Jiangling Motors Corporation, Ltd.

2018 Annual Report

2019-03

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, Xie Wanzhao, confirm that the Financial Statements in this Annual Report are truthful and complete.

All Directors were present at the Board meeting to review this Annual Report.

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

All financial data in this report are prepared under International Financial Reporting Standards ('IFRS') unless otherwise specified.

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

The year 2018 profit distribution proposal approved by the Board of Directors is as follows:
A cash dividend of RMB 0.40 (including tax) will be distributed for every 10 shares held based on the total share capital of 863,214,000 shares, and there is no stock dividend. The Board decided not to convert capital reserve to share capital this time.

Contents

Abbreviations:

JMC or the Company	Jiangling Motors Corporation, Ltd.
JMH	Jiangling Motor Holdings 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

Chapter II Brief Introduction and Operating Highlight

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		
Registered Address	No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C		
Postal Code of Registered Address	330001		
Headquarters Address	No. 509, Northern Yingbin Avenue, Nanchang City, Jiangxi Province, P.R.C		
Postal Code of Headquarters Address	330001		
Website	http://www.jmc.com.cn		
E-mail	relations@jmc.com.cn		

2. Contact Person and Method

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

3. Information Disclosure and Place for Achieving Annual Report

Newspapers for information disclosure	China Securities, Securities Times, Hong Kong Commercial Daily
Website designated by CSRC for publication of JMC's Annual Report	http://www.cninfo.com.cn
Place for Achieving Annual Report	Securities Department, Jiangling Motors Corporation, Ltd.

4. Changes of Registration

Organization Code	913600006124469438
Changes of Controlling Shareholders	On December 1, 1993, JMC A shares were listed on Shenzhen Stock Exchange, while JMCG, the founder-member, was the controlling shareholder of the Company. On September 29, 1995 and November 12, 1998, JMC issued additional 344 million B shares totally, while, after the additional B share issuance, JMCG and Ford were the

	controlling shareholders of the Company. On December 8, 2005, the 354.176 million JMC shares held by JMCG, the former controlling shareholder, were transferred to JMH. Presently, JMH and Ford are the controlling shareholders of the Company.

5. Other Information

Accounting Firm Appointed by JMC for Audit

Name	PricewaterhouseCoopers Zhong Tian LLP ('PwC Zhong Tian')
Headquarters address	11/F, PricewaterhouseCoopers Center Link Square 2,202 Hu Bin Road, Huangpu District Shanghai 200021, PRC
Names of Signed Accountants	Lei Fang, Ye Dan

6. Main accounting data and financial ratios

Unit: RMB' 000

	2018	2017	Change (%)	2016
Revenue	28,249,340	31,345,747	-9.88%	26,633,949
Profit Attributable to the Equity Holders of the Company	91,833	690,938	-86.71%	1,318,016
Net Cash Generated From Operating Activities	-101,808	674,588	-115.09%	4,593,000
Basic Earnings Per Share (RMB)	0.11	0.8	-86.71%	1.53
Diluted Earnings Per Share (RMB)	0.11	0.8	-86.71%	1.53
Weighted Average Return on Equity Ratio	0.83%	5.51%	-4.68%	10.74%
	End of Year 2018	End of Year 2017	Change (%)	End of Year 2016
Total Assets	23,396,529	26,383,761	-11.32%	24,493,789
Shareholders' Equity Attributable to the Equity Holders of the Company	10,384,498	12,572,402	-17.40%	12,409,236

7. Accounting data difference between China GAAP and IFRS

I. Differences in net profit and net assets in financial statements between in accordance with international accounting standards and Chinese accounting standards

☐Applicable ☐ √ Not Applicable

II. Differences in net profit and net assets in financial statements between in accordance with overseas accounting standards and Chinese accounting standards

☐Applicable ☐ √ Not Applicable

8. Main accounting data quarterly

Unit: RMB' 000

	Q1	Q2	Q3	Q4
Revenue	6,481,073	7,806,424	5,902,627	8,059,216
Profit Attributable to the Equity Holders of the Company	153,606	165,345	-100,164	-126,954
Net Cash Generated From Operating Activities	-1,397,337	490,519	-1,382,054	2,187,064

Chapter III Operating Overview

1. Company's Core Business during the Reporting Period

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

2. Major Change of Main Assets

I. Major Change of Main Assets

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

II. Main Overseas Assets
☐Applicable ☐ √ Not Applicable

3. Core Competitiveness Analysis

JMC is a Sino-foreign joint venture auto company with R&D, manufacturing and sales operations. With leading position and advanced technology of commercial vehicles, JMC is China auto industry pioneer providing excellent products and solutions to smart logistics, which is certificated as a national high-tech enterprise, national innovative pilot enterprise, national enterprise technology centre, national industrial design centre, national intellectual property demonstration enterprises and national automobile export base; and had been ranked among the top 100 most valuable global brands for consecutive years.

On traditional business, with the support from Ford's advanced technology and management experience, JMC's influence over auto industry is improving steadily, making considerable progress both in new product development and technical equipment. Series of Ford new products such as Ford brand Territory, high-end Yuhu MCA，N800 HP, Kaiyun 4D30/Stg. V, classic Yuhu, Kairui EV and heavy truck Weilong HV5 launched further improved JMC's competence on R&D and manufacturing. JMC became one of the first vehicle connectivity demonstration enterprises equipped with Bei Dou Navigation Satellite System (BDS) developed by China. The design paten of tractor JH476 won the China Paten Award of Excellence; Kairui 800 won the Tiangong Cup Jiangxi Industrial Design Gold Award; the first JMC heavy truck *Jiangling Weilong* is awarded 2018 China Truck of the Year and The Most Potential Heavy Truck; which fully showed JMC's leading technology in light commercial vehicle field and self innovation capability. High standard Xiaolan manufacturing site continues to expand modern plants of vehicle, engine and frame, which will further ensure JMC's product production and quality improvement. With the construction of Fushan new energy base, JMC will deliver more new energy vehicles in the future which will lay a solid foundation for JMC's sustainable and healthy growth.

While continuous consolidating the traditional advantages, JMC has been developing new business areas and innovative business models in response to the new trend of overseas and domestic industries. In terms of new technology exploration, JMC has been developing hydrogen fuel new energy vehicle technology based on commercial freight situation; cooperated with the top domestic autonomous driving company in R&D to carry out innovation under specific situation with the realization of autonomous driving on mass production CV for the program target, participated global smart driving competition and explored ADAS mass production plan and autonomous driving Demo scheme. In terms of new business model, combined with accumulation of new technology, JMC reached strategic partnership with internet city-wide freight platform, domestic new energy transportation service platform and top logistics companies. Comprehensive joint development with mobile communication, freight logistics, CV manufacturing and smart driving to create a new ecological environment with coordination of vehicle and road. These explorations will lay the foundation for JMC's transformation into the strategic vision of *to be the best partner for smart mobility and logistics solutions.*

Chapter IV Management Discussion and Analysis

1. Summary

In 2018, China's economic growth is slowing, so as its auto market. Total sales volume was 28.08 million units, decreased 2.76% compared with last year.

During the reporting period, to cope with more severe competition, more stringent regulatory requirement and intensifying cost pressures, the Company focused on quality improvement, new product development, operating cost control and production efficiency enhancement. Simultaneously, the Company introduced series of sales policy to respond the market risk. In 2018, JMC achieved sales volume of 285,066 units, decreased 8.05% compared with last year, achieved revenue of RMB 28.25 billion, decreased 9.88% compared with last year, achieved net profit of RMB 92 million, decreased 86.71% compared with last year. It mainly reflects: I. Maintain intensive R&D and exploration expense on new product, technology and business to improve product core competitiveness in order to conform the auto trend of intelligence, netlink, electrification and sharing; II. Marketing expense increased and sales structure changed to compete in the very challenging market brought by the new entrants of auto industry and price strategy of traditional competitors.

2. Core Business Analysis

I. Summary

In 2018, JMC sales volume achieved 285,066 units, decreased 8.05% compared with last year, including 107,202 units truck, 72,775 units pickup, 12,591 units SUV, 43,516 units Transit CV, 39,796 units light bus and 9,186 units CKD export.

2018 total production volume was 286,808 units, decreased 7.83% compared with last year, including 108,594 units truck, 72,696 units pickup, 13,859 units SUV, 43,768 units Transit CV, 38,705 units light bus and 9,186 units CKD export.

JMC total sales revenue in 2018 was RMB 28.25 billion, decreased 9.88% compared with last year.

II. Revenue and Cost

(a) Composition of Sales Revenue

Unit: RMB

	2018 FY		2017 FY		YOY change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Revenue	28,249,339,672	100.00%	31,345,746,762	100.00%	-9.88%
By Industry					
Automobile Industry	28,249,339,672	100.00%	31,345,746,762	100.00%	-9.88%
By Products					
Vehicle	25,178,859,631	89.13%	28,390,845,975	90.58%	-11.31%
Components	2,696,240,006	9.55%	2,605,496,777	8.31%	3.48%
Automobile Maintenance services	71,798,771	0.25%	18,720,025	0.06%	283.54%
Material & Others	302,441,264	1.07%	330,683,985	1.05%	-8.54%
By region					
China	28,249,339,672	100.00%	31,345,746,762	100.00%	-9.88%

(b) 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	28,249,339,672	24,409,546,754	13.59%	-9.88%	-2.54%	-6.51%
By Products						
Vehicle	25,178,859,631	22,143,813,493	12.05%	-11.31 %	-3.08%	-7.47%
By Region						
China	28,249,339,672	24,409,546,754	13.59%	-9.88%	-2.54%	-6.51%

If the Company's core business scope is adjusted during the reporting period, the Company's core business data of last year need to be adjusted per the scope in this year

☐Applicable ☐ √ Not Applicable

(c) Whether Company's Goods Revenue Higher Than Service Revenue

☐ √ Yes ☐No

Industry	Item	Unit	2018	2017	Change (%)
Automobile	Sales volume	unit	285,066	310,028	-8.05%
Automobile	Production volume	unit	286,808	311,180	-7.83%

Explanation on YOY change of over 30%

☐Applicable ☐ √ Not Applicable

(d) Execution of Company's Signed Major Sales Contract

☐Applicable ☐ √ Not Applicable

(e) Composition of Operating Cost

Unit: RMB

Product	2018 FY		2017 FY		YOY change（%）
	Cost	Proportion (%)	Cost	Proportion (%)	
Vehicle	22,143,813,493	90.72%	22,847,921,018	91.23%	-3.08%
Components	1,921,477,490	7.87%	1,874,840,311	7.49%	2.49%
Automobile Maintenance services	69,559,583	0.29%	18,039,452	0.07%	285.60%
Material & Others	274,696,188	1.12%	304,289,181	1.21%	-9.73%

(f) Whether Consolidated Scope was Changed During the Reporting Period

☐ √ Yes ☐No

During the reporting period, the new consolidated subsidies included Shenzhen Fujiang New Energy Automobile Sales Co., Ltd., Guangzhou Fujiang New Energy Automobile Sales Co., Ltd., and Xiamen Fujiang New Energy Automobile Sales

Co., Ltd. All the three companies are wholly-owned subsidiaries of the Company established in 2018 with a cash investment of RMB 10 million.
Please refer to the Note 16a Subsidiaries of the notes to the consolidated financial statements in the Chapter XI Financial Statements for details.

(g) Major Change or Adjustment on Business, Products or Services During the Reporting Period

□Applicable □ √ Not Applicable

(h) Main Customers and Suppliers

Top 5 Customers:

Total sales value to top 5 customers（RMB）	3,656,375,426
Accounted for the proportion of JMC's total annual turnover	12.95%
Included related party transaction accounted for the proportion of JMC's total annual turnover	4.35%

No.	Name of the Customer	Sales Value (RMB)	Percentage of JMC's Total Turnover (%)
1	Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	1,228,470,623	4.35%
2	Zhejiang Jiangling Motors Sales Company	1,138,232,870	4.03%
3	Hunan Transit Jiangling Motors Sales Company	478,831,969	1.70%
4	Shanghai Keda Zhoupu Auto Sales Company	439,610,214	1.56%
5	Beijing Jinglingshun Auto Sales Company	371,229,750	1.31%
Total		3,656,375,426	12.95%

Other introduction to main customers

□ √ Applicable □Not Applicable

Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. is a related party of the Company. EVP Xiong Chunying holds the position of Director of Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.

