13,608,019,583</u>

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

(44) Asset impairment losses

	Six months ended 30 June	
	2021	2020
Provision for inventories	-	23,856,596
Impairment of fixed assets	-	10,251,114
	-	34,107,710

(45) Credit impairment losses

	Six months ended 30 June	
	2021	2020
Losses on bad debts of accounts receivable	(7,566,557)	66,317,513
Losses on bad debts of other receivables	177,179	(74,702)
	(7,389,378)	66,242,811

(46) Other income

	Six months ended 30 June		
	2021	2020	
Subsidy for operating activities	324,065,109	138,966,751	Income related
Research and development activities related subsidies	9,227,727	26,672,716	Income related
	333,292,836	165,639,467	

(47) Investment income

	Six months ended 30 June	
	2021	2020
Investment income from financial assets held for trading	10,204,592	32,619,541
Investment losses from long-term equity investment under equity method	(264,201)	(3,024,554)
Losses on discount of financing receivables	(13,053,249)	-
Investment loss from forward exchange settlement	(7,750,384)	(1,316,987)
	(10,863,242)	28,278,000

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

**JIANGLING MOTORS CORPORATION, LTD.**

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

(48) Gains on changes in fair value

	Six months ended 30 June	
	2021	2020
Financial assets at fair value through profit or loss —		
Structural deposits	(681,478)	7,990,657
Derivative financial assets and derivative financial liabilities - (Losses)/Income on forward exchange contracts	(4,449,015)	2,021,384
	(5,130,493)	10,012,041

(49) Gains on disposal of assets

	Six months ended 30 June		
	2021	2020	Amount recognised in non-recurring profit or loss in six months ended 30 June 2021
Income/(losses) on disposal of assets	11,152,182	(581,955)	11,152,182

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

(50) Non-operating income

	Six months ended 30 June		Amount recognised in non-recurring profit or loss in six months ended 30 June 2021
	2021	2020	
Compensation and penalty income	1,520,395	1,434,743	1,520,395
Government grants (a)	-	40,000	-
Others	<u>989,882</u>	<u>2,124,450</u>	<u>989,882</u>
	<u>2,510,277</u>	<u>3,599,193</u>	<u>2,510,277</u>

(a) Details of government grants

	Six months ended 30 June		Asset related/ Income related
	2021	2020	
Others	<u>-</u>	<u>40,000</u>	Income related

(51) Non-operating expenses

	Six months ended 30 June		Amount recognised in non-recurring profit or loss in six months ended 30 June 2021
	2021	2020	
Losses on scrapping of assets	143,574	25,278,620	143,574
Donations	1,995,000	4,936,682	1,995,000
Others	<u>446,408</u>	<u>22,950</u>	<u>446,408</u>
	<u>2,584,982</u>	<u>30,238,252</u>	<u>2,584,982</u>

(52) Income tax expenses

	Six months ended 30 June	
	2021	2020
Current income tax calculated based on tax law and related regulations	165,333,174	12,440,650
Deferred income tax	<u>(148,982,279)</u>	<u>1,696,507</u>
	<u>16,350,895</u>	<u>14,137,157</u>

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

(52) 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	
	2021	2020
Total profit	421,564,950	221,908,939
Income tax calculated at applicable tax rates	49,035,811	4,273,820
Effect of change in the tax rates	14,052,432	16,397,340
Tax credit	-	(68,983)
Super deduction	(73,910,521)	(74,643,356)
Non-taxable income	39,630	453,683
Equity transactions and debt exemption between parent and subsidiary	25,985,873	-
Costs, expenses and losses not deductible for tax purposes	15,530,448	143,379
Utilisation of previously unrecognised deductible temporary differences	(663,003)	(16,441,318)
Deductible losses for which no deferred tax asset was recognised	-	84,022,592
Utilisation of the deductible loss of the unrecognized deferred tax asset in the previous period	(13,719,775)	-
Income tax expenses	<u>16,350,895</u>	<u>14,137,157</u>

(53) 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	
	2021	2020
Consolidated net profit attributable to ordinary shareholders of the parent company	405,214,055	207,771,782
Weighted average number of ordinary shares outstanding issued by the Company	<u>863,214,000</u>	<u>863,214,000</u>
Basic earnings per share	<u>0.47</u>	<u>0.24</u>



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

(53) Earnings per share (Cont'd)

(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 2021 (six months ended 30 June 2020: Nil), diluted earnings per share equalled to basic earnings per share.

(54) Notes to the cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June	
	2021	2020
Government grants	334,382,070	164,857,450
Deposits from distributors	78,002,972	22,539,331
Deposits for bidding	22,377,000	28,090,361
Quality claims	277,752	530,263
Input VAT refund	-	23,559,902
Others	15,919,139	6,343,077
	<u>450,958,933</u>	<u>245,920,384</u>

(b) Cash paid relating to other operating activities

	Six months ended 30 June	
	2021	2020
Research and development expenses	271,562,707	515,676,803
Warranties	216,744,709	136,325,584
Advertising expenses	113,004,161	122,999,651
Promotion expenses	185,146,657	147,975,736
Guarantees	49,908,699	17,904,238
Maintenance expenses	44,654,150	20,729,104
Travel expenses	17,919,914	12,873,171
Others	336,429,854	255,310,888
	<u>1,235,370,851</u>	<u>1,229,795,175</u>

(c) Cash received relating to other investing activities

	Six months ended 30 June	
	2021	2020
Interest from cash at bank	116,825,862	89,946,934
Interest from acceptance notes	4,895,325	4,229,944
Interest from credit sales	1,020,809	1,983,609
Investment income from forward exchange settlement	79,024	611,945
	<u>122,821,020</u>	<u>96,772,432</u>

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

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

(d) Cash paid relating to other financing activities

	Six months ended 30 June	
	2021	2020
Repayments of lease liabilities	4,409,423	4,800,032

(55) 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	
	2021	2020
Net profit	405,214,055	207,771,782
Add: Asset impairment losses (Note 4(44))	-	34,107,710
Credit impairment losses (Note 4(45))	(7,389,378)	66,242,811
Depreciation of fixed assets (Note 4(10))	433,395,705	517,638,550
Amortisation of intangible assets (Note 4(13))	77,362,902	58,225,513
Depreciation of right-of-use assets (Note 4(12))	7,354,220	7,225,828
Increase in provisions	36,150,011	32,984,461
(Income)/Losses on disposal of long-term assets	(11,008,608)	25,860,575
Financial expenses	(145,788,789)	(67,128,763)
Investment losses/( income) (Note 4(47))	10,863,242	(28,278,000)
(Gains)/losses on changes in fair value (Note 4(48))	5,130,493	(10,012,041)
(Increase)/decrease in deferred tax assets	(164,226,685)	2,013,602
Increase/(Decrease) in deferred tax liabilities	15,244,406	(317,095)
(Increase)/Decrease in inventories	(139,999,996)	216,420,338
Increase in other cash and cash equivalents	(1,565,665)	(49,718,600)
Increase in operating receivables	(279,516,996)	(728,501,730)
Decrease/(increase) in operating payables	(171,301,068)	449,748,686
Net cash flows from operating activities	69,917,849	734,283,627

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

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

(b) Net increase in cash

	Six months ended 30 June	
	2021	2020
Cash at the end of the period	10,948,621,070	7,872,553,804
Less: Cash at the beginning of the year	<u>(11,121,955,129)</u>	<u>(8,937,936,658)</u>
Net increase in cash	<u>(173,334,059)</u>	<u>(1,065,382,854)</u>