Top 5 Suppliers:

Total purchase value from top 5 suppliers（RMB）	4,170,908,479
Accounted for the proportion of JMC's total annual purchase amount	19.20%
Included related party transaction accounted for the proportion of JMC's total annual purchase amount	15.47%

No.	Name of the Supplier	Purchase Value (RMB)	Percentage of JMC's Total Annual Purchase Amount (%)
1	Nanchang Baojiang Steel Processing Distribution Co., Ltd.	922,453,891	4.25%
2	Jiangxi Jiangling Chassis Co., Ltd.	864,932,239	3.98%
3	Bosch Auto Diesel System Company	809,754,457	3.73%
4	GETRAG (Jiangxi) Transmission Company	791,364,536	3.64%
5	Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	782,403,356	3.60%
Total		4,170,908,479	19.20%

Other introduction to main suppliers
□ √ Applicable □Not Applicable
Except Bosch Auto Diesel System Company, the other four suppliers are related parties of the Company.

III. Expense Analysis

Unit: RMB' 000

	2018	2017	YOY Change	Major Changes Explanation
Distribution Expenses	1,202,382	2,694,779	-55.38%	Due to the effect of implementing IFRS 15 - Revenue from Contracts with Customers since January 1, 2018, and this affects the presentation between income statement accounts and does not actually affect the net profit.
Administrative Expenses	2,460,259	2,744,600	-10.36%	
Finance Income-net	-182,587	-239,221	-23.67%	Cash balance decreased.

IV. Research & Development
In 2018, JMC continued to focus on development of new product programs. Product related spending centred at future product development and compliance with regulatory requirements, including new model, increased payloads, new styling, and improved power, etc., ensuring the Company is compliant with stringent environmental and safety regulations. The competitive R&D will ensure the company's volume and profit growth in the future. Development expenditure in 2018 was 1,735 million, representing 16.71% of net assets, or 6.14% of revenue.

R&D

	2018	2017	Change (%)
R&D Staff (person)	2,692	2,417	11.38%
R&D Staff as % of total employees	16.28%	13.94%	2.34%
R&D Investment (RMB)	1,735,368,721	2,054,740,061	-15.54%
R&D Investment as % of revenue	6.14%	6.56%	-0.42%
Capitalization of R&D investment	71,814,337	58,010,234	23.80%
Capitalization of R&D investment as % of R&D Investment	4.14%	2.82%	1.32%

Major change of R&D Investment as % of revenue
☐Applicable ☐ √ Not Applicable

Major change of capitalization of R&D investment
☐ √ Applicable ☐Not Applicable
Please refer to the Note 14 Intangible Assets of the notes to the consolidated financial statements in the Chapter XI Financial Statements for details.

V. Cash Flow Analysis

RMB' 000

Item	2018	2017	Y-O-Y Change
Net cash generated from operating activities	-101,808	674,588	-115.09%
Net cash used in investing activities	-1,138,924	-669,656	-70.08%
Net cash used in financing activities	-2,280,111	-533,431	-327.44%
Net (decrease)/increase cash and cash equivalents	-3,520,843	-528,499	-566.20%

Explanation on the major factors regarding major change of related data
☐ √ Applicable ☐Not Applicable
Net cash generated from operating activities decreased by RMB 776 million, down 115.09% vs. 2017, mainly reflecting the volume decrease and increase of government subsidy receivable generated from higher sales volume of new energy vehicle.
Net cash used in investing activities increased up 70.08% vs. 2017, mainly reflecting the increase in the amount of cash paid for fixed assets purchased and built.
Net cash used in financing activities increased by RMB 1,747 million, up 327.44% vs. 2017, mainly reflecting the payment of 2017 interim special dividend distribution.

Explanation on significant difference between net cash generated from operating activities and net profit during the reporting period
☐Applicable ☐ √ Not Applicable

3. Non- core business analysis
☐ √ Applicable ☐Not Applicable

Unit: RMB

Item	Amount	Proportion of PBT	Explanation	Sustainability（Y/N）
Non-operating Revenue	248,127,231	625.96%	Government subsidies to support the Company's development	Y

4. Analysis of Assets and Liabilities

I. Major changes

Unit: RMB' 000

Asset item	December 31, 2018		December 31, 2017		YOY Proportion Change	Major Changes Explanation
	Amount	Proportion	Amount	Proportion	(Points)	
Property, plant and equipment	6,941,292	29.67%	6,714,088	25.45%	4.22%	New Fushan plant.
Inventories	2,522,354	10.78%	2,339,304	8.87%	1.91%	
Trade and other receivables and prepayments	4,678,284	20.00%	4,555,934	17.27%	2.73%	
Cash and cash equivalents	7,616,880	32.56%	11,137,723	42.21%	-9.65%	Due to payment of 2017 interim special dividend distribution and payment increase for fixed assets purchasing
Trade and other payables	12,195,966	52.13%	13,222,540	50.12%	2.01%	

II. The fair value of the assets and liabilities (not applicable).

III. 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.

5. Investment

I. Summary

☐Applicable ☐ √ Not Applicable

II. Obtained Major Equity Investment during the Reporting Period

☐Applicable ☐ √ Not Applicable

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

☐ √ Applicable ☐Not Applicable

Project Name	Investment Method/ source	Fixed Assets (Y/N)	Spending in 2018 (RMB mils)	Investment Committed (RMB mils)	Progress	Index
Fushan Plant	Self-funded	Y	372	372	11%	*
Total			372	372	--	--

*The announcement (No. 2017-044) was published on the website www.cninfo.com.cn.

IV. Financial Assets Investment

(a) Stock Investment

□Applicable □ √ Not Applicable

(b) Derivative Investment

□Applicable □ √ Not Applicable

V. Usage of Raised Fund

□Applicable □ √ Not Applicable

6. Sales of Major Assets and Equity

I. Sale of Major Assets

□Applicable □ √ Not Applicable

II. Sales of Major Equity

□Applicable □ √ Not Applicable

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

Unit: RMB'000

Name of Companies	Type of Companies	Main Business	Registered Capital	Assets	Net Assets	Turnover	Operating Profit	Net Profit
Jiangling Motors Sales Corporation, Ltd	Subsidiary	Sales vehicle, service parts	50,000	3,638,713	249,594	23,592,089	-2,569	-2,158
JMC Heavy Duty Vehicle Co., Ltd.	Subsidiary	Product heavy commercial vehicle , engine, component, and related service	281,793	2,610,390	-675,856	507,555	-349,354	-348,490

Acquisition and disposal of the subsidiaries

□Applicable □ √ Not Applicable

8. Structured Entities Controlled by JMC

□Applicable □ √ Not Applicable

9. Outlook

I. Industry Competition and Development Trend

At present China is still in the stage of industrial and urbanization development, China's economic operation is remaining at a reasonable level, the macro-control targets have been well achieved, the economy has maintained growth in medium/high speed, imports and exports is stable, and the balance of payments has been basically balanced. Steady domestic demand, encouraged innovation and further deepening of the combination of internet and industrial will continue to benefit China’s economy toward steady and improvement with the GDP growth is predicted around 6.3%. The infrastructure construction and logistic industry in China will also continue to develop combined with consumption incentive of Guard Blue Sky Plan and rural subsidy scheme of home appliances/cars which will be good to the stability and development of commercial vehicle segment. Meanwhile, China's Car Parc per capita is still lower than world’s average level indicating a strong auto market potential in the future. Currently, automobile industry development is affected by the urban traffic congestion, environment pollution, purchase tax incentive cancellation and new energy vehicle incentive cancellation gradually. However, as the economic progressing steadily, the consumption level and purchasing power improved, domestic automobile sales volume is expected to achieve higher level. In 2019, sales volume is still expected to continue to grow slightly. The production, sales and use of automobile is significantly changed by the combination of technology revolution characterized by electrification, digital, network and smart and innovative business model featured by platform and sharing. The pattern has continued for several hundred years of auto industry is facing great changes, new energy vehicles and smart internet is becoming a clear direction of auto industry to lead its upgrade, transformation and structure adjustment.

II. Corporation Strategy

Company takes *to become the best partner for smart mobility and logistics solutions* as vision and *integrity, innovation and win-win* as core value, adopts aggressive strategic actions in smart logistics of commercial vehicles to strengthen its leading position; proactively participates in mobility of passenger vehicle and tries different business model to build new core competitiveness through new technology application and new business model. JMC will continue to deliver SUV and crossover vehicles with high cost performance and high quality new energy vehicles with smart, environmental, safe and economic; participate in smart mobility and logistics service by cutting-edge technology and innovative business model, and actively expand the company’s friend circle to continuously develop new core competitiveness in auto ecosystem.

III. 2018 Business Plan

The Company is targeting 2019 sales volume level at 383 thousand units and revenue level at RMB 37 billion, increases of 34% and 31% vs. 2018 respectively. To enhance profitability, the company is committed to the following plans in 2019:

(1) Achieve volume and market share targets by enhancing the sales network and sales/marketing activities, especially pushing the third – fifth class city dealer network construction.
(2) Continue to strengthen sales network and channel, actively develop network in low-tier cities, establish flexible marketing scheme to deliver the target of sales volume and share.
(3) Well prepared the new products launch plan for Ford Territory, Everest MCA and PK/LT upgrade to Stage VI.

(4) Continue to improve product quality, pursue cost reduction opportunities, improve manufacturing and operating efficiency to achieve profit and cost targets.
(5) Continue to research, develop and apply new energy, autonomous driving and smart connectivity.
(6) Continue to promote the new fuel economy and emission compliance program to satisfy regulatory requirements.
(7) Work with technical partners to execute future product development and R&D ability improvement.
(8) Expand finished vehicle exports and OEM components sales business.
(9) Actively explore and try innovative business.

IV. Potential Challenges and Solutions

In 2019, the Company will continue to face fiercer competition, more stringent regulatory requirements, intensifying cost pressures and a slowdown in China's economic growth. To achieve steady growth, the Company will continue to focus on the following aspects in 2019:

(1) Optimizing company's production system to improve efficiency and product quality.
(2) Optimizing dealer network and marketing spending to improve market share;
(3) Improve suppliers' capability and parts quality; continue to reduce parts purchasing cost.
(4) Strengthening corporate governance and application of appropriate risk assessment and control mechanisms.
(5) Sustaining the expense management and control to optimize the business structure.
(6) Execute company's growth strategies to pursue sustainable and healthy growth.

The Company will continue to optimize cost structure, improve production efficiency, achieve competitive manufacturing output, optimize efficiency of R&D/program and mitigate management cost to realize profitable growth. Meanwhile, focus on new product development to deliver the launch quality and cost target. With the support from technical partner, the Company continues to promote new products development and R&D ability improvement, to accelerate the progress of launching new competitive and profitable products to the market and the exploration and development of heavy truck to enhance the company's influence on commercial vehicles. Meanwhile, the Company will strive to ensure the timely delivery of high quality heavy truck, and devote to strengthening dealer network, expanding overseas market and parts business.

10. External research and media interview to the Company

I. Table of external research, communication and media interviews with the Company in the reporting period

Date	Communication Method	Type of Object	Information Discussed and Materials offered
May 17, 2018	On-the-spot research	Institution	JMC Operating highlights

November 30, 2018	On-the-spot research	Institution	JMC Operating highlights
Reception times			2
Visiting institution number			26
Visiting person number			0
Other objects			0
Whether to disclose, reveal or divulge the undisclosed material information			None

Chapter V Major Events

1. Profit distribution and capital reserve conversion regarding common stock

Establishment, implementation or adjustment of profit distribution policy, esp. cash dividend distribution policy, regarding common stock during the reporting period

☐ √ Applicable ☐Not Applicable

In accordance with the requirements of laws, regulations and the Articles of Association of the Company, the Company's profit distribution policy maintains continuity and stability, and the Company pays attention to the reasonable return to investors. The Company gives priority to cash dividend, and subject to the provisions of laws, regulations and the Articles of Association of the Company, the Board of Directors can put forward a mid-term or special profit distribution proposal. The Company's profit distribution policy is in line with the CSRC's guidance on encouraging cash dividends for listed companies.

Special Explanation on Cash Dividend Policy	
Whether to comply with the requirements of the Articles of Association of JMC or resolution of the Shareholders' Meeting (Y/N)	Y
Whether the standards and proportion of dividends on profit distribution are clear (Y/N)	Y
Whether the procedures are valid and legal (Y/N)	Y
Whether the Independent Director fulfil their duties (Y/N)	Y
Whether middle and small shareholders have opportunities to claim their appeals and their legal rights and interests are completely protected (Y/N)	Y
Whether the condition and procedure are reasonable and transparent when the cash dividend policy is being changed (Y/N)	Y

Profit distribution plan or proposal in the recent three years

(1) Proposal on 2018 Year Profit Distribution

Details on the profit available for appropriation of the Company in 2018 prepared in accordance with the China GAAP and International Financial Reporting Standard ('IFRS') are as follows:

Unit: RMB' 000

	China GAAP	IFRS
Retained earnings at Dec. 31, 2017	10,444,874	10,441,665
2018 net profit	91,833	91,833
Allocation of interim special dividend for 2017	2,000,067	2,000,067
Allocation of dividend for 2017	276,228	276,228
Retained earnings at Dec. 31, 2018	8,260,412	8,257,203

The upper limit of profit available for distribution was based on the lower of the un-appropriated profit calculated in accordance with the China GAAP and that calculated in accordance with IFRS. Therefore, the Company's retained earnings available for distribution as of December 31, 2018 were RMB 8,257,203 thousand.

The Board approved to submit to the 2018 Annual Shareholders' Meeting the following proposal on year 2018 profit distribution:

(i). to appropriate for the dividend distribution from the profit available for distribution, which shall be equal to RMB 0.04 per share and shall apply to the Company's total share capital; and

(ii). to carry forward the un-appropriated portion to the following fiscal year.

Profit distribution proposal: a cash dividend of RMB 0.4 (including tax) per 10 shares will be distributed to shareholders. Based on the total share capital of 863,214,000 shares as of December 31, 2018, total cash dividend distribution amounts shall be RMB 34,528,560.

The cash dividend on B share shall be paid in Hong Kong Dollars and converted at the middle rate of the HK dollar's exchange rate against RMB quoted by the People's Bank of China on the first working day following the relevant resolution adopted by the Company's Annual Shareholders' Meeting.

The Board decided not to convert the capital reserve to the share capital this time.

(2) 2017 Year Profit Distribution Plan
A cash dividend of RMB 3.2 (including tax) was distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2017, the total cash dividend distribution amounts were RMB 276,228,480.

B share dividend was paid in Hong Kong Dollars and converted based on the HKD-to-RMB standard exchange rate published by the People's Bank of China on the first working day following the approval on the profit distribution proposal by the Shareholders' Meeting of the Company.

The Board decided not to convert capital reserve to share capital this time.

(3) 2017 Interim Special Dividend Distribution Plan
A cash dividend of RMB 23.17 (including tax) was distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of September 30, 2017, the total cash dividend distribution amounts were RMB 2,000,066,838.

B share dividend was paid in Hong Kong Dollars and converted based on the HKD-to-RMB standard exchange rate published by the People's Bank of China on the first working day following the approval on the profit distribution proposal by the Shareholders' Meeting of the Company.

The Board decided not to convert capital reserve to share capital this time.

(4) 2016 Year Profit Distribution Plan
A cash dividend of RMB 6.1 (including tax) was distributed for every 10 shares held. Based on the total share capital of 863,214,000 shares as of December 31, 2016, the total cash dividend distribution amounts were RMB 526,560,540.

B share dividend was paid in Hong Kong Dollars and converted based on the HKD-to-RMB standard exchange rate published by the People's Bank of China on the first working day following the approval on the profit distribution proposal by the Shareholders' Meeting of the Company.

The Board decided not to convert capital reserve to share capital this time.

Table of cash dividend in the recent three years

Unit: RMB'000

	Cash dividend (Including tax)	Profit attributable to the equity holders of the Company in that year	Cash dividend as % of profit attributable to the equity holders of the Company
2018 (Proposed)	34,529	91,833	37.60%
2017	2,276,295	690,938	329.45%
2016	526,561	1,318,016	39.95%

The Company made a profit during the reporting period and the profit of the parent company distributable to the common share holders is positive, but a distribution plan of cash dividends for the common shares is not put forward

☐Applicable ☐ √ Not Applicable

2. Proposal on 2018 Year Profit Distribution Plan or Capital Reserve Conversion

☐ √ Applicable ☐Not Applicable

Please refer to Article 1, Chapter V of this Report.

3. Commitments

3.1 Commitments of the Company, the shareholder, the actual controlling party, the acquirer, the Director, the Supervisor, the senior executive or other related party of the Company

☐Applicable ☐ √ Not Applicable

3.2 Earnings forecast of the assets or project and the explanations

☐Applicable ☐ √ Not Applicable

4. 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.

5. Explanation of the Board of Directors, Supervisory Committee and Independent Directors to abnormal opinions from accounting firm

☐Applicable ☐ √ Not Applicable

6. Explanation on the changes of accounting policy, accounting estimates, estimation method compared with that of last year

☐ √ Applicable ☐Not Applicable

Please refer to the Note 2 Summary of Significant Accounting Policies of the notes to the consolidated financial statements in the Chapter XI Financial Statements for details.

7. Explanation on major accounting errors that shall be restated during the reporting period

☐Applicable ☐ √ Not Applicable

There was no major accounting error that shall be restated during the reporting period.

8. Explanation on consolidated scope change compared with that of last year

☐ √ Applicable ☐Not Applicable

During the reporting period, the new consolidated subsidies included Shenzhen Fujiang New Energy Automobile Sales Co., Ltd., Guangzhou Fujiang New Energy Automobile Sales Co., Ltd. and Xiamen Fujiang New Energy Automobile Sales Co., Ltd. All the three companies are wholly-owned subsidiaries of the Company established in 2018 with a cash investment of RMB 10 million.

Please refer to the Note 16a Subsidiaries of the notes to the consolidated financial statements in the Chapter XI Financial Statements for details.

9. Appointment or Dismissal of Accounting Firm

Current accounting firm

Name	PricewaterhouseCoopers Zhong Tian LLP
Compensation (RMB'000)	1,900
Consecutive years offering audit services	17
Names of signed accountants	Lei Fang, Ye Dan
Consecutive years offering audit services of signed accountants	Lei Fang 2 year, Ye Dan 1 year

Dismissal of accounting firm

☐Applicable ☐ √ Not Applicable

Appointment of C-SOX auditor, financial consultant or sponsor

☐ √ Applicable ☐Not Applicable

Upon the approval of 2014 Annual Shareholders' Meeting, JMC agreed to appoint PricewaterhouseCoopers Zhong Tian LLP as JMC's 2016 to 2018 C-SOX auditor. In 2018, JMC paid RMB 550 thousand to PricewaterhouseCoopers Zhong Tian LLP for the C-SOX audit.

10. Suspension and Termination of Listing after Annual Report Disclosed

☐Applicable ☐ √ Not Applicable

11. Related Matters regarding Bankruptcy

☐Applicable ☐ √ Not Applicable

There was no matter involving bankruptcy during the reporting period.

12. Major Litigation or Arbitration

☐Applicable ☐ √ Not Applicable

There was no major litigation or arbitration during the reporting period.

In 2018, there was no major litigation and arbitration that had significant impacts on the Company's operation. As of the end of 2018, there was a total of 3 pending litigation in which the Company is as the defendant, involving an amount of RMB 1.84 million.

13. Punishment

☐Applicable ☐ √ Not Applicable

Neither JMC nor its Directors or senior management were punished by regulatory authorities during the reporting period.

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

☐Applicable ☐ √ Not Applicable

15. Implementation of Equity Incentive Plan, Employee Stock Ownership Plan and Other Employee Incentive Method

☐Applicable ☐ √ Not Applicable

There was neither equity incentive plan or ESOP, nor other employee incentive method during the reporting period.

16. Major Related Transactions

i. Routine related party transactions

☐ √ Applicable ☐Not Applicable

Transaction Parties	Content	Relationship	Pricing Principle	Settlement Method	Amount (RMB'000)	As % of Total Purchases/ Revenue
Ford and subsidiaries of Ford	goods purchase	Controlling shareholder of JMC and subsidiaries of Ford	Contracted price	D/P & T/T	869,000	4.00%
Nanchang Bao-jiang Steel Processing Distribution Co., Ltd.	goods purchase	Associate of JMCG	Contracted price	Prepayment	922,453	4.25%
Jiangxi Jiangling Chassis Co., Ltd.	goods purchase	Subsidiary of JMCG	Contracted price	60 days after delivery and invoicing	864,932	3.98%
GETRAG (Jiangxi) Transmission Company	goods purchase	Associate of JMCG	Contracted price	60 days after delivery and invoicing	791,365	3.64%
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	goods purchase	Wholly-owned subsidiary of JMCG	Contracted price	30 days after delivery and invoicing	782,403	3.60%
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Sales	Associate of JMCG	Contracted price	40% of prepayment and the remains paid during 30 days after delivery	1,228,471	4.35%

The Announcement (No.:2017-049) on Related Party Transactions of the Company was published on the website www.cninfo.com.cn.

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

☐Applicable ☐ √ Not Applicable

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

iii. Related party transaction concerning outside co-investment
☐Applicable ☐√Not Applicable
There was no outside co-investment in 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 in the reporting period.

v. Other major related party transactions
☐√Applicable ☐Not Applicable
The balance amount of bank deposit of the Company in JMCG Finance Company as of the end of 2018 was RMB 833,617 thousand. The Board of Directors reviewed and approved JMCG Finance Company Continuous Risk Assessment Report. Please refer to the website www.cninfo.com.cn for the original of the report which was published on March 28, 2019.

17. Major Contracts and Execution
i. Entrustment, contract or lease
a. Entrustment
☐Applicable ☐√Not Applicable
There was no entrustment in the reporting period.

b. Contract
☐Applicable ☐√Not Applicable
There was no contract in the reporting period.

c. Lease
☐√Applicable ☐Not Applicable
Please refer to the note 13 Lease Prepayment of the notes to the consolidated statements in the Chapter XI Financial Statements for detail.

Project with more than 10% of net profit
☐Applicable ☐√Not Applicable
There was no lease project with more than 10% of net profit in the reporting period.

ii. Major guarantee
☐Applicable ☐√Not Applicable
The Company had no outside guarantee in the reporting period.

iii. Entrustment on cash asset management
a. Trust investment
☐Applicable ☐√Not Applicable
There was no trust investment in the reporting period.

b. Entrusted loan
☐Applicable ☐√Not Applicable
There was no entrusted loan in the reporting period.

iv. Other major contract

☐Applicable ☐ √ Not Applicable

18. Corporation Social Responsibilities

I. Corporation Social Responsibilities

JMC always consciously undertake social responsibility and create brand public-benefit “Jiangling Xiqiao Project” with the aim of “green, love, and safe”. By 2018, 365 bridges have been donated in 106 counties and cities in 24 provinces, benefiting nearly 600,000 people. JMC was awarded China Poverty Alleviation Ambassador Prize, China Responsible Public Partners Prize and China Social Responsibility Excellent Brand Prize.

During the reporting period, the Company operated according to law and regulations, upheld the interest of the shareholders, especially small & medium-sized shareholders, protected the legitimate rights and interests of employees, and treated suppliers, customers and consumers sincerely. Simultaneously, JMC paid attention to environmental protection, energy saving and consumption reduction, fully reduced energy consumption and pollutant discharge, and actively fulfilled corporate social responsibility.

JMC 2018 Corporation Social Responsibilities Report can be downloaded from JMC official website: www.jmc.com.cn or the website: www.cninfo.com.cn.

II. Targeted measures in poverty alleviation

a. Plan on poverty alleviation

The Company joined the one-to-one poverty alleviation, depending on JMCG, in Qianmo Village, Dai Jiapu Township, Suichuang County, Jiangxi Province and Xianting Village, Songhu Town, Xinjian District, Nanchang City in accordance with the working arrangement of Jiangxi Provincial Party Committee and Provincial Government. The overall goal is: to help the poor village to achieve a well-off standard of living before 2020 by cooperating with the local government.

b. Summary of poverty alleviation in 2018

The Company regards the realization of precision poverty relief as the basic strategy of precision poverty alleviation. In 2017, Xianting Village get rid of poverty. The Company continued to consolidate efforts of one-to-one poverty alleviation in 2018.

c. Status of targeted measures in poverty alleviation

Item	Unit	Amount/Progress
I. Brief Introduction	——	——
including：1. Funding	RMB (’000)	4,200
2. Sum converted from the materials	RMB (’000)	132.4
3. Persons get rid of poverty	Persons	20
II. Investments	——	——
1. Anti-poverty depending on industry development	——	——
including：1.1 Type	——	
1.2 Projects	Number	
1.3 Investment amount	RMB (’000)	
1.4 Persons get rid of poverty	Persons	
2. Anti-poverty depending on employment transfer	——	——

including：2.1 Investments on vocational skills	RMB ('000)	
2.2 Training persons regarding vocational skills	Persons	
2.3 Employment Persons	Persons	
3. Anti-poverty depending on relocation	——	——
including：3.1 Employment persons among relocated persons	Persons	
4. Anti-poverty depending on education	——	——
including：4.1 Grants in aid to poor students	RMB ('000)	25.4
4.2 Poor students in aid	Persons	1,400
4.3 Investments on the improvement of educational source in poverty-stricken are	RMB ('000)	4,200
5. Health Anti-poverty	——	——
Including: 5.1 Investments on medical and health services in poverty-stricken area	RMB ('000)	
6. Ecological protection anti-poverty	——	——
including：6.1 Project type	——	
6.2 Investment amount	RMB ('000)	
7. Miscellaneous provisions	——	——
including：7.1 Investments on stay-at-home children, women and elderly	RMB ('000)	107
7.2 Number of stay-at-home children, women and elderly in aid	Persons	
7.3 Investments on poor & disable people	RMB ('000)	
7.4 Number of poor & disable people in aid	Persons	
8. Social anti-poverty	——	——
including：8.1 Investments on cooperation between West China and East China	RMB ('000)	
8.2 Investments on one-to-one anti-poverty	RMB ('000)	
8.3 Investments from anti-poverty charity fund	RMB ('000)	
9. Other	——	——
including：9.1.Project	Number	
9.2.Investment amount	RMB ('000)	
9.3. Persons getting rid of poverty	Persons	
III. Awards	——	——

d. On-going plan regarding targeted measures in poverty alleviation

Education is the fundamental way to get rid of poverty and become rich. In terms of education to poverty alleviation, the Company will rely on JMCG in 2019 to upgrade the existing Xianting Primary School into a standardized, modern and exemplary rural complete primary school to provide a sound learning environment for students studying in Xianting Primary School, in accordance with the government overall planning arrangements and local conditions