(c) Cash and cash equivalents

	30 June 2021	31 December 2020
Bank deposit available for payment at any time	<u>10,948,621,070</u>	<u>11,121,955,129</u>

(56) Monetary items denominated in foreign currency

	30 June 2021		
	Amounts denominated in foreign currencies	Translation exchange rate	Amounts in RMB
Long-term borrowings - USD	425,647	6.4601	<u>2,749,722</u>
Other payables - USD	18,322,398	6.4601	118,364,523
EUR	33,288	7.6862	<u>255,858</u>
			<u>118,620,381</u>

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**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 Business combinations not involving enterprises under common control
JMCH	Taiyuan, Shanxi	Taiyuan, Shanxi	Manufacture and sales of automobiles	100%	—	
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
JMPC (i)	Taiyuan, Shanxi	Taiyuan, Shanxi	Manufacture and sales of engines	100%	—	Establishment through split-off by JMCH

(i) according to the resolution of the Board of Directors' meeting on June 19, 2020, JMPC was established by split-off of JMCH. The Company directly holds 100% equity of JMPC and JMCH respectively after the split.

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**5 Interests in other entities (Cont'd)**

(2) Interests in associates

Summarised information of insignificant associates

	Six months ended 30 June	
	2021	2020
Aggregated carrying amount of investments	<u>39,232,347</u>	<u>37,910,003</u>
Aggregate of the following items in proportion		
Net profit (i)	(264,201)	(3,024,554)
Other comprehensive income (i)	<u>-</u>	<u>-</u>
Total comprehensive income	<u>(264,201)</u>	<u>(3,024,554)</u>

(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 Company 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 period.

**JIANGLING MOTORS CORPORATION, LTD.**

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**7 Related parties and related party transactions**

(1) Information of major shareholders

(a) General information of major 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	N/A

(b) Registered capital and changes in major shareholders

	31 December 2020	Increase in the current period	Decrease in the current period	30 June 2021
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 major shareholders

	30 June 2021		31 December 2020	
	Shareholding (%)	Voting rights (%)	Shareholding (%)	Voting rights (%)
JIC	41.03%	41.03%	41.03%	41.03%
Ford	32%	32%	32%	32%

(2) Information of subsidiaries

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

(3) Information of associates

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

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

(4) Information of other related parties

Related parties	Relationship with the Group
JMCG	Shareholder of JIC
Chongqing Changan Automobile Co., Ltd.	Shareholder of JIC
JMCG Jingma Motors Co., Ltd.	Wholly-owned subsidiary of JMCG
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Wholly-owned subsidiary of JMCG
Jiangxi Lingrui Recycling Resources Development Corporation	Wholly-owned subsidiary of JMCG
Nanchang Gear Co., Ltd.	Wholly-owned subsidiary of JMCG
Jiangling Material Co., Ltd.	Wholly-owned subsidiary of JMCG
Jiangxi JMCG Industry Co., Ltd.	Wholly-owned subsidiary of JMCG
Jiangxi Jiangling Chassis Co., Ltd.	Wholly-owned subsidiary of JMCG
Nanchang JMCG Shishun Logistics Co., Ltd.	Wholly-owned subsidiary of JMCG
JMCF	Wholly-owned subsidiary of JMCG
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	Wholly-owned subsidiary of JMCG
Nanchang JMCG Xinchun Auto Component Co., Ltd.	Wholly-owned subsidiary of JMCG
Jingdezhen Shishun Logistics Co., Ltd.	Wholly-owned subsidiary of JMCG
Ford Global Technologies, LLC	Wholly-owned subsidiary of Ford
Ford Motor (China) Co., Ltd.	Wholly-owned subsidiary of Ford
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Wholly-owned subsidiary of Ford
Ford Motor Co. Thailand Ltd.	Wholly-owned subsidiary of Ford
Ford Otomotiv Sanayi A.S.	Holding subsidiary of Ford
Auto Alliance (Thailand) Co., Ltd.	Holding subsidiary of Ford
Ford Vietnam Limited	Holding subsidiary of Ford
Ford Trading Company, LLC	Holding subsidiary of Ford
Changan Ford Automobile Co., Ltd.	Joint venture of Ford
Nanchang JMCG Frame Co., Ltd	Subsidiary under indirect control of JMCG
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Subsidiary under indirect control of JMCG

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

##### (4) Information of other related parties (Cont'd)

Related parties	Relationship with the Group
Nanchang Lianda Machinery Co., Ltd.	Subsidiary under indirect control of JMCG
Jiangling Aowei Automobile Spare Part Co., Ltd.	Subsidiary under indirect control of JMCG
Jiangxi JMCG Boya brake system Co., Ltd.	Subsidiary under indirect control of JMCG
Jiangxi JMCG Shangrao Industrial Co., Ltd.	Subsidiary under indirect control of JMCG
NC.Gear Forging Factory	Subsidiary under indirect control of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary under indirect control of JMCG
Jiangxi Yizhi Zhixing Automobile Operation Service Co., Ltd.	Subsidiary under indirect control of JMCG
Guizhou Wanfu Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
Chongqing Anfu Vehicle Marketing Co., Ltd.	Group subsidiary of JIC's shareholder
Chengdu Wanxing Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
Chongqing Anbo Vehicle Sales Co., Ltd.	Group subsidiary of JIC's shareholder
Yunan Wanfu Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
Dali Wanfu Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
Beijing Beifang Changfu Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
China Changan Group Hefei Investing Co., Ltd.	Group subsidiary of JIC's shareholder
Beijing Baiwang Changfu Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
Honghe Wanfu Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
China Changan Group Tianjin Sales Co., Ltd.	Group subsidiary of JIC's shareholder
Anhui Wanyou Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
Guizhou Wanjia Vehicle Sales & Service Co., Ltd.	Group subsidiary of JIC's shareholder
Jiangxi Jiangling Lear Interior System Co., Ltd.	Joint venture of JMCG
Jiangxi ISUZU Co., Ltd.	Joint venture of JMCG
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Joint venture of JMCG



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

**(4) Information of other related parties (Cont'd)**

Related parties	Relationship with the Group
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 Jiangling Motors Imp. & Exp. Co., Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Associate of JMCG
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Associate of JMCG
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	Associate of JMCG
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Associate of JMCG
Magna PT Powertrain (Jiangxi) Co., Ltd. (i)	Associate of JMCG
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	Associate of JMCG
Jiangling Motor Holdings Co., Ltd.	Associate of JMCG
Jiangxi Lingyun Automobile Industry Technology Co.,Ltd	Associate of JMCG
Nanchang Hengou Industry Co., Ltd.	Associate of JMCG
Jiujiang Fuwantong Vehicle Co., Ltd.	Associate of JMCG
Jiangxi Fuxiang Vehicle Co., Ltd.	Associate of JMCG
Ji'an Qingyuan District Yongfuda Vehicle Co., Ltd.	Associate of JMCG
Yichun Xinfu Vehicle Co., Ltd.	Associate of JMCG
Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	Associate of JMCG
Jiangling Motor Electricity Vehicle Co., Ltd.	Associate of JMCG
Jiangxi Jiangling Group Health Science and Technology Co., Ltd.	Associate of JMCG

(i) In December 2020, the GETRAG (Jiangxi) Transmission Company has been renamed to Magna PT Powertrain (Jiangxi) Co., Ltd.