III. Environmental protection

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

√Yes ☐No

Name of principal pollutant and specific pollutant	Mode of discharge	Number of discharge outlet	Distribution of discharge outlet	Discharge concentration	Applicable standard for pollutant discharge	Total amount of discharge	Total amount of discharge audited	Excessive discharge
Wastewater (COD, NH-N)	continuous discharge	6	3 in Mainsite, 1 in Xiaolan Site, 1 in Cast Plant and 1 in Axle Plant	"COD:155.7mg/L NH-N:26.1mg/L"	"Wastewater Discharge Standard"(GB 8978-1996)	COD: 178.51t; NH-N: 9.515t	COD≤843.34t; NH-N≤21.72t	Meet Standard
Exhaust gas (SO2,NOx,smoke,toluol, dimethylbenzene, NMHC)	continuous discharge	125	51 in Mainsite, 35 in Xiaolan Site, 33 in Cast Plant and 6 in Axle Plant	SO2: 172mg/m3; NOx :240mg/m3; smoke: 72.4mg/m3; toluol :0.174mg/m3; dimethylbenzene :0.542mg/m3;	"The Emission Standard of Air Pollutants", "Emission Standard of Air Pollutants for Boiler"（GB 13271-2014）	SO2: 86.15t; NOx : 15.77t	SO2≤93.01t; NOx≤60.91t	Meet Standard

The construction and operation of pollutant preventive and control facilities

Since 2006, JMC has invested more than RMB 30 million to construct seven wastewater treatment stations (including the wastewater treatment station in the east plant area and Xiaolan wastewater treatment station), with the treatment capacity as high as 9,000t/d. The treated wastewater reached the national discharge standard. In 2018, JMC invested RMB 500 thousand to renovate Xiaolan Wastewater Treatment Station, and invested RMB 870 thousand to upgrade the wastewater treatment process of the wastewater treatment station in Axle Plant. The sewage station has equipped with MBR integrated equipment, which increases the anti-shock load capacity of the sewage treatment system, and the effluent water quality is stable to meet the discharge standard.

For up-to-standard emission of waste gases, JMC has taken new control measures over the years. JMC invested RMB 3.6 million in 2018 to upgrade the dust collector of the Casting Plant and added an electric furnace dust removal equipment. The existing matching dust collectors were dismantled and two sets of “downstream” back flush flat bag filter system were installed to effectively reduce environmental pollution .

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

In the process of waste management, JMC managed from the source, and divided the generation of wastes. JMC established a temporary storage yard for solid wastes. Warning graphic symbols have been posted at the temporary storage site of hazardous wastes. Besides, signboards have been provided as well, so as to remind the passer-by of probable hazards in the storage process of hazardous wastes. In 2017, JMC invested RMB500 thousand to extend Xiaolan storage yard for solid wastes. In 2018, JMC invested RMB 550 thousand to renovate the engine plant garbage station. According to the requirements of the Solid Waste Control Law, solid wastes must be protected against leakage, anti-diffusion, and loss prevention, and should not be stored in the open air. After the anti-pollution, anti-seepage and classification treatment of the garbage station, leakage and pollution can be avoided and the requirements of the regulations are met.

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 2018, the Company completed the environmental inspection and acceptance of the new energy vehicle transformation project of Qingyunpu Plant, and obtained the environmental assessment approval of the new energy laboratory project and the project of expanding the capacity of 300 thousand vehicle parts and components per year (Phase II).

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 emergences occurred or that may probably occur, and has been filed with the environmental protection bureau.JMC organize various emergency drills to the effectiveness of the plan.

Environmental self-monitoring scheme

In 2018, JMC's Qingyunpu Main Plant Area (the "Plant Area") was listed as a key pollutant discharging organization of wastewater/hazardous wastes. The Plant Area monitored by itself in strict accordance with the *Method for Self-monitoring and Information Disclosure of State Key Monitoring Enterprises (Trial)*. Its self-monitoring schemes, monitoring results and annual monitoring reports on pollution sources were disclosed on the "pollution source self-monitoring reporting platform of Jiangxi Province". Xiaolan plant area and other plant areas finished self-monitoring according to the EIA requirements.

Other information related to environmental protection

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

19. Other Major Events

JMC received government incentives of approximate RMB 458 million appropriated by Nanchang City, Nanchang County Xiaolan Economy Development Zone, Nanchang City Qingyupu District, and Shanxi

Transformation and Comprehensive Reform Demonstration Zone in 2018, which is to support JMC’s development.

20. Major event of JMC subsidiary

□Applicable □ √ Not Applicable

Chapter VI 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	906,855	0.10%	-	-	-	-120,015	-120,015	786,840	0.09%
1. Other domestic shares	906,855	0.10%	-	-	-	-120,015	-120,015	786,840	0.09%
Including:									
Domestic legal person shares	785,940	0.09%	-	-	-	-	-	785,940	0.09%
Domestic natural person shares	120,915	0.01%	-	-	-	-120,015	-120,015	900	0.00%
II. Unlimited tradable shares	862,307,145	99.90%	-	-	-	120,015	120,015	862,427,160	99.91%
1. A shares	518,307,145	60.05%	-	-	-	120,015	120,015	518,427,160	60.06%
2. B shares	344,000,000	39.85%	-	-	-	-	-	344,000,000	39.85%
III. Total	863,214,000	100.00%	-	-	-	-	-	863,214,000	100.00%

Causes of shareholding changes

☐ √ Applicable ☐Not Applicable

JMC did not issue shares or derivative securities during the past three years as of December 31, 2018. JMC's total shares remained unchanged in 2018, and the change in shareholding structure was caused by the trading restriction on limited A shares of 120,000 shares held by a natural person shareholder, Jiang Xiangwei, was relived on May 23, 2018.

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

I. Securities issuance (not including preferred shares) in the reporting period

☐Applicable ☐ √ Not Applicable

II. Explanation on changes of shares, shareholding structure, assets and liabilities structure

☐Applicable ☐ √ Not Applicable

III. Current staff shares

☐Applicable ☐ √ Not Applicable

3. Shareholders and actual controlling parties

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

Total shareholders as of the end of the reporting period	JMC had 30,076 shareholders, including 24,702 A-share holders, and 5,374 B-share holders, as of December 31, 2018.					
Total shareholders as of the last month-end prior to the disclosure date of the Report	JMC had 24,189 shareholders, including 18,732 A-share holders, and 5,457 B-share holders, as of February 28, 2018.					
Top ten shareholders						
Shareholder Name	Shareholder Type	Shareholding Percentage (%)	Shares at the End of Year	Change (+,-)	Shares with Trading Restriction	Shares due to mortgage or frozen
Jiangling Motor Holdings Co., Ltd.	State-owned legal person	41.03	354,176,000	0	0	0
Ford Motor Company	Foreign legal person	32	276,228,394	0	0	0
China Securities Corporation Limited	Other	2.72	23,458,066	714,482	0	0
Shanghai Gao Yi Asset Management Partnership (L.P.)	Other	1.74	15,000,000	15,000,000	0	0
Shanghai Automotive Co., Ltd.	State-owned Legal person	1.51	13,019,610	0	0	0
Central Huijin Investment Ltd.	State-owned legal person	0.83	7,186,600	0	0	0
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	Foreign legal person	0.68	5,848,450	0	0	0
GAOLING FUND,L.P.	Foreign legal person	0.63	5,453,086	14,000	0	0
INVESCO FUNDS SICAV	Foreign legal person	0.58	5,035,746	0	0	0
TEMPLETON DRAGON FUND,INC.	Foreign legal person	0.56	4,836,708	0	0	0
Notes on association among above-mentioned shareholders			None.			

Top ten shareholders holding unlimited tradable shares		
Shareholder Name	Shares without Trading Restriction	Share Type
Jiangling Motor Holdings Co., Ltd.	354,176,000	A share
Ford Motor Company	276,228,394	B share
China Securities Corporation Limited	22,743,584	A share
Shanghai Gao Yi Asset Management Partnership (L.P.)	15,000,000	A share

Shanghai Automotive Co., Ltd.	13,019,610	A share
Central Huijin Investment Ltd.	7,186,600	A share
JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	5,848,450	B share
GAOLING FUND,L.P.	5,453,086	B share
INVESCO FUNDS SICAV	5,035,746	B share
TEMPLETON DRAGON FUND,INC.	4,836,708	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

☐Applicable ☐ √ Not Applicable

II. Controlling Shareholders

Nature of controlling shareholders: Central/Local government holdings, foreign holdings

Type: Legal person

Name	Legal representative	Established Date	Organization code	Main scope of business
Jiangling Motor Holdings Co., Ltd.	Mr. Zhang Baolin	November 1, 2004	913601007670323079	manufacturing of automobiles, engines, chassis, and automotive components and parts, sales of self-produced products, as well as related after-sales services; industrial investment; management & agent for merchandise and technology export & import; property management; sales of household articles, mechanical & electronic equipment, artistic handicrafts, agricultural by-products and steel; consulting business in enterprise management.
Ford Motor Company	William Clay Ford	January 1, 1903		to design, manufacture, market, and service a full line of Ford cars, trucks, sport utility vehicles (“SUVs”), electrified vehicles, and Lincoln luxury vehicles, provide financial services through Ford Motor Credit Company LLC, and be pursuing leadership positions in electrification, autonomous vehicles, and mobility solutions.

Change of controlling shareholders

☐Applicable ☐ √ Not Applicable

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

III. Actual Controlling Parties

Nature of controlling shareholders: Central/Local State-owned Assets Supervision and Administration

Type: Legal person

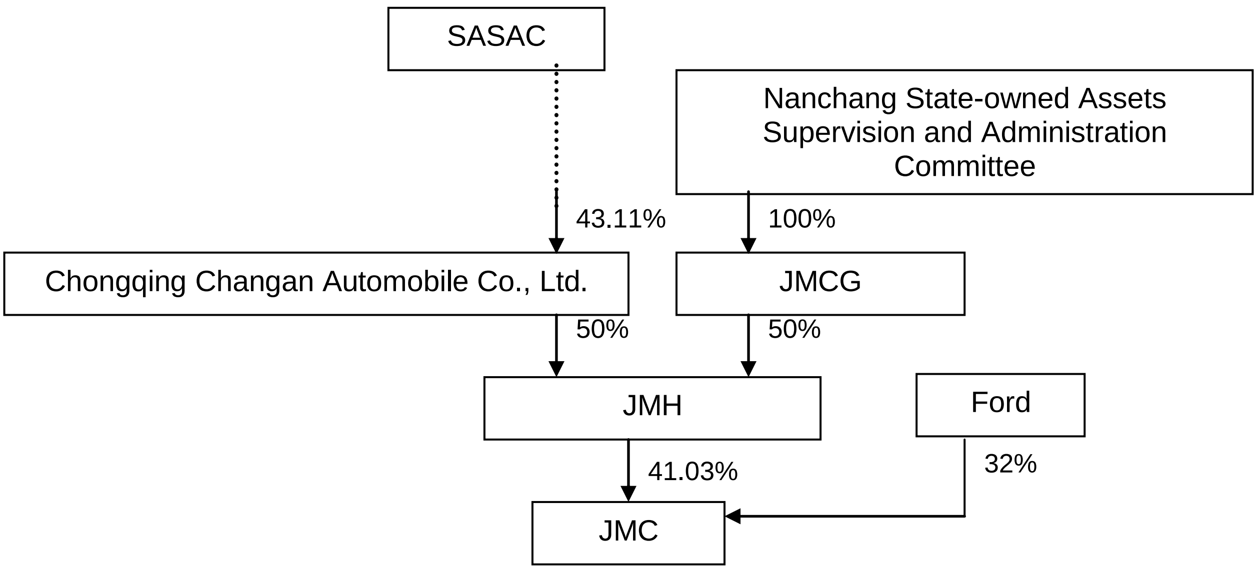
Name	Legal representative	Established Date	Organization code	Main scope of business
JMCG	Qiu Tiangao	July 27, 1991	91360000158263759R	manufacturing of automobiles, engines, chassis, specialty vehicle, transmission, other products, automotive quality testing, sales of self-produced products and raw materials, equipment, electronic products, parts and others, as well as related after-sales services and maintenance services; development of products derived from JMC brand light vehicle; overseas auto project-contracting, export equipment, material and related labour services.
Chongqing Changan Automobile Co., Ltd.	Zhang Baolin	December 31, 1996	9150000020286320X6	development, manufacturing, sales, import & export business of auto (including sedan), engine, automotive components, die, tools, installation of machinery, technological consultant services.
Equity of listed company in domestic and aboard market held by the entity controlled by the actual controlling party during the reporting period				None

Change of actual controlling parties

☐Applicable ☐ √ Not Applicable

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

Ownership and control relations between the Company and the actual controlling parties are shown as follows:



Actual controlling parties control the Company by the way of trust or other assets management

☐Applicable ☐ √ Not Applicable

IV. Other legal person shareholder holding more than 10% of total equity of the Company
☐Applicable ☐ √ Not Applicable

V. Shareholding reducing restriction to controlling shareholders, actual controlling parties, restructuring parties and other commitment-making entities
☐Applicable ☐ √ Not Applicable

Chapter VII Preferred Shares

☐Applicable ☐ √ Not Applicable
JMC had no preferred shares in the reporting period.