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

(5) Related party transactions

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

Purchase of goods:

Related parties	Nature of related party transactions	Six months ended 30 June	
		2021	2020
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Purchase of spare parts	559,640,678	383,892,896
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Purchase of raw materials	487,650,466	405,185,757
Jiangxi Jiangling Chassis Co., Ltd.	Purchase of spare parts	454,821,789	355,113,008
Magna PT Powertrain (Jiangxi) Co., Ltd.	Purchase of spare parts	416,304,253	336,800,228
Ford	Purchase of spare parts	406,714,749	331,917,143
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Purchase of spare parts	386,207,282	272,438,364
Jiangxi Jiangling Lear Interior System Co., Ltd.	Purchase of spare parts	253,713,165	203,467,840
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	Purchase of spare parts	204,996,379	211,129,621
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Purchase of spare parts	192,440,537	178,564,686
Nanchang JMCG Shishun Logistics Co., Ltd.	Purchase of spare parts	186,331,354	180,731,669
Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	Purchase of spare parts	179,718,350	-
Nanchang Unistar Electric & Electronics Co., Ltd.	Purchase of spare parts	157,062,782	130,765,035
Hanon Systems	Purchase of spare parts	113,038,226	86,204,275
JMCG	Purchase of spare parts	95,172,791	71,583,876
Nanchang Yinlun Heat-exchanger Co., Ltd.	Purchase of spare parts	57,322,498	30,324,257
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	Purchase of spare parts	51,246,461	45,571,842
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	Purchase of spare parts	40,864,845	32,436,589
Nanchang Lianda Machinery Co., Ltd.	Purchase of spare parts	39,419,200	32,528,800
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Purchase of spare parts	24,377,547	20,244,154
Changan Ford Automobile Co., Ltd.	Purchase of spare parts	22,322,571	16,159,043
Auto Alliance (Thailand) Co., Ltd.	Purchase of spare parts	22,108,469	45,263,124
Jiangling Motor Holdings Co., Ltd.	Purchase of spare parts	20,348,183	19,423,653
Jiangxi JMCG Boya brake system Co., Ltd	Purchase of spare parts	17,753,794	6,169,098

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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 services (Cont'd)

Purchase of goods (Cont'd):

Related parties	Nature of related party transactions	Six months ended 30 June	
		2021	2020
Jiangxi Lingyun Automobile Industry Technology Co.,Ltd	Purchase of spare parts	16,903,992	5,462,414
Ford Otomotiv Sanayi A.S.	Purchase of spare parts	14,985,072	25,895,662
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Purchase of spare parts	14,710,069	18,057,702
Jiangling Material Co., Ltd.	Purchase of raw materials	14,381,157	10,789,819
Jiangling Aowei Automobile Spare Part Co., Ltd.	Purchase of spare parts	12,432,709	9,133,485
Nanchang JMCG Xinchun Auto Component Co., Ltd.	Purchase of spare parts	8,531,947	6,833,446
Jiangxi JMCG Industry Co., Ltd.	Purchase of spare parts	5,555,782	270,582
Jiangxi ISUZU Engine Co., Ltd.	Purchase of spare parts	5,385,785	11,670,041
NC.Gear Forging Factory	Purchase of spare parts	4,600,012	3,436,975
Jiangxi Lingrui Recycling Resources Development Corporation	Purchase of spare parts	3,603,406	4,876,295
Ford Motor Co. Thailand Ltd.	Purchase of spare parts	1,761,533	3,620,884
Jiangxi JMCG Shangrao Industrial Co., Ltd.	Purchase of spare parts	1,532,713	1,383,417
Jiangxi Jiangling Group Health Science and Technology Co., Ltd.	Purchase of epidemic prevention materials	75,752	2,214,000
Nanchang Gear Co., Ltd.	Purchase of spare parts	-	3,700,664
Other related parties	Purchase of spare parts	378,277	3,655,968
		<u>4,494,414,575</u>	<u>3,506,916,312</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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**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 services (Cont'd)

Receipt of services:

Related parties	Nature of related party transactions	Six months ended 30 June	
		2021	2020
Nanchang JMCG Shishun Logistics Co., Ltd.	Transportation/Truckage	183,101,437	145,365,321
Ford Global Technologies, LLC	Trademark management fees/Technical development Engineering	137,193,141	111,064,126
JMCG Jiangxi Engineering Construction Co., Ltd.	construction/Maintenance fee	91,462,137	126,634,929
Ford	Engineering service/Personnel costs	45,133,925	128,825,062
Changan Ford Automobile Co., Ltd.	Service fee/Labor costs, etc.	16,626,550	26,903,713
Jiangxi JMCG Industry Co., Ltd.	Dinning fee	10,818,912	10,620,614
Ford Otomotiv Sanayi A.S.	Technical service/Technical development/ Personnel costs	9,025,906	13,953,012
Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	Transportation/Rental fee, etc.	7,759,524	2,143,309
Ford Motor (China) Co., Ltd.	Personnel costs	6,622,070	5,607,007
Jiangling Motor Holdings Co., Ltd.	Personnel costs/Labor costs	5,041,950	100,700
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Agent fee, etc.	4,734,392	3,720,284
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Personnel costs	3,698,207	5,380,878
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Design fee/Experimental costs	2,175,305	-
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Promotion	1,139,648	4,099,057
Chongqing Changan Automobile Co., Ltd.	Personnel costs	840,139	638,559
Magna PT Powertrain (Jiangxi) Co., Ltd.	Design fee	44,000	4,551,480
Other related parties		3,706,823	3,543,314
		<u>529,124,066</u>	<u>593,151,365</u>

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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 services (Cont'd)

Sales of goods

Related parties	Nature of related party transactions	Six months ended 30 June	
		2021	2020
	Sales of automobiles and accessories	1,448,104,620	515,648,431
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Sales of automobiles	116,350,946	247,784,771
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Scrapping materials and utilities	46,091,112	37,417,132
Jiangxi Lingrui Recycling Resources Development Corporation	Sales of accessories	35,912,126	25,066,364
Jiangxi Jiangling Chassis Co., Ltd.	Sales of automobiles and accessories	29,087,061	116,257,012
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Sales of automobiles and accessories	28,334,162	21,175,865
JMCG Jingma Motors Co., Ltd.	Sales of accessories	24,575,547	-
Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	Sales of automobiles	22,609,914	19,430,202
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Sales of automobiles and accessories	21,352,956	22,654,665
Dali Wanfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	20,425,695	3,839,113
Chengdu Wanxing Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	19,801,630	5,983,015
Chongqing Anfu Vehicle Marketing Co., Ltd.			

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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 services (Cont'd)

Sales of goods (Cont'd):

Related parties	Nature of related party transactions	Six months ended 30 June	
		2021	2020
Chongqing Anbo Vehicle Sales Co., Ltd.	Sales of automobiles and accessories	18,291,943	5,520,116
Nanchang JMCG Shishun Logistics Co., Ltd.	Sales of automobiles and accessories	12,279,634	11,258,826
Guizhou Wanfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	7,888,813	11,046,682
Jiujiang Fuwantong Vehicle Co., Ltd.	Sales of automobiles and accessories	6,759,745	8,476,498
China Changan Group Tianjin Sales Co., Ltd.	Sales of automobiles and accessories	5,932,997	217,533
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	Sales of accessories	4,950,891	-
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Sales of accessories	4,850,081	20,393,560
Nanchang Hengou Industry Co., Ltd.	Sales of accessories	4,575,689	3,794,800
Guizhou Wanjia Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	3,745,325	-
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Sales of automobiles and accessories, utilities	3,429,676	99,880,081
Beijing Beifang Changfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	3,394,918	8,291,761
Jiangxi ISUZU Co., Ltd.	Sales of accessories	2,382,506	151,096
Jiangxi Jiangling Lear Interior System Co., Ltd.	Sales of accessories	2,376,736	2,349,992

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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 services (Cont'd)

Sales of goods (Cont'd):

Related parties	Nature of related party transactions	Six months ended 30 June	
		2021	2020
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Sales of accessories	1,620,115	3,933,437
Anhui Wanyou Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	1,425,731	-
Jiangxi Yizhi Zhixing Automobile Operation Service Co., Ltd.	Sales of automobiles	1,302,655	-
Jiangxi JMCG Industry Co., Ltd.	Sales of accessories, scrapping materials and utilities	1,265,886	1,532,473
Nanchang Lianda Machinery Co., Ltd.	Sales of accessories	1,236,605	273,615
Yunan Wanfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	567,472	3,000,142
Beijing Baiwang Changfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	381,676	1,312,986
China Changan Group Hefei Investing Co., Ltd.	Sales of automobiles and accessories	134,176	8,700,430
Jiangxi Fuxiang Vehicle Co., Ltd.	Sales of automobiles and accessories, utilities	78,516	1,962,208
Yichun Xinfu Vehicle Co., Ltd.	Sales of automobiles and accessories	70,796	1,178,868
Ji'an Qingyuan District Yongfuda Vehicle Co., Ltd.	Sales of automobiles and accessories	50,582	1,404,914
Honghe Wanfu Vehicle Sales & Service Co., Ltd.	Sales of automobiles and accessories	47,190	1,553,651
Jingdezhen Shishun Logistics Co., Ltd.	Sales of automobiles	-	2,389,380

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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 services (Cont'd)

Sales of goods (Cont'd):

	<u>Six months ended 30 June</u>	
	<u>2021</u>	<u>2020</u>
Related parties		
Other related parties	1,769,547	3,450,991
	<u>1,903,455,670</u>	<u>1,217,330,610</u>

The Group's pricing on goods sold 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)

(b) Leases

(i) The lease income recognised in the current period with the Group as the lessor:

Name of the lessee	Type of the leased asset	Six months ended 30 June	
		2021	2020
Jiangling Material Co., Ltd.	Buildings	60,550	-
Jiangxi ISUZU Co., Ltd.	Buildings	31,371	53,411
		<u>91,921</u>	<u>53,411</u>

(ii) Increase of right-of-use assets in the current period with the Group as the lessee

Name of the lessor	Type of the leased asset	Six months ended 30 June	
		2021	2020
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Buildings	16,852,582	-
JMCG	Buildings	182,766	-
		<u>17,035,348</u>	<u>-</u>

(iii) Interest expenses on lease liabilities in the current period of the Group as the lessee:

	Six months ended 30 June	
	2021	2020
JMCG	221,943	305,570
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	213,557	41,038
	<u>435,500</u>	<u>346,608</u>

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**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
JMCF	2,749,722	5 March 2001	30 October 2029	Not fully performed

2021 first half-year, JMCF provided guarantees for some bank borrowings of the Group, with a maximum guarantee limit of USD2,282,123. As at 30 June 2021, JMCF provided borrowing guarantee to the bank borrowing of USD425,647, equivalent to RMB2,749,722 (31 December 2020: USD458,389, equivalent to RMB2,990,943) for the Group.

(d) Transfer of assets

Related parties	Nature of related party transactions	Six months ended 30 June	
		2021	2020
Jiangxi JMCG Industry Co., Ltd.	Sales of fixed assets	-	1,447
		-	1,447

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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**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	
		2021	2020
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Purchase of fixed assets	4,946,744	1,370,067
Magna PT Powertrain (Jiangxi) Co., Ltd.	Purchase of fixed assets	2,480,000	3,480,000
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Purchase of fixed assets	444,600	-
Jiangling Motor Holdings Co., Ltd.	Purchase of fixed assets	-	337,660
		<u>7,871,344</u>	<u>5,187,727</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	
		2021	2020
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Technical service	24,740,000	8,290,000
Ford Vietnam Limited	Technical service	12,780,000	11,123,000
Jiangxi ISUZU Co., Ltd.	Technical service	4,615,000	-
Ford	Technical service	3,230,000	6,974,000
Ford Trading Company, LLC	Technical service	2,350,000	-
Ford Otomotiv Sanayi A.S.	Technical service	340,000	-
		<u>48,055,000</u>	<u>26,387,000</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)

(g) Purchase of fuel consumption integral acquisition

Related party	Six months ended 30 June	
	2021	2020
Jiangling Motor Holdings Co., Ltd.	177,528,259	-
Jiangling Motor Electricity Vehicle Co., Ltd.	11,186,318	23,315,612
	<u>188,714,577</u>	<u>23,315,612</u>

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

(h) Remuneration of key management

	Six months ended 30 June	
	2021	2020
Remuneration of key management	<u>11,096,700</u>	<u>6,783,165</u>

(i) Interest income

	Six months ended 30 June	
	2021	2020
JMCF	<u>9,065,202</u>	<u>8,942,382</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:

	30 June 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Accounts receivable				
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	869,532,495	(528,716)	1,081,916,003	(2,368,381)
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	53,564,546	(23,176)	22,613,476	(47,488)
Jiangxi JMCG Specialty Vehicles Co., Ltd.	31,701,175	(14,811)	9,705,710	(20,997)
JMCG Jingma Motors Co., Ltd.	19,608,976	(48,948)	4,953,579	(14,861)
Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	14,043,419	(35,055)	-	-
Nanchang JMCG Frame Co., Ltd.	6,941,722	(17,328)	11,499,163	(34,497)
Ford Vietnam Limited	6,390,000	(15,951)	19,500,000	(97,500)
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	3,287,145	(1,422)	3,340,025	(7,014)
Ford	3,230,000	(8,063)	6,304,000	(31,520)
Jiangxi ISUZU Co., Ltd.	2,988,138	(7,459)	1,103,086	(3,309)
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	2,443,304	(6,099)	943,109	(2,829)
Ford Trading Company, LLC	2,350,000	(5,866)	-	-
Nanchang JMCG Liancheng Auto Component Co., Ltd.	1,650,455	(4,120)	8,906,500	(26,720)
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	1,367,400	(3,413)	890,400	(4,452)
Nanchang Hengou Industry Co., Ltd.	1,220,975	(3,048)	394,513	(1,184)
Jiangxi Jiangling Chassis Co., Ltd.	-	-	4,786,897	(14,361)
Nanchang JMCG Shishun Logistics Co., Ltd.	-	-	4,267,697	(12,803)
Jiangxi Jiangling Lear Interior System Co., Ltd.	926,020	(2,312)	1,192,642	(3,578)
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	591,682	(1,477)	1,539,411	(4,618)
Other related parties	2,595,941	(5,376)	2,016,965	(6,044)
	<u>1,024,433,393</u>	<u>(732,640)</u>	<u>1,185,873,176</u>	<u>(2,702,156)</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):

	30 June 2021		31 December 2020	
	Amount	Provision for bad debts	Amount	Provision for bad debts
Other receivables				
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	25,190,512	(75,572)	35,201,661	(105,605)
Other related parties	145,870	(445)	6,644	(20)
	<u>25,336,382</u>	<u>(76,017)</u>	<u>35,208,305</u>	<u>(105,625)</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):