Chapter VIII Directors, Supervisors, Senior Management and Employees

1. Changes of Shares held by Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Term of Office	Shares at the period-beginning	Share Change in the reporting period	Shares at the period-end
Qiu Tiangao	Chairman	Male	52	2017.06.29-2020.06.28	0	0	0
Anning Chen	Vice Chairman	Male	58	2018.12.05-2020.06.28	0	0	0
David Johnston	Director	Male	48	2017.06.29-2020.06.28	0	0	0
Manto Wong	Candidate Director & President	Male	56	2019.03.01-2020.06.28	0	0	0
Xiong Chunying	Director & EVP	Female	54	2017.06.29-2020.06.28	1,200	0	1,200
Yuan Mingxue	Director	Male	50	2017.06.29-2020.06.28	0	0	0
Lu Song	Independent Director	Male	61	2017.06.29-2020.06.28	0	0	0
Wang Kun	Independent Director	Female	42	2017.06.29-2020.06.28	0	0	0
Li Xianjun	Independent Director	Male	51	2017.06.29-2020.06.28	0	0	0
Xiao Hu	Chief supervisor	Male	50	2018.12.05-2020.06.28	0	0	0
Alvin Qing Liu	Supervisor	Male	61	2017.06.29-2020.06.28	0	0	0
Zhang Jian	Supervisor	Male	49	2017.06.29-2020.06.28	40	0	40
Ding Zhaoyang	Supervisor	Male	49	2017.06.28-2020.06.28	20	0	20
Chen Guang	Supervisor	Male	45	2017.06.28-2020.06.28	0	0	0
Jin Wenhui	EVP	Male	51	2017.06.29-2020.06.28	0	0	0
Li Weihua	CFO	Female	41	2018.06.29-2020.06.28	0	0	0
Wan Hong	VP & Board Secretary	Male	57	2017.06.29-2020.06.28	0	0	0
Li Xiaojun	VP	Male	43	2017.06.29-2020.06.28	0	0	0
Liu Shuying	VP	Female	56	2017.06.29-2020.06.28	0	0	0
Mike Chang	VP	Male	52	2017.06.29-2020.06.28	0	0	0
Christian Chen	VP	Male	46	2017.06.29-2020.06.28	0	0	0
Wu Xiaojun	VP	Male	44	2017.06.29-2020.06.28	0	0	0
Ding Wenmin	VP	Male	47	2018.01.01-2020.06.28	0	0	0
Peter Fleet	Ex Vice Chairman	Male	51	2017.06.29-2018.12.04	0	0	0
Thomas Fann	Ex Director &	Male	56	2017.06.29-	0	0	0

	President			2019.02.28			
Zhu Yi	Ex Chief Supervisor	Male	51	2017.06.29-2018.12.04	0	0	0
Gong Yuanyuan	Ex-CFO	Female	45	2014.06.27-2018.07.31	0	0	0
Zhu Shuixing	Ex-VP	Male	53	2015.07.01-2018.08.15	0	0	0
Tim Slatter	Ex-VP	Male	44	2017.06.29-2019.02.28	0	0	0
	Total				1,260	0	1,260

2. Changes of Directors, Supervisors and Senior Management

Name	Position	Status	Date	Reason
Peter Fleet	Vice Chairman	Leave	2018.12.05	Work rotation
Zhu Yi	Chief Supervisor	Leave	2018.12.05	Work rotation
Gong Yuanyuan	CFO	Leave	2018.08.01	Work rotation
Zhu Shuixing	VP	Leave	2018.08.16	Resign from the vice president position for the personal reasons
Thomas Fann	Director & President	Leave	2019.03.01	Work rotation
Tim Slatter	VP	Leave	2019.03.01	Work rotation

3. Particulars about working experience of Directors, Supervisors and senior management

Directors and Candidate Director:

Mr. Qiu Tiangao, born in 1966, holds a Bachelor Degree in Mechanical Manufacturing and a Master Degree in Industrial Engineering from Huazhong University of Science and Technology, and is the Chairman of JMCG, Vice Chairman of Jiangling Motor Holdings Co., Ltd., and Chairman of JMC. Mr. Qiu Tiangao held various positions including General Manager, Chairman of Nanchang Gear Co., Ltd., Chairman of Jiangxi JMCG Gear Co., Ltd., Vice President of Jiangling Motor Holding Co., Ltd., and Director & General Manager of JMCG.

Mr. Anning Chen, born in 1961, holds a Ph.D. in Engineering from the University of Cincinnati, Ohio, U.S. and MBA from the University of Michigan Ross Business School, Ann Arbor, Michigan, U.S., and is a Group Vice President of Ford Motor Company, President and CEO of Ford Motor (China) Ltd., and Vice Chairman of JMC. Mr. Anning Chen first began his distinguished career at Ford Motor Company in 1992, and during his seventeen years at Ford, he held various executive management roles. Most recently, Mr. Anning Chen was CEO of Chery Automobile LTD, China as well as Chairman of the Board of Directors for Chery Jaguar Land Rover Automotive, China.

Mr. David Johnston, born in 1970, holds a Bachelor Degree in Economics, Master Degree in Economics and Manufacturing Leadership from Cambridge University, United Kingdom, and is CFO of Ford Asia Pacific and a Director of JMC. Mr. David Johnston held various positions including Controller and Finance Manager of PAG, Volvo China CFO, Ford ASEAN CFO, Manufacturing Controller of Ford Europe, PD Controller of Ford Europe, PD Vehicle Controller of Ford Global Finance.

Mr. Manto Wong, born in 1962, holds a Bachelor’s Degree in Computer Engineering and a Master’s Degree in Business Administration from the University of Michigan, U.S.A., and is a Candidate Director and President of JMC. Mr. Manto Wong held various positions including Manger of U.S. Market Analysis Department of Ford, Chief Financial Officer of JMC, Chief Financial Officer of Ford Japan operations, Director of Business Strategy for Asia Pacific of Ford, Vice President and Chief Financial Officer for Ford Motor (China) Ltd., and Vice President of Finance for Changan Ford.

Ms. Xiong Chunying, born in 1964, senior engineer, holds a Bachelor Degree in Automobile Engineering from Jiangsu Engineering College, a Master Degree in Industrial Economics from Jiangxi University of Finance and Economics and an EMBA Degree from China Europe International Business School, and is a Director of JMCG and a Director & First Executive Vice President of JMC, in charge of the Company's product development and assists the President to support the overall operation of the Company. Ms. Xiong Chunying held various positions including Chief of Quality Management Department, Assistant to the President, Vice President of JMC.

Mr. Yuan Mingxue, born in 1968, senior engineer, holds a Bachelor’s Degree in Auto Engineering from Beijing Institute of Technology and an EMBA from China Europe International Business School, and is a Standing Vice President of Chongqing Changan Automobile Company Limited (“Changan Automobile”) and a Director of JMC. Mr. Yuan Mingxue has held various positions including Chief of Quality Department, Manager of Engine Plant for Changan Company, General Manager of Nanjing Changan Auto Co., Ltd., Assistant to the President of Changan Automobile and Executive Vice President of Jiangling Motor Holdings Co., Ltd., Assistant to the President, Chief of Strategy Planning Department for Changan Automobile, Assistant to the President and General Manager of Overseas Business Development Department for Changan Automobile, and Vice President of Changan Automobile.

Mr. Lu Song, born in 1957, professor and arbitrator, holds a Bachelor’s Degree in Law from Peking University and a Master’s Degree in Law from China Foreign Affairs University (“CFAU”) and Free University of Brussels respectively, and is a professor of CFAU and the arbitrator of international arbitral institutions, Vice President of the Chinese Society of Private International Law, Executive Council of the Chinese Society of International Law, and an Independent Director of JMC. Mr. Lu Song held various positions including Director of International Law Institute of CFAU and Secretary General of the Chinese Society of International Law.

Ms. Wang Kun, born in 1976, associate professor, holds a Bachelor’s Degree in Administration from Nankai University and a Doctor’s Degree in Accounting from Hong Kong University of Science and Technology, and is the Assistant to Dean of School of Economics and Management of Tsinghua University, Deputy Director of Corporate Governance Center of Tsinghua University, and an Independent Director of JMC. Ms. Wang Kun held position of lecturer in School of Economics and Management of Tsinghua University.

Mr. Li Xianjun, born in 1967, holds a Bachelor’s Degree in Industrial Management from Jilin University of Technology and a MBA, a Doctor’s Degree in Political

Economy from Jilin University, and is Head and Academic Director of School of Automotive Engineering of Tsinghua University, and an Independent Director of JMC. Mr. Li Xianjun has held various positions including Planner of Engine Plant of FAW, Secretary of General Manager of Jilin Province Agricultural Machine Corporation, General Manager of Planning Department of Jilin Province Feed Company, and Lecturer of School of Business of Jilin University.

Supervisors:

Mr. Xiao Hu, born in 1968, holds a Bachelor's Degree in Radio from Information Science & Electronic Engineering Department of Zhejiang University, and is a member of the Standing Committee of the CPC, the secretary of Discipline Inspection Commission and Chairman of Supervisory Board for JMCG, and Chief Supervisor of JMC. Mr. Xiao Hu has served as a cadre in the General Office of the Nanchang Municipal People's Government, deputy director of the Office of the Working Committee of the Nanchang Hi-tech Industrial Development Zone, deputy director of the Software Industry Office of the Nanchang Hi-tech Industry Development Zone Administrative Committee, deputy head of the Organization Department of the Working Committee of Nanchang Hi-tech Industry Development Zone, deputy director of the Personnel and Labor Bureau of the Nanchang Hi-tech Industry Development Zone Administrative Committee, Head of the Organization Department of the Working Committee of Nanchang Hi-tech Industry Development Zone, and the Director of the Personnel Bureau of the Nanchang Hi-tech Industry Development Zone Administrative Committee.

Mr. Alvin Qing Liu, born in 1957, holds a Master's Degree in International Economics and a Jurisprudence Doctor's Degree from Marquette University, U.S.A, and is a Vice President and General Counsel of Ford Asia Pacific, Director & Vice Chairman of Ford Motor (China) Ltd, and a Supervisor of JMC. Mr. Liu was a practicing attorney at Ruder, Ware and Michler Law Firm, U.S.A., counsel of Asia Pacific Region, Chrysler Corporation, U.S.A., counsel of Mergers and Acquisitions Group and Northeast Asia Operations, Daimler-Chrysler A.G., Germany, an International Counsel in the Office of General Counsel, Ford Motor Company, and Vice President & General Counsel of Ford Motor (China), Ltd.

Mr. Zhang Jian, born in 1969, holds a College Degree in Secretarial Professional from North China University of Technology, and is Chairman of JMCG Labor Union, Chief Supervisor of Jiangling Motor Holdings Co., Ltd, and a Supervisor of JMC. Mr. Zhang Jian held various positions including Secretary of Chairman and Deputy Director of Office for JMC, Director of Office, Director of Communist Party Office, Chief of Publicity Department for JMCG, Assistant to General Manger of JMCG, and Senior Vice Chairman of JMCG Labor Union.

Mr. Ding Zhaoyang, born in 1969, holds a MBA Degree from Université de Poitiers, France, and is a Supervisor of JMC and Chief of Public & legal Affair Department for JMC. Mr. Ding Zhaoyang held various positions including Deputy Chief, Chief of Public Relationship Department of JMC.