		30 June 2021	31 December 2020
Advances to suppliers	Nanchang Baojiang Steel Processing Distribution Co., Ltd.	<u>489,145,695</u>	<u>355,529,951</u>
Financing receivables	JMCG Jingma Motors Co., Ltd.	<u>7,387,290</u>	<u>5,172,364</u>
Prepayment for projects	Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	<u>177,160</u>	<u>1,239,661</u>
Bank balances	JMCF	<u>771,587,928</u>	<u>1,231,825,734</u>

Payables to related parties:

		30 June 2021	31 December 2020
Accounts payable	Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	473,583,419	600,620,464
	Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	423,742,898	450,355,413
	Jiangxi Jiangling Chassis Co., Ltd.	336,602,865	381,961,882
	Jiangxi Jiangling Lear Interior System Co., Ltd.	229,848,248	244,023,570
	Ford	210,415,771	165,212,418
	Magna PT Powertrain (Jiangxi) Co., Ltd.	210,393,489	257,203,673
	Jiangxi Zhonglian Intelligent Logistics Co., Ltd.	163,864,546	343,739
	Nanchang JMCG Liancheng Auto Component Co., Ltd.	153,999,210	177,586,249
	Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	140,062,610	140,584,875
	Hanon Systems	104,228,065	119,546,495
	JMCG	95,458,246	108,139,686
	Nanchang Unistar Electric & Electronics Co., Ltd.	89,113,683	107,067,804
	Nanchang JMCG Shishun Logistics Co., Ltd.	87,796,370	112,968,126
	Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	48,372,146	84,273,999
	Nanchang Yinlun Heat-exchanger Co., Ltd.	34,995,662	39,863,083

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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):

	30 June 2021	31 December 2020
Accounts payable		
Jiangxi JMCG Specialty Vehicles Co., Ltd.	27,215,029	44,095,229
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	26,854,645	17,656,588
Changan Ford Automobile Co., Ltd.	25,640,001	7,408,214
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	22,833,969	33,997,041
Nanchang Lianda Machinery Co., Ltd.	21,647,671	31,713,777
Auto Alliance (Thailand) Co., Ltd.	12,868,698	4,294,750
Jiangling Aowei Automobile Spare Part Co., Ltd.	11,392,207	11,243,037
Jiangxi Lingyun Automobile Industry Technology Co.,Ltd	11,158,275	5,184,778
Jiangxi JMCG Boya brake system Co., Ltd	10,694,371	8,797,919
Jiangling Motor Holdings Co., Ltd.	9,740,676	11,635,750
Nanchang JMCG Xincheng Auto Component Co., Ltd.	8,753,995	5,721,038
Jiangxi ISUZU Engine Co., Ltd.	5,456,011	441,696
Jiangxi Lingrui Recycling Resources Development Corporation	3,531,531	4,814,171
Jiangxi JMCG Industry Co., Ltd.	2,870,093	1,044,850
Ford Otomotiv Sanayi A.S.	2,838,737	4,727,288
NC.Gear Forging Factory	2,524,035	921,767
Jiangling Material Co., Ltd.	1,190,978	1,955,537
Jiangxi JMCG Shangrao Industrial Co., Ltd.	845,624	1,144,320
Nanchang Gear Co., Ltd.	90,024	3,414,942
Other related parties	731,945	666,052
	<u>3,011,355,743</u>	<u>3,190,630,220</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):

	30 June 2021	31 December 2020
Other		
payables Jiangling Motor Holdings Co., Ltd.	177,758,640	1,480,192
Ford Global Technologies, LLC	65,202,298	18,050,765
Ford	49,365,740	48,814,942
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	27,247,587	23,287,853
Nanchang JMCG Shishun Logistics Co., Ltd.	11,516,681	8,370,326
Magna PT Powertrain (Jiangxi) Co., Ltd.	11,246,731	13,139,275
Jiangling Motor Electricity Vehicle Co., Ltd.	11,186,318	-
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	10,905,475	10,269,987
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	6,194,319	1,588,791
JMCG Jiangxi Engineering Construction Co., Ltd.	5,834,085	7,117,653
Jiangxi JMCG Specialty Vehicles Co., Ltd.	4,243,509	3,682,741
Ford Otomotiv Sanayi A.S.	3,789,649	5,265,976
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	3,042,455	3,285,350
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	2,838,809	1,456,956
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	2,722,060	1,944,877
Chongqing Changan Automobile Co., Ltd.	2,621,234	1,781,095
Ford Motor (China) Co., Ltd.	2,134,987	2,570,952
Jiangxi JMCG Industry Co., Ltd.	1,903,507	3,726,567
Changan Ford Automobile Co., Ltd.	1,491,634	18,503,441
Hanon Systems	1,475,000	1,475,000
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	1,284,159	1,345,255
Jiangxi Jiangling Lear Interior System Co., Ltd.	1,207,000	1,207,000
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	951,859	2,481,859
JMCG	-	2,313,728
Other related parties	4,232,871	5,600,327
	<u>410,396,607</u>	<u>188,760,908</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):

		30 June 2021	31 December 2020
Contract liabilities	Other related parties	1,402,307	2,191,137
Lease liabilities	Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	17,066,139	-
	JMCG	<u>8,135,282</u>	<u>9,033,918</u>
		<u>25,201,421</u>	<u>9,033,918</u>

(7) Commitments in relation to related parties

	30 June 2021	31 December 2020
Capital commitments		
JMCG Jiangxi Engineering Construction Co., Ltd.	<u>195,204,618</u>	<u>377,223,784</u>

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

**8 Contingencies**

As at 30 June 2021, the Group had no contingencies that needed to be accounted for in the notes to the financial statements.

**9 Commitments**

Capital expenditure commitments

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

	30 June 2021	31 December 2020
Buildings, machinery and equipment	<u>823,830,000</u>	<u>1,127,750,000</u>

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**10 Events after the balance sheet date**

(1) Disposal of equity in subsidiary

The Company and Yunnan Yunnei Power Group Co., Ltd. signed the relevant equity transaction contract in accordance with the relevant trading rules of Shanghai United Property Rights Exchange. As of the disclosure date of this report, the relevant equity trading is still in process.

By consensus, the company has signed the corresponding equity transfer agreement for the sale of 100% equity of JMCH to Volvo Lastvagnar Aktiebolag. As of the disclosure date of this report, the relevant equity trading is still in process.

**11 Financial instrument and risk**

The Group's activities expose it to a variety of financial risks, which mainly comprise 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 signed forward exchange contracts to mitigate the foreign exchange risk (Note 4(17)).

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**11 Financial instrument and risk (Cont'd)**

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

The financial assets and the financial liabilities denominated in foreign currencies, which are held by the Company and the subsidiaries of the Group, whose recording currencies were RMB, were expressed in RMB as at 30 June 2021 and 31 December 2020 as follows:

	30 June 2021		
	USD	EUR	Total
Financial liabilities denominated in foreign currency -			
Derivative financial liabilities	8,165,742	-	8,165,742
Current portion of long-term borrowings	423,034	-	423,034
Long-term borrowings	2,326,688	-	2,326,688
Other payables	<u>118,364,523</u>	<u>255,858</u>	<u>118,620,381</u>
	<u>129,279,987</u>	<u>255,858</u>	<u>129,535,845</u>
	31 December 2020		
	USD	EUR	Total
Financial liabilities denominated in foreign currency -			
Derivative financial liabilities	3,716,727	-	3,716,727
Current portion of long-term borrowings	427,277	-	427,277
Long-term borrowings	2,563,666	-	2,563,666
Other payables	<u>70,936,756</u>	<u>1,469,682</u>	<u>72,406,438</u>
	<u>77,644,426</u>	<u>1,469,682</u>	<u>79,114,108</u>

As at 30 June 2021, 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 RMB10,988,799 (31 December 2020: approximately RMB6,599,776) 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 RMB21,748 higher/lower (31 December 2020: approximately RMB142,961).