Mr. Chen Guang, born in 1973, holds a Bachelor's Degree in Automobile Engineering from Hunan University, and is a Supervisor of JMC and a Vice General Manager of JMC Heavy Duty Vehicle Co., Ltd. Mr. Chen Guang held various positions including Deputy Chief of Quality Management Department, Deputy Plant Manager of Assembly Plant for Jiangling-Isuzu Motors Company Limited, and Plant Manager of Assembly Plant for JMC.

Senior management:

Mr. Manto Wong, please refer to the part of Directors and Candidate Director.

Ms. Xiong Chunying, please refer to the part of Directors and Candidate Director.

Mr. Jin Wenhui, born in 1967, senior engineer, holds a Bachelor’s Degree in Mechanical Manufacturing, a Master’s Degree in Mechanical Engineering from Huazhong University of Science and Technology and an EMBA Degree in China Europe International Business School, and is an Executive Vice President of JMC, in charge of sales and manufacturing management. Mr. Jin Wenhui held various positions including Chief of Manufacturing Department, Assistant to the President, Vice President of JMC, Director, General Manager of JMCG Jingma Motors Co., Ltd., and Executive Vice General Manager of Jiangxi-Isuzu Motors Co., Ltd.

Ms. Li Weihua, born in 1977, holds a Bachelor’s Degree in International Economic Law from Shanghai University of Finance and Economics and a MBA from Canada York University Schulich School of Business, and is the CFO of JMC, in charge of financial management. Ms. Li Weihua has held various positions including Finance Analyst of Ford China, Finance Analyst, and Finance Manager of Ford Motor Research & Engineering (Nanjing) Co., Ltd., MFG Finance Manager, PD Finance Manager, MFG Finance Controller, and PD Finance Controller for C and C SUV of Ford AP, and CFO of Ford Lioho.

Mr. Wan Hong, born in 1961, holds a Master of Business Administration Degree from Jiangxi University of Finance & Economics, and is the Vice President & Board Secretary of JMC, in charge of the Company human resources and relevant duties of Board Secretary. Mr. Wan Hong held various positions including Chief of Labour and Personnel Department, Assistant to the President, and Vice President for JMC.

Mr. Li Xiaojun, born in 1975, senior engineer, holds a Bachelor’s Degree in Mechanical Design & Manufacturing from Jiangxi University of Science and Technology and a Master’s Degree in Industrial Engineering from Huazhong University of Science and Technology, and is a Vice President of JMC, in charge of quality, manufacturing management and parts business. Mr. Li Xiaojun held various positions including Chief of JMC Quality Management Department, Plant Manager of Assembly Plant and Assistant to the President for JMC.

Ms. Liu Shuying, born in 1962, senior engineer, holds a Bachelor’s Degree in Mechanical Manufacturing from Jiangxi University of Technology, and is a Vice President of JMC, in charge of product development. Ms. Liu Shuying held various positions including Chief of Quality & Supervision Department of Jiangling-Isuzu Motors Company Limited, Director of Product Development Center and Assistant to the President of JMC.

Mr. Mike Chang, born in 1966, holds a Bachelor Degree in Naval Architecture Engineering from National Taiwan University, China Taiwan and a Master Degree in Manufacturing Engineering from University of California, Los Angeles, U.S.A., and is a Vice President of JMC, in charge of Xiaolan Branch and Engine Plant. Mr. Mike Chang held various positions including Paint Area Manger, Final Assembly Plant Area Manager, Manufacturing Director, Board member of Ford Lio Ho, Vice General Manager of BinXin Paper Company for Ting Hsin International Group, Manufacturing Director of Nam Chow Foods Co., China, General Manager of Tianjin Chuan Shun Foods Co., LTD, Tianjin Ting Fung Starch Development Co., LTD, and Hangzhou StarPro Starch Co., LTD for Ting Hsin International Group, and General Manager of Changan Ford Automobile Co., Ltd. Harbin Branch.

Mr. Christian Chen, born in 1972, semi-senior engineer, holds a Bachelor's Degree in Automotive Engineering from Wuhan University of Technology and a MBA from Wuhan University, and is a Vice President of JMC, in charge of purchasing business. Mr. Christian Chen held various positions including Product Development Manager of Dongfeng-Citroen, Quality Project Engineer of TUV, STA, Buyer, Purchasing Manager and Senior Purchasing Manager of Ford Motor Company.

Mr. Wu Xiaojun, born in 1974, holds a Bachelor's Degree from Wuhan University of Technology and a MBA from Jiangxi University of Finance and Economics, and is a Vice President of JMC and General Manager of JMC Heavy Duty Vehicle Co., Ltd., in charge of heavy duty truck business. Mr. Wu Xiaojun held various positions including Chief of Quality Department, Assistant to the President for JMC, and Executive Deputy General Manager of JMC Heavy Duty Vehicle Co., Ltd.

Mr. Ding Wenming, born in 1972, holds a Bachelor's Degree in Automobile Exertion from Wuhan University of Technology, and is a Vice President of JMC, in charge of Company level strategic planning, product planning and project management. Mr. Ding Wenming held various positions including Deputy Chief of Product Development Center, Chief of Product Planning & Program Management Department, and Assistant to the President for JMC.

Positions at the shareholder entities

☐ √ Applicable ☐Not Applicable

Name	Shareholder Entity	Title	Term of Office	Compensation Paid by Shareholder Entity (Y/N)
Qiu Tiangao	JMH	Vice Chairman	2016.3—	N
Anning Chen	Ford	Group Vice President and President, Ford China	2018.10—	Y
David Johnston	Ford	CFO, Ford Asia Pacific	2017.7—	Y
Yuan Mingxue	JMH	Director	2015.7—	N
Alvin Qing Liu	Ford	Vice President and General Counsel, Ford Asia Pacific	2009.1—	Y

Particulars about positions and concurrent positions in other entities other than shareholder entities

☐ √ Applicable ☐Not Applicable

Name	Entity	Title
Qiu Tiangao	JMCG	Chairman
	JMCG Jingma Motors Co., Ltd.	Chairman
	Jiangling Dingsheng Investment Co., Ltd.	Chairman
	JMCG New Energy Vehicle Co., Ltd.	Chairman
	Jiangxi ISUZU Co., Ltd.	Chairman
	GETRAG (Jiangxi) Transmission Company	Chairman
	JMC Heavy Duty Vehicle Co., Ltd.	Chairman
Anning Chen	Ford Motor (China) Ltd.	President & CEO
	Changan Ford Automobile Co., Ltd.	Vice Chairman
	Fordshuttle Trading (Shanghai) Co., Ltd.	Chairman
David Johnston	Ford Motor (China) Ltd.	Director
	Changan Ford Automobile Co., Ltd.	Director
Yuan Mingxue	Chongqing Changan Automobile Co., Ltd.	Standing Vice President
Lu Song	China Foreign Affairs University	Professor
Wang Kun	Tsinghua University	Assistant to Dean of School of Economics and Management & Deputy Director of Corporate Governance Center
Li Xianjun	Tsinghua University	Head and Academic Director of School of Automotive Engineering
Xiao Hu	JMCG	Chief supervisor
	JMCG Jingma Motors Co., Ltd.	Supervisor
	Jiangling Dingsheng Investment Co., Ltd.	Supervisor
	Jiangxi Jiangling Real Estate Co., Ltd.	Chief supervisor
	Jiangxi Jiangling Chassis Co., Ltd.	Supervisor
	Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Supervisor
Alvin Qing Liu	Changan Ford Mazda Engine Co., Ltd.	Director
	Ford Motor (China) Ltd.	Director
	Changan Ford Automobile Co., Ltd.	Director
	Ford Motor Research (Nanjing) Co., Ltd.	Supervisor
	Ford Motor Research Test(Nanjing) Co., Ltd.	Supervisor
	Fordshuttle Trading (Shanghai) Co.,	Supervisor

	Ltd.	
Xiong Chunying	JMCG	Director
	Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Director
	JMC Heavy Duty Vehicle Co., Ltd.	Director
Jin Wenhui	Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Chairman
	Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Director
	Jiangling Motor Sales Co., Ltd.	Legal Representative & Executive Director
	JMC Heavy Duty Vehicle Co., Ltd.	Director
	Hanon Systems (Nanchang) Co., Ltd.	Director
	Shenzhen Fujiang New Energy Automobile Sales Co., Ltd.	Legal Representative
	Guangzhou Fujiang New Energy Automobile Sales Co., Ltd.	Legal Representative & Executive Director
	Xiamen Fujiang New Energy Automobile Sales Co., Ltd.	Legal Representative & Executive Director
Li Weihua	Jiangling Motors Sales Co., Ltd.	Supervisor
	JMC Heavy Duty Vehicle Co., Ltd.	Director
	Hanon Systems (Nanchang) Co., Ltd.	Director
	Shenzhen Fujiang New Energy Automobile Sales Co., Ltd.	Supervisor
	Guangzhou Fujiang New Energy Automobile Sales Co., Ltd.	Supervisor
	Xiamen Fujiang New Energy Automobile Sales Co., Ltd.	Supervisor
Wan Hong	Jiangxi Hongdu Aviation Industry Co., Ltd.	Independent Director
	JMC Heavy Duty Vehicle Co., Ltd.	Director
Wu Xiaojun	JMC Heavy Duty Vehicle Co., Ltd.	Director & General Manager,
Chen Guang	JMC Heavy Duty Vehicle Co., Ltd.	Vice General Manager

Penalties from securities regulator to the present and resigned Directors, Supervisors and senior executives in the recently three years

□Applicable □ √ Not Applicable

4. Compensation of Directors, Supervisors and Senior Executives

Decision-making procedure, determination of basis, and actual payment regarding the compensation of the Directors, Supervisors and senior executives

Directors and Supervisors who did not concurrently hold other management positions in JMC were not paid by JMC. Director Qiu Tiangao, Supervisors Xiao Hu and Zhang Jian were paid by JMCG. Directors Anning Chen, David Johnston and Supervisor Alvin Qing Liu were paid by Ford. Director Yuan Mingxue was paid by Chongqing Changan Automobile Co., Ltd.

(1) In accordance with JMC Executive Compensation Scheme approved by the Board of Directors, the compensation for the Chinese-side senior management consists of base salary and floating bonus. The base salary level is determined according the grade of the senior executives, and the floating bones shall be paid according to the operating performance. 70% of the bonus will be distributed in this year, and the rest 30% will be distributed in the next three years. In 2018, the Company paid annual compensation before tax of approximately RMB 1,650 thousand to EVP Xiong Chunying, paid approximately RMB 1,440 thousand to EVP Jin Wenhui, paid approximately RMB 1,180 thousand per person to VP & Board Secretary Wan Hong, VP Liu Shuying, VP Li Xiaojun and VP Liu Shuying, paid VP Wu Xiaojun approximately RMB 1,310 thousand, paid VP Ding Wenming approximately RMB 1,390 thousand, paid Ex-VP Zhu Shuixing approximately RMB 920 thousand,. Two employee-representative supervisors, Mr. Ding Zhaoyang and Mr. Chen Guang, were paid annual compensation before tax of about RMB 440 thousand and RMB 580 thousand respectively. The total compensation before tax paid by JMC for the aforesaid persons was about RMB 11.27 million in the reporting period, including the long-term incentive of RMB 1.18 million deferred from the previous years.

(2) JMC pays annual compensation for Ford-seconded senior management personnel to Ford in accordance with the revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates. In 2018, JMC should pay US$ 375 thousand per person to Ford for Ex Director & President Thomas Fann, Ex VP Tim Slatter and VP Mike Chang, pay RMB 750 thousand for VP Christian Chen, pay RMB 312.5 thousand for CFO Li Weihua, and pay RMB 437.5 thousand for Ex CFO Gong Yuanyuan. These payments made by JMC to Ford do not reflect the actual salaries earned by Ford-seconded senior management.

(3) Pursuant to the resolutions of JMC 2011 Annual Shareholder's Meeting, the annual compensation for the JMC Independent Directors is RMB 100 thousand per person, and JMC bears their travel-related expenses associated with JMC's business.

Table on compensation of the Directors, Supervisors and senior executives in the reporting period

Unit: RMB' 000

Name	Position	Gender	Age	Present (Y/N)	Compensation Before Tax Paid by JMC	Compensation Paid by Related Party (Y/N)
Qiu Tiangao	Chairman	Male	52	Y	0	Y
Anning Chen	Vice Chairman	Male	58	Y	0	Y
David Johnston	Director	Male	48	Y	0	Y
Manto Wong	Candidate Director & President	Male	56	Y	0	Y
Xiong Chunying	Director & EVP	Female	54	Y	1,650	N
Yuan Mingxue	Director	Male	50	Y	0	Y
Lu Song	Independent Director	Male	61	Y	100	N
Wang Kun	Independent Director	Female	42	Y	100	N
Li Xianjun	Independent	Male	51	Y	100	N

	Director					
Xiao Hu	Chief supervisor	Male	51	Y	0	Y
Alvin Qing Liu	Supervisor	Male	61	Y	0	Y
Zhang Jian	Supervisor	Male	49	Y	0	Y
Ding Zhaoyang	Supervisor	Male	49	Y	440	N
Chen Guang	Supervisor	Male	45	Y	580	N
Jin Wenhui	EVP	Male	51	Y	1,440	N
Li Weihua	CFO	Female	41	Y	*	N
Wan Hong	VP & Board Secretary	Male	57	Y	1,180	N
Li Xiaojun	VP	Male	42	Y	1,180	N
Liu Shuying	VP	Female	56	Y	1,180	N
Mike Chang	VP	Male	52	Y	*	N
Christian Chen	VP	Male	46	Y	*	N
Wu Xiaojun	VP	Male	44	Y	1,310	N
Ding Wenming	VP	Male	47	Y	1,390	N
Peter Fleet	Vice Chairman	Male	51	N	0	Y
Thomas Fann	Director & President	Male	56	N	*	N
Zhu Yi	Chief Supervisor	Male	48	N	0	Y
Gong Yuanyuan	CFO	Female	45	N	*	N
Zhu Shuixing	VP	Male	53	N	920	N
Tim Slatter	VP	Male	44	N	*	N

* Please refer to the relevant statement in the Article 4 Compensation of Directors, Supervisors and Senior Executives of this Chapter.

Granted equity incentive to the Directors, Supervisors and senior executives in the reporting period

☐Applicable ☐ √ Not Applicable

5. Employees

i. Employees, Professional Structure and Educational Level

Employees in parent company (persons)	14,449
Employees in subsidiaries (persons)	2,091
Total employees (persons)	16,540
Total employees paid compensation (persons)	17,395
Retired employees bore retirement benefits in parent company and its subsidiaries	806
Professional Structure	
Type	Employees (Persons)
Production Worker	11,058
Sales Personnel	692
Technical Personnel	3,589
Finance Personnel	245
Administrative Staff	956
Total	16,540
Educational Level	
Type	Employees (Persons)
Master degree and higher	1,012
Bachelor degree	3,802
Polytechnic school degree	2,010
Below polytechnic school degree	9,716
Total	16,540

ii. Compensation Policy
The Company strictly complies with the relevant requirements of national labor laws and regulations, provides a safe and comfortable workplace, and continuously establishes and improves the salary management mechanism that matches the employee’s income with the company’s performance, employee’s individual performance and ability. By implementing policies such as the employee’s annual salary adjustment, annual performance rewards, etc. that allow employees to share company development achievements. At the same time, we constantly improve the employee welfare policy to meet the diverse individual needs of employees and enhance employee experience and satisfaction.

iii. Training
In 2018, JMC’s training expense was RMB 13,960 thousand, and training person-time were 93,000 with training stratification of 97%. Please refer to 2018 JMC Corporation Social Responsibility Report for more details on 2018 training plan implementation.

iv. Labour outsourcing
□Applicable □ √ Not Applicable

Chapter IX Corporate Governance Structure

1. Status of the Corporate Governance in JMC
Difference between actual situation of corporate governance in JMC and that of requirements of listed company corporate governance promulgated by CSRC
□Applicable □ √ Not Applicable

During the reporting period, the Company strictly abided by the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, the Rules Governing Listing of Stock on Shenzhen Stock Exchange, as well as relevant laws and regulations, to carry out corporate governance activities and continued to improve its corporate governance.

2. Separation between JMC and the Controlling Shareholders in respect of Personnel, Assets and Finance, and Independence concerning Organization and Business:
(1) With respect to personnel matters, the positions of chairman and president are held by different individuals; JMC’s senior management do not hold positions other than director positions with its controlling shareholders; JMC senior management personnel are paid by JMC; labor, personnel matters and compensation management of JMC are completely independent.

(2) With respect to assets, JMC assets are complete. The assets utilized by JMC, including production system, supporting production system and peripheral facilities, and non-patent technology, are owned and/or controlled by JMC.

(3) With respect to finance, JMC has an independent finance department and independent accounting system, and has a uniform and independent accounting system and financial control system for its branches and subsidiaries. JMC has its own bank accounts, and there are no bank accounts jointly owned by JMC and its

controlling shareholders. JMC pays taxes independently in accordance with relevant laws.

(4) With respect to organization, JMC's organization is independent, complete and scientifically established with a sound and efficient operating mechanism. The establishment and the operation of JMC's corporate governance are strictly carried out per the Articles of Association of JMC. Production and administrative management are independent from the controlling shareholders. JMC has established an organization structure that meets the need for ongoing development.

(5) With respect to business, JMC has independent purchasing, production and sales systems. The purchasing, production and sales of main materials and products are carried out through its own purchasing, production & sales functions. JMC is independent from the controlling shareholders in respect to its business, and has independent and complete business and self-sufficient operating capability.

3. Horizontal Competition

□Applicable □ √ Not Applicable

4. Introduction to the Shareholders' Meeting

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

Meeting	Meeting Type	Investor Participation Ratio	Convening Date	Disclosure Date	Index
2018 First Special Shareholders' Meeting	Special Shareholders' Meeting	77.59%	2018.02.06	2018.02.07	Announcement of this Special Shareholders' Meeting (No: 2018-008) was published in the website www.cninfo.com.cn.
2018Annual Shareholders' Meeting	Annual Shareholders' Meeting	76.91%	2018.06.26	2018.06.27	Announcement of this Annual Shareholders' Meeting (No: 2018-028) was published in the website www.cninfo.com.cn.
2018 Second Special Shareholders' Meeting	Special Shareholders' Meeting	77.70%	2018.12.05	2018.12.06	Announcement of this Special Shareholders' Meeting (No: 2018-051) was published in the website www.cninfo.com.cn.

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

□Applicable □ √ Not Applicable

5. Independent Directors' Performance of Duty

I. Particulars about the directors' attendance to the Board meeting and the Shareholders' Meeting

Name	Required Board Attendance	Presence in Person	Presence in Form of Paper Meeting	Presence by Proxy	Absence	Not to present in person in two consecutive meetings (Y/N)	Presence at the Shareholders' Meeting
Lu Song	19	3	15	1	0	N	1
Wang Kun	19	3	15	1	0	N	1
Li Xianjun	19	1	15	3	0	N	1

II. Dissent from Independent Directors

☐Yes ☐ √ No

The Independent Directors of the Company had no dissent to the relevant proposal of the Company in the reporting period.

III. Other introduction to Independent Directors' Performance of Duty

☐ √ Yes ☐No

JMC has appointed three Independent Directors so far. The Independent Directors exercised their fiduciary duties on routine work and major decision-making of the Board of Directors. They studied every proposal reviewed by the Board of Directors thoroughly and raised their opinions, inquired about major events which required opinions from the Independent Directors and issued their written opinions, and actively engaged in the affairs of the Compensation Committee and the Audit Committee in the reporting period, to protect the interests of the Company and all the shareholders.

6. 2018 Diligence Report of the Committees under the Board of Directors

I. Work of the Audit Committee

A. Work Summary Report of the Audit Committee

According to its Working Rules, the Audit Committee diligently executed its duties and delivered guiding opinions. The primary tasks completed during the reporting period were as follows.

i. The Audit Committee reviewed the Company's internal control work plan and internal control implementation results regularly.

ii. The Audit Committee reviewed the Eight Accounting Provisions and Write-off proposal and submitted it to the Board for approval.

iii. The Audit Committee reviewed the proposal on Implementing New Revenue Recognition Standard and submitted it to the Board for approval.

iv. The Audit Committee reviewed the independent auditor's audit plan, letter of engagement and risks and controls.

v. The Audit Committee has coordinated with the independent auditor to allow the audit and associated financial report can be submitted within the appointed period.

vi. The Audit Committee reviewed the financial statements before the certified auditor's on-site audit, after receiving the certified auditor's initial and final audit opinions. The Committee communicated with auditors face to face over important events and major accounting estimations, audit adjustment items and important accounting policies which potentially affect the financial statements, and believes that the financial statements are truthful, accurate and fully reflect the Company’s actual status.

vii. The Audit Committee submitted the Summary Work Report of the Independent Auditor for 2018 to Board for review.

viii. The Audit Committee reviewed the Internal Control Self-assessment Report and agreed to submit this to the Board for approval.

B. Written Opinions on JMC Financial Statements

The Audit Committee reviewed the unaudited financial statements prepared by the Company and issued its written opinions as follows on January 16, 2019: the Audit Committee reviewed the financial statements compiled by JMC and believes that the financial statements have in all material aspects reflected the actual status of the Company. The Audit Committee would continue to keep in close contact with the external auditor. After receiving the auditor’s initial audit comments, the committee would review the financial statements once again.

The Audit Committee reviewed the financial statements prepared by JMC after the external auditor issued its initial audit opinions and issued written opinions as follows on February 26, 2019: the financial statements have been prepared according to China GAAP and the Company’s financial policies; and, the financial statements reported gives a true, accurate and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended, in all material respects.

The Audit Committee made resolutions on the audited 2018 financial statements as follows on March 7, 2019: the Audit Committee reviewed the financial statements after the certified public auditor issued its final audit opinion, and the Audit Committee believed that the financial statements reported, including the Balance Sheet, Income Statement and Cash Flow, give a true, accurate and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended, in all material respects. The Audit Committee concurred to submit for Board approval.

C. 2018 Independent Audit Work Summary Report

The Audit Committee reviewed the 2018 Audit Work Plan submitted by the independent auditing firm PwC Zhong Tian via communications with the PwC Zhong Tian leading auditor. Agreement was achieved regarding timing and content and both parties believe that the plan ensures a comprehensive completion of the 2018 audit tasks.

The independent auditor thoroughly communicated with the management and the Audit Committee Members regarding: accounting policies implementation, revenue recognition, significant accounting estimates related to accrued expenses, accounting treatment for eight Provisions, Impairment of long term assets, and research and development expenses, related party transaction recognition and fairness and information disclosure. They have also discussed about issues identified and the corrective actions. As a result, all parties have a more in-depth understanding of the business status, financial status and internal control. Therefore, a solid foundation was laid for a fair audit conclusion issued by the independent auditor.

The Audit Committee believed that the external certified auditor had executed the audit work consistently with the requirements of China Certified Auditor Independent Audit Principles. The audit period was adequate and the allocation of personnel resources was sufficient to deliver an audit report which accurately reflects the Company's financial position as at December 31, 2018, and the financial performance and cash flows for the year then ended. The audit conclusion fairly reflects the Company's actual status.

II. 2018 Diligence Report of the Compensation Committee

In the reporting period, the Compensation Committee exercised its duties as follows:

i. reviewed and approved the Proposal on 2017 Year-end Bonus for the Company's senior executives;

ii. Reviewed and approved the adjustment of the annual total cash income target of the Company's senior executives in 2018;

iii. Reviewed and approved the KPIs for the Company's senior executives in 2018, and;

iv. Reviewed and approved the 2017 Due Diligence Report of the Compensation Committee.

The Compensation Committee's opinions on the annual compensation of the Directors, Supervisors and senior management disclosed in this Report are as follows:

The 2018 annual compensation for the Chinese-side senior management was paid upon the principles promulgated in the JMC Executive Compensation Scheme. The 2018 annual compensation for Ford-seconded senior management personnel was paid in accordance with revised Personnel Secondment Agreement signed between JMC and Ford and Ford Affiliates. The annual compensation for the Director and Supervisor that the Company paid abided by JMC salary management system.

In the reporting period, the annual compensation of the Directors, Supervisors and senior executives disclosed in this Report was complied with JMC salary management system, and there was neither breach nor inconsistency of this system.

7. Works of Supervisory Board

Risks found by the Supervisory Board in the reporting period

☐Yes ☐ √ No

The Supervisory Board had no dissent on inspection items in the reporting period.

8. Compensation & Incentive Mechanism for Senior Management in the Reporting Period

The Compensation Committee of the Company approved the 2018 year-end bonus plan for the senior executive based on the actual performance of the key performance indicators for the senior executives, which is set out in JMC Executive Compensation Scheme approved by the Board of Directors of the Company, and approved to adjust the Year 2019 total income target of the senior executives based on market conditions. These plans are applicable only to the Chinese-side senior management.