(b) Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing debts such as short-term loans and long-term bank loans. The financial liabilities of floating interest rate expose the Group to cash flow interest rate risk, and the financial liabilities of fixed interest rate expose the Group to fair value interest rate risk. The Group determines the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market environment. As of June 30, 2021, the Group's short-term borrowings of RMB500,000,000 (December 31, 2020: RMB500,000,000) are fixed-rate borrowings, and long-term borrowings of USD 425,647 (December 31, 2020: USD 458,389) are fixed-rate borrowings, therefor no significant cash flow interest rate risk.

As at 30 June 2021 and 31 December 2020, no significant difference between the fair value and the carrying amount of the Group's borrowings with fixed-rate.

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### 11 Financial instrument and risk (Cont'd)

#### (2) Credit risk

The Group's credit risk mainly arises from cash and cash equivalent, notes receivable, accounts receivable, financial assets held for trading, 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, financing receivables 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 2021, the Group had no significant collateral or other credit enhancements held as a result of the debtor's mortgage (31 December 2020: Nil).

#### (3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group. The Group monitors rolling forecasts of its 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.

On the balance sheet date, the undiscounted contractual cash flows of various financial liabilities of the Group are listed as follows based on the maturity date:

	30 June 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
short-term borrowing					
—principal	500,000,000	-	-	-	500,000,000
—interest	-	-	-	-	-
Derivative financial liabilities	8,165,742	-	-	-	8,165,742
Accounts payable	9,408,546,403	-	-	-	9,408,546,403
Other payables	8,024,900,054	-	-	-	8,024,900,054
Lease liabilities	17,841,592	18,735,104	10,272,078	-	46,848,774
Long-term borrowings					-
- Principal	423,034	423,034	1,269,102	634,552	2,749,722
- Interest	39,659	33,314	61,869	9,518	144,360
	<u>17,959,916,484</u>	<u>19,191,452</u>	<u>11,603,049</u>	<u>644,070</u>	<u>17,991,355,055</u>

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**11 Financial instrument and risk (Cont'd)**

(3) Liquidity risk (Cont'd)

	31 December 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
short-term borrowing	500,000,000	-	-	-	500,000,000
—principal	2,173,333	-	-	-	2,173,333
—interest	3,716,727	-	-	-	3,716,727
Derivative financial liabilities	10,026,215,877	-	-	-	10,026,215,877
Accounts payable	4,153,849,625	-	-	-	4,153,849,625
Other payables	11,683,625	11,419,366	8,646,930	-	31,749,921
Lease liabilities					
Long-term borrowings	427,277	427,277	1,281,833	854,556	2,990,943
- Principal	43,262	36,853	72,103	16,023	168,241
	<u>14,698,109,726</u>	<u>11,883,496</u>	<u>10,000,866</u>	<u>870,579</u>	<u>14,720,864,667</u>

- (i) As at June 30, 2021, the lease payment related to the lease contract that the Group has signed but has not yet begun to execute as follows(Note 4(27)(a))(December 31, 2020:RMB 361,843,200):

	30 June 2021			Total
	Within 1 year	1 to 2 years	2 to 5 years	
Future contractual cash flows not included in lease liabilities	<u>72,368,640</u>	<u>72,368,640</u>	<u>217,105,920</u>	<u>361,843,200</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.

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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 2021, 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 - Financial assets held for trading-				
Structured deposits	-	-	553,211,507	553,211,507
Financial assets - Financing receivables-				
Notes receivables	-	-	428,573,213	428,573,213
	<u>-</u>	<u>-</u>	<u>981,784,720</u>	<u>981,784,720</u>

As at 30 June 2021, 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-				
Forward foreign exchange contract	-	8,165,742	-	8,165,742
	<u>-</u>	<u>8,165,742</u>	<u>-</u>	<u>8,165,742</u>

As at 31 December 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
Structured deposits	-		803,892,985	803,892,985
Financial assets - Financing receivables				
Notes receivables	-	-	815,583,669	815,583,669
	<u>-</u>	<u>-</u>	<u>1,619,476,654</u>	<u>1,619,476,654</u>

As at 31 December 2020, 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				
Forward foreign exchange contract	-	3,716,727	-	3,716,727
	<u>-</u>	<u>3,716,727</u>	<u>-</u>	<u>3,716,727</u>

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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 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 period.

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 valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, etc.



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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 2020	Increase	Decrease	30 June 2021	Gains recognised in profit or loss (a)	Changes in unrealised gains or losses included in profit or loss in 2021 with respect to assets still held as at 30 June 2021 - gains or losses on changes in fair value
Financial assets						
Financial assets held for trading -						
Monetary fund	-	500,000,000	(500,000,000)	-	198,622	-
Structural deposits	803,892,985	1,099,318,522	(1,350,000,000)	553,211,507	10,005,970	(681,478)
Financing receivables -						
Notes receivable	815,583,669	1,581,300,701	(1,968,311,157)	428,573,213	-	-
Total assets	1,619,476,654	3,180,619,223	(3,818,311,157)	981,784,720	10,204,592	(681,478)

(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 (Cont'd):

	31 December 2019	Increase	Decrease	31 December 2020	Gains recognised in profit or loss (a)	Changes in unrealised gains or losses included in profit or loss in 2020 with respect to assets still held as at 31 December 2020 - gains or losses on changes in fair value
Financial assets						
Financial assets held for trading -						
Monetary fund	-	500,000,000	(500,000,000)	-	244,059	-
Structural deposits	-	15,610,892,985	(14,807,000,000)	803,892,985	77,605,603	3,892,985
Financing receivables -						
Notes receivable	<u>289,044,373</u>	<u>2,325,165,208</u>	<u>(1,798,625,912)</u>	<u>815,583,669</u>	<u>-</u>	<u>-</u>
Total assets	<u>289,044,373</u>	<u>18,436,058,193</u>	<u>(17,105,625,912)</u>	<u>1,619,476,654</u>	<u>77,849,662</u>	<u>3,892,985</u>

(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)

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

As at 30 June 2021 and 31 December 2020, 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

The Group's financial assets and liabilities measured at amortised cost mainly comprise notes receivable, accounts receivable, other receivables, short-term borrowing, account payables, 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 2021 and 31 December 2020, the Group's equity ratio was as follows:

	30 June 2021	31 December 2020
Total borrowings	502,749,722	502,990,943
Total equities	8,391,156,200	10,986,474,009
Equity ratio	<u>5.99%</u>	<u>4.58%</u>

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**14 Notes to the Company's financial statements**

(1) Accounts receivable

	30 June 2021	31 December 2020
Accounts receivable	3,278,994,400	3,502,761,954
Less: Provision for bad debts	<u>(170,482,313)</u>	<u>(171,881,303)</u>
	<u>3,108,512,087</u>	<u>3,330,880,651</u>

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

	30 June 2021	31 December 2020
Within 1 year	2,841,807,874	3,043,074,741
1 to 2 years	5,027,969	5,223,812
2 to 3 years	400,079,957	454,463,401
Overdue over 3 years	<u>32,078,600</u>	<u>-</u>
	<u>3,278,994,400</u>	<u>3,502,761,954</u>

(b) As at 30 June 2021, the five largest accounts receivable aggregated by debtor were analysed as follows:

	Balance	Amount of provision for bad debts	% of total balance
Company 1	1,714,945,725	-	52.30%
Company 2	860,205,437	(499,576)	26.23%
Company 3	147,567,312	-	4.50%
Company 4	72,480,000	(72,480,000)	2.21%
Company 5	<u>53,938,618</u>	<u>(134,642)</u>	<u>1.64%</u>
	<u>2,849,137,092</u>	<u>(73,114,218)</u>	<u>86.88%</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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**14 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 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Provision for bad debts
Receivables from related parties within the Group i)	1,862,632,705	-	-
New energy subsidies receivable ii)	84,903,126	100%	(84,903,126)
Accounts receivable for automobiles iii)	72,480,000	100%	(72,480,000)
	<u>2,020,015,831</u>		<u>(157,383,126)</u>
	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Provision for bad debts
Receivables from related parties within the Group i)	1,775,196,875	-	-
New energy subsidies receivable ii)	84,903,126	100%	(84,903,126)
Accounts receivable for automobiles iii)	74,480,000	100%	(74,480,000)
	<u>1,934,580,001</u>		<u>(159,383,126)</u>

i) As at 30 June 2021, the Company's accounts receivable due from subsidiaries JMCS, SZFJ and JMPC were RMB1,714,945,725, RMB147,567,312 and RMB119,668 respectively, totalling to RMB1,862,632,705. The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on receivables from subsidiaries, and there is no overdue or impairment.

As at 31 December 2020, the Company's accounts receivable from subsidiaries JMCS, JMCH and GZFJ were RMB1,605,066,624, RMB167,353,472 and RMB2,776,779 respectively, totalling to RMB1,775,196,875. The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on receivables from subsidiaries, and there is no overdue or impairment.

ii) As at 30 June 2021, state subsidies for new energy automobiles receivable amounted to RMB84,903,126 (31 December 2020: RMB84,903,126). As the corresponding new energy vehicles may not meet the corresponding subsidy policy standards, the Company considered the receivables cannot be collected, therefore, full provision was made for those receivables.

iii) As at 30 June 2021 and 31 December 2020, since these companies in debts were involved in several legal proceedings, the Company considered that it was difficult to recover such receivables, therefore, full provision was made for those receivables.

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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 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	838,332,166	0.04%	(374,072)
Overdue for 1 to 30 days	7,584,372	0.07%	(5,426)
Overdue for 31 to 60 days	119,425	2.59%	(3,092)
	<u>846,035,963</u>		<u>(382,590)</u>

Grouping - Sales of general automobiles:

	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	1,096,348,057	0.21%	(2,303,427)
Overdue for 1 to 30 days	70,701,614	0.21%	(148,544)
Overdue for 31 to 60 days	345,798	6.35%	(21,961)
	<u>1,167,395,469</u>		<u>(2,473,932)</u>

Grouping - Sales of new energy automobiles:

	30 June 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	122,873,663	5.01%	(6,160,075)
Overdue for 1 to 30 days	-	-	-
Overdue for 31 to 60 days	-	-	-
Overdue for 61 to 90 days	-	-	-
Overdue over 90 days	23,243,550	25.34%	(5,890,472)
	<u>146,117,213</u>		<u>(12,050,547)</u>

	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	138,042,462	4.94%	(6,826,200)
Overdue for 1 to 30 days	-	-	-
Overdue for 31 to 60 days	23,243,550	10.25%	(2,381,426)
	<u>161,286,012</u>		<u>(9,207,626)</u>

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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 (Cont'd):

Grouping - spare parts:

	30 June 2021		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	266,825,393	0.25%	(666,050)
	31 December 2020		
	Book balance	Provision for bad debts	
	Amount	Lifetime ECL (%)	Amount
Not overdue	206,087,099	0.30%	(618,261)
Overdue for 1 to 30 days	19,968,933	0.30%	(59,907)
Overdue for 31 to 60 days	10,595,310	0.50%	(52,977)
Overdue for 61 to 90 days	1,295,045	0.60%	(7,770)
Overdue over 90 days	1,554,085	5.00%	(77,704)
	239,500,472		(816,619)

(iii) The provision for bad debts in the current period amounted to RMB601,010, and RMB2,000,000 was reversed. The significant amounts reversed were as follows:

	Reasons for reversal/recovery	Basis and justification for determining the provision for bad debts	Amount of reversal	Reasons for reversal/recovery
Accounts receivable 1	The actual receipt of account receivables relating to the provision for bad debts made in the prior period.	The aforesaid companies in debts had difficulties in operation and were involved in several legal proceedings, so the Group considered that it was difficult to recover such receivables, so related provision for bad debts was made in full amount.	2,000,000	Received

(d) In the six months ended 30 June 2021, no accounts receivable had been written off.

(e) As at 30 June 2021 and 31 December 2020, the Company did not have accounts receivable that were pledged.

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

(2) Other receivables

	30 June 2021	31 December 2020
Interest receivable from cash at bank	67,457,831	49,458,968
Receivables from JMCH	44,679,410	1,247,724,942
Import working capital advances	25,000,000	35,000,000
Deposits receivable	8,897,131	7,072,745
Advances for research and development projects	5,160,914	4,559,669
Cash advance	696,898	680,403
Others	90,199,732	15,599,236
	<u>242,091,916</u>	<u>1,360,095,963</u>
Less: Provision for bad debts	<u>(389,874)</u>	<u>(188,740)</u>
	<u>241,702,042</u>	<u>1,359,907,223</u>

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

	30 June 2021	31 December 2020
Within 1 year	236,912,421	1,359,304,567
Over 1 year	5,179,495	791,396
	<u>242,091,916</u>	<u>1,360,095,963</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		
	12-month ECL (grouping)		12-month ECL (individual)		Lifetime ECL (credit impaired)			
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance		Provision for bad debts	
31 December 2020	112,371,021	(188,740)	1,247,724,942	-	(188,740)	-	-	(188,740)
Balance increase/(decrease) in the current period	85,041,485	-	(1,203,045,532)	-	-	-	-	-
Provision for bad debts in the current period	-	(201,134)	-	-	(201,134)	-	-	(201,134)
30 June 2021	197,412,506	(389,874)	44,679,410	-	(389,874)	-	-	(389,874)

As at 30 June 2021, 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 2021 and 31 December 2020, 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 2021 and 31 December 2020, provision for bad debts of other receivables on the individual basis was analysed as follows:

30 June 2021				
Stage 1	Book balance	12-month ECL (%)	Provision for bad debts	Reason
Receivables from JMCH	<u>44,679,410</u>	-	<u>-</u>	i)

  

31 December 2020				
Stage 1	Book balance	12-month ECL (%)	Provision for bad debts	Reason
Receivables from JMCH	<u>1,247,724,942</u>	-	<u>-</u>	i)

i) As at 30 June 2021, the Company's other receivables from subsidiary JMCH were RMB44,679,410 (31 December 2020: RMB1,247,724,942). The Company carried out individual assessment on receivables from subsidiaries. Based on the judgement of credit risk, there is no significant credit risk on receivables 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 2021 and 31 December 2020, the Company's other receivables with provision for bad debts on the grouping basis were analysed below:

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

	30 June 2021			31 December 2020		
	Book balance	Provision for losses		Book balance	Provision for losses	
	Amount	Provision ratio	Amount	Amount	Provision ratio	Amount
Grouping of interest receivable from cash at bank i):						
Within 1 year	67,457,831	-	-	49,458,968	-	-
Grouping of operating advances and guarantees:						
Within 1 year	124,775,180	0.30%	(374,326)	62,120,657	0.30%	(186,365)
Over 1 year	5,179,495	0.30%	(15,548)	791,396	0.30%	(2,375)
	<u>197,412,506</u>		<u>(389,874)</u>	<u>112,371,021</u>		<u>(188,740)</u>

As at 30 June 2021 and 31 December 2020, 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.

As at June 30, 2021, the Company has no other receivables in the second and third stage.

(c) In the six months ended 30 June 2021, the amount of bad debt provision was RMB 201,134.

(d) In the six months ended 30 June 2021, no other receivables had been written off.

(e) As at 30 June 2021, the five largest other receivables aggregated by debtor were analysed as follows:

	Nature	Balance	Ageing	% of total balance	Provision for bad debts
Company 1	Subsidiary trading Assets	44,679,410	Within 1 year	18.46%	-
Company 2	receivables	32,555,714	Within 1 year	13.45%	(97,667)
Company 3	Expenses advances	25,190,512	Within 1 year	10.41%	(75,572)
Company 4	Assets receivables	18,513,359	Within 1 year	7.65%	(55,540)
Company 5	Assets receivables	11,955,220	Within 1 year	4.94%	(35,866)
		<u>132,894,215</u>		<u>54.91%</u>	<u>(264,645)</u>

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

(3) Long-term equity investments

	30 June 2021	31 December 2020
Subsidiaries (a)	3,293,943,493	2,048,000,000
Associates (b)	39,232,347	39,496,548
	<u>3,333,175,840</u>	<u>2,087,496,548</u>
Less: Provision for impairment of long-term equity investments	<u>(526,000,000)</u>	<u>(526,000,000)</u>
	<u>2,807,175,840</u>	<u>1,561,496,548</u>

(a) Subsidiaries

	31 December 2020	Changes in the current period			30 June 2021	Balance of provision for impairment In 30 June 2021	Cash dividends declared this period
		Split-off	Debt exemption	Provision for impairment			
JMCH	852,000,000	1,142,000,000	103,943,493	-	2,097,943,493	(526,000,000)	-
JMCS	50,000,000	-	-	-	50,000,000	-	-
SZFJ	10,000,000	-	-	-	10,000,000	-	-
GZFJ	10,000,000	-	-	-	10,000,000	-	-
JMPC	600,000,000	-	-	-	600,000,000	-	-
	<u>1,522,000,000</u>	<u>1,142,000,000</u>	<u>103,943,493</u>	<u>-</u>	<u>2,767,943,493</u>	<u>(526,000,000)</u>	<u>-</u>

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

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

(a) Subsidiaries (Cont'd)

(i) In January 2021, the Company increased the share capital of JMCH by RMB 1,142 million in cash.

(ii) In January 2021, agreed by the Company and JMCH, the Company exempted the debt of RMB103,943,493 from JMCH.

(b) Associates

Refer to Note 4(9).

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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	
	2021	2020
Revenue from main business	16,109,269,826	12,901,713,333
Revenue from other business	314,288,655	198,396,600
	<u>16,423,558,481</u>	<u>13,100,109,933</u>
	Six months ended 30 June	
	2021	2020
Cost of sales from main business	14,248,936,203	11,010,954,908
Cost of sales from other business	293,290,780	186,559,118
	<u>14,542,226,983</u>	<u>11,197,514,026</u>

(a) Revenue and cost of sales from main business

	Six months ended 30 June			
	2021		2020	
	Revenue from main business	Cost of sales from main business	Revenue from main business	Cost of sales from main business
Sales of automobiles	15,039,210,401	13,448,227,943	12,091,989,040	10,397,191,187
Sales of spare parts	983,532,314	742,735,696	771,758,926	572,162,496
Automobile maintenance services	86,527,111	57,972,564	37,965,367	41,601,225
	<u>16,109,269,826</u>	<u>14,248,936,203</u>	<u>12,901,713,333</u>	<u>11,010,954,908</u>

(b) Revenue and cost of sales from other business

	Six months ended 30 June			
	2021		2020	
	Revenue from other business	Cost of sales from other business	Revenue from other business	Cost of sales from other business
Sales of materials	257,777,393	238,667,848	157,745,817	149,930,871
Others	56,511,262	54,622,932	40,650,783	36,628,247
	<u>314,288,655</u>	<u>293,290,780</u>	<u>198,396,600</u>	<u>186,559,118</u>

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**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 2021 was as follows:

	Six months ended 30 June 2021				Total
	Automobiles	Spare parts	Automobile maintenance services	Materials and others	
Revenue from main business	15,039,210,401	983,532,314	86,527,111	-	16,109,269,826
Including: Recognised at a time point	15,039,210,401	983,532,314	-	-	16,022,742,715
Recognised within a certain period	-	-	86,527,111	-	86,527,111
Revenue from other business	-	-	-	314,288,655	314,288,655
	<u>15,039,210,401</u>	<u>983,532,314</u>	<u>86,527,111</u>	<u>314,288,655</u>	<u>16,423,558,481</u>

(i) As at 30 June 2021, the amount of revenue corresponding to the performance obligation of the Company that had been contracted but not yet performed or not fulfilled was RMB137,930,962, which was expected to be recognised between 2021 and 2026.

(5) Investment income

	Six months ended 30 June	
	2021	2020
Investment income from financial assets held for trading	3,894,457	32,619,541
Investment loss from forward exchange settlement	(7,750,384)	(1,316,987)
Investment income from long-term equity investment under equity method	(264,201)	(3,024,554)
Losses on discounts for financing receivables	(498,879)	-
	<u>(4,619,007)</u>	<u>28,278,000</u>

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

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**1 Statement of non-recurring profit or loss**

	Six months ended 30 June	
	2021	2020
Profit or loss on disposal of non-current assets	11,008,608	(25,860,575)
Government grants recognised in profit or loss for the current period	335,052,961	165,679,468
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	(2,676,284)	41,314,596
Fund occupation fee received from non-financial institutions	7,142,859	4,740,888
Reversal of provision for impairment of receivables tested individually	2,000,000	-
Net amount of other non-operating income and expenses	68,869	(1,400,440)
Other profit and loss items that meet the definition of non-recurring profit and loss	(5,423,293)	-
	<u>347,173,720</u>	<u>184,473,937</u>
Effect of income tax	(55,801,540)	(26,053,489)
Effect of gains and losses on minority interests (net of tax)	-	-
	<u>291,372,180</u>	<u>158,420,448</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.



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**2 Return on net assets and earnings per share**

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June					
	2021	2020	2021	2020	2021	2020
Net profit attributable to ordinary shareholders of the Company	3.62%	1.96%	0.47	0.24	0.47	0.24
Net profit attributable to ordinary shareholders of the Company, net of non- recurring profit or loss	1.02%	0.47%	0.13	0.06	0.13	0.06