9. Internal Control

I. Major defect of internal control in the reporting period

☐Yes ☐ √ No

II. Internal Control Self-assessment Report

Issuance date		March 28, 2019
Index		www.cninfo.com.cn
Total value of assets of the entities in scope counts as % of that disclosed in the consolidated financial statements		100.00%
Total value of operating revenue of the entities in scope counts as % of that disclosed in the consolidated financial statements		100.00%
Deficiency Determination Criteria		
Type	Financial Report	Non-financial Report
Qualitative Criteria	Material Weakness: An error that changes the trend of results, changes profit to loss or loss to profit Ineffective anti-fraud process or any fraud involving senior management Ineffective control over accounting policies Ineffective oversight by the Audit Committee Significant Deficiency; Errors in management reporting systems or Corporate accounting records that could lead to incorrect management decisions; Actions inconsistent with Company values, policies and other Corporate guidelines that are likely to significantly impact cost, quality, customer satisfaction, reputation, or competitive advantage; Control issues in IT infrastructure or applications that may lead to impairment of Company operations. Any actions indicating fraud or theft that is significant in value Minor Deficiency; Any control deficiencies that do not meet the criteria for material or significant.	Material Weakness: Unscientific decision making process such as incorrect decisions that result in unsuccessful mergers and acquisitions; Major regulatory compliance issues; Frequent media reports harmful to the Company's reputation; A lack of control within key business processes or systematic breakdown of control policies Material weakness identified in the self-assessment without any action plan implemented Significant Deficiency; control deficiency, or combination of control deficiencies, that does not meet the criteria for material weakness but deserves the concerns of the Audit Committee and the Board of Directors. Minor Deficiency Any control deficiencies that do not meet the criteria for material or significant.
Quantitative Criteria	Material Weakness Misstatement in the Income Statement is more than 5% of the annual profit before taxation; Misclassification in the Income Statement is more than 0.4% of the annual sales revenue Adjustment of net assets in the Balance Sheet is more than 1% of the shareholders' equity Adjustment of asset	Please refer to internal control deficiency over financial reporting for the criteria for non-financial reporting internal control.

	or liability in the Balance Sheet is more than 0.6% of the total assets; Adjustment in the Cash Flow Statement is more than 3% of the total net cash flow in the operating activities. Significant Deficiency Misstatement in the Income Statement is more than 2.5% of the annual profit before taxation; Misclassification in the Income Statement is more than 0.2% of the annual sales revenue; Adjustment of net assets in the Balance Sheet is more than 0.5% of the Shareholders' equity; Adjustment of asset or liability in the Balance Sheet is more than 0.3% of the Total assets; Adjustment in the Cash Flow Statement is more than 1.5% of the total net cash flow from the operating activities. Minor Deficiency All the deficiencies that do not meet the quantitative criteria for significant.	
Number of Material Weakness in financial report	0	
Number of Material Weakness in non-financial report	0	
Number of Significant Deficiency in financial report	0	
Number of Significant Deficiency in non-financial report	0	

10. Internal Control Audit Report

☐ √ Applicable ☐Not Applicable

Opinions in the Internal Control Audit Report	
Internal Control Audit Report Disclosed or not	Disclosed
Issuance date	March 28, 2019
Index	www.cninfo.com.cn
Type of Opinion	Standard and unqualified opinions
Major Defect regarding non-financial report or no	No

Abnormal opinion issued by the accounting firm

☐Yes ☐ √ No

Opinion issued by the accounting firm keeps the same with that of self-assessment report made by the Board

☐ √ Yes ☐No

Chapter X Corporate Bond

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

No.

Chapter XI Financial Statements

Type of Audit Report	Standard and Unqualified Opinion
Signature date	March 26, 2019
Name of Auditor	PricewaterhouseCoopers Zhong Tian LLP
Document No. of Audit Report	2019/SH-0175

Independent Auditor's Report

To the Shareholders of Jiangling Motors Corporation, Ltd.

Opinion

What we have audited

The consolidated financial statements of Jiangling Motors Corporation, Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 127, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:
- Research and development expenditures
- Impairment of long term assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Research and development expenditures Refer to note 14 to the consolidated financial statements. We focussed on this area due to the incurred amount of research and development expenditures (RMB1,735,369,000 in 2018), the amount of the development costs capitalised (RMB71,814,000 in 2018), and the fact that there is management's judgement involved in assessing whether the criteria set out in the accounting policies (note 2.10(2)) required for capitalisation of such development costs had been met, particularly: • The technical feasibility of the project. • The likelihood of the project generating sufficient future economic benefits. • The timing to start capitalisation. We had particular regard to the fact that the Group has continued to invest in the technical improvements for its automobile products, and therefore we focussed on the accuracy and completeness of recorded research and development expenditures and whether the economic benefits of the projects under development supported the amounts capitalised. As part of our work we also focused on management's judgements regarding whether capitalised costs were of a development stage rather than research stage (which would result in the costs being expensed rather than capitalised), and whether costs, including employment (payroll) costs, were directly attributable to relevant projects.	We obtained a breakdown, by value, of all individual research and development projects and reconciled this to the amounts of research and development expenses and capitalised research and development projects, which were recorded in the general ledger, identifying no reconciling differences. We tested the projects where research and development expenses were in excess of RMB31,000,000, together with a sample of randomly selected immaterial projects from the remaining population, as follows: • We obtained the lists of expenses by nature on selected projects and inspected contracts and underlying invoices which were directly related to those projects. We also checked the reasonableness of the indirect expenses attributable to relevant projects, including employment costs and depreciation expenses, by understanding the allocating method and inspecting the supporting for the assembling and allocating process of those indirect expenses. • We also checked the recorded research and development costs of those projects with budgeted amounts and discuss with project manager regarding to the status of selected projects. We found no material issues arising from the above procedures. We obtained the lists of capitalised projects and tested those projects with the capitalised amounts over RMB16,000,000. We obtained explanations from management of why those projects were considered to be capital in nature, in terms of how the specific requirements of the relevant accounting standards, most notably of IAS 38 were met. We also conducted interviews with individual project managers responsible for those projects selected to corroborate these explanations, which enabled us to independently assess whether the projects met all the criteria for capitalisation set out in accounting standards. In addition, we reviewed the selected projects' inspection reports at different phases including the reports which indicated that the subject projects entered into developmental stage and related management and board meeting minutes. We found the information we gathered from those documents to be consistent with explanations obtained from individual project managers and to be in line with management's assessment that the costs met the relevant capitalisation criteria. We considered management's judgements on whether those selected projects should be capitalised were appropriate.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of long term assets Refer to note 2.11, note 4.1(2) and note 12 to the consolidated financial statements. We focused on this area because JMC Heavy Duty Vehicle Co., Ltd. ("JMCH"), the subsidiary of the Group has incurred accumulated losses of RMB1,190,746,000 as at 31 December 2018, which indicates there may be impairment on its long term assets, mainly including property, plant and equipment with the amount of RMB1,354,783,000. The determination of whether or not an impairment charge for long term assets for JMCH is necessary to involve significant judgements of management about the future results of the business and assessment of future plans of the JMCH's operations. Management considers JMCH to be a cash generating unit ("CGU") and has calculated the fair value less costs of disposal as the recoverable amount of this CGU. The fair value less costs of disposal is based on discounted future cash flow forecasts over which the management make judgements on certain key inputs including revenue growth rate, sales price growth rate, discount rate and long term growth rate.	We evaluated management's impairment calculations assessing the future cash flow forecasts used in the models, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We found that management had followed their clearly documented process for drawing up future cash flow forecasts, which was subject to timely oversight and challenge by the directors and which was consistent with the Board's approved budgets. We challenged: • the key assumptions for revenue growth rate, sales growth rate, discount rate and long-term growth rate in the forecasts by comparing them to historical results, and economic and industry forecasts; • the discount rate by assessing the cost of capital for the CGU and comparable organisations. We considered the key assumptions used were reasonably set in place. We discussed the action plans in place and evaluated the reasonableness of those plans, by comparing those action plans with the performance in prior years, automobile industry developing trends and existing market player's performance. We considered those action plans were reasonably set in place. We also tested whether the required CGU performance improvement had ever been attained by the relevant CGU historically. We compared the current year actual results with the prior year forecast to evaluate whether the assumptions used in the prior year forecast were over optimistic. We found that the comparison analysis made by management between the actual results and forecasted figures were reasonable. We challenged management on the adequacy of their sensitivity calculations over the recoverable amount of the CGU. We determined that the calculations were most sensitive to assumptions for revenue growth rate, sales price growth rate, discount rate and long term growth rate. We calculated the degree to which these assumptions would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management and agreed with their conclusion that it was unlikely. Based on the procedures we performed, management's judgements and assessments relating to the impairment of long term assets are supported by the evidence we gathered.

Other Information

Management of the Company is responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lei Fang.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

26 March 2019

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF THE AUDITORS

31 DECEMBER 2018

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in thousands of RMB unless otherwise stated)

	Notes	2018	2017
Revenue from contracts with customers	5	28,249,340	31,345,747
Taxes and surcharges		(687,133)	(967,011)
Cost of sales	6	(24,463,198)	(25,045,090)
Gross profit		**3,099,009**	**5,333,646**
Distribution costs	6	(1,202,382)	(2,694,779)
Administrative expenses	6	(2,460,259)	(2,744,600)
Net expected credit losses on financial assets	3.1(2)	(1,089)	—
Net impairment losses on property, plant and equipment		(7,143)	(11,850)
Other income	8	426,678	632,036
Operating (loss)/profit		**(145,186)**	**514,453**
Finance income	9	188,436	244,300
Finance costs	9	(5,849)	(5,079)
Finance income-net	9	182,587	239,221
Share of profit of investments accounted for using the equity method	16b	2,238	8,149
Profit before income tax		**39,639**	**761,823**
Income tax credit/(expense)	10	52,194	(70,885)
Profit for the period		**91,833**	**690,938**
Profit attributable to:			
Shareholders of the Company		**91,833**	**690,938**
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss			
- Remeasurements of retirement benefits obligations		(4,590)	(1,616)
- Income tax relating to remeasurements of retirement benefit obligations		1,148	404
Other comprehensive loss for the period, net of tax		**(3,442)**	**(1,212)**
Total comprehensive income for the period		**88,391**	**689,726**
Total comprehensive income attributable to:			
Shareholders of the Company		**88,391**	**689,726**
Earnings per share for profit attributable to the shareholders of the Company for the period (expressed in RMB per share)			
- Basic and diluted	11	0.11	0.80

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(All amounts in thousands of RMB unless otherwise stated)

	Notes	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	12	6,941,292	6,714,088
Lease prepayment	13	601,260	616,834
Intangible assets	14	246,026	197,860
Deferred income tax assets	17	743,096	690,253
Investments accounted for using the equity method	16b	40,112	37,874
Other non-current assets		-	478
Total non-current assets		8,571,786	8,257,387
Current assets			
Inventories	18	2,522,354	2,339,304
Trade and other receivables and prepayments	19	4,678,284	4,555,934
Derivative financial instruments	3.3	979	-
Financial assets at fair value through other comprehensive income	3.3	6,246	-
Cash and cash equivalents	20	7,616,880	11,137,723
		14,824,743	18,032,961
Assets classified as held for sale	21	-	93,413
Total current assets		14,824,743	18,126,374
Total assets		**23,396,529**	**26,383,761**

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AS AT 31 DECEMBER 2018
(All amounts in thousands of RMB unless otherwise stated)

	Notes	2018	2017
EQUITY			
Share capital	22	863,214	863,214
Share premium		816,609	816,609
Other reserves	23	447,472	450,914
Retained earnings		8,257,203	10,441,665
Total equity		**10,384,498**	**12,572,402**
LIABILITIES			
Non-current liabilities			
Contract liabilities	5	38,382	—
Borrowings	24	3,595	3,851
Deferred income tax liabilities	17	26,024	26,736
Retirement benefit obligations	25	63,425	54,764
Provisions for statutory warranty	26	151,492	184,688
Other non-current liabilities		60,160	240
Total non-current liabilities		343,078	270,279
Current liabilities			
Trade and other payables	27	12,195,966	13,222,540
Contract liabilities	5	266,702	—
Current income tax liabilities		179	114,906
Borrowings	24	449	428
Financial liabilities at fair value through profit or loss		-	8,493
Retirement benefit obligations	25	4,595	4,420
Provisions for statutory warranty	26	201,062	190,293
Total current liabilities		12,668,953	13,541,080
Total liabilities		**13,012,031**	**13,811,359**
Total equity and liabilities		**23,396,529**	**26,383,761**

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in thousands of RMB unless otherwise stated)

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total
Balance at 1 January 2017		**863,214**	**816,609**	**452,126**	**10,277,287**	**12,409,236**
Profit for the period		-	-	-	690,938	690,938
Other comprehensive income						
- Remeasurements of retirement benefit obligations, net of tax		-	-	(1,212)	-	(1,212)
Dividends relating to 2016		-	-	-	(526,560)	(526,560)
Balance at 31 December 2017		**863,214**	**816,609**	**450,914**	**10,441,665**	**12,572,402**
Balance at 1 January 2018		**863,214**	**816,609**	**450,914**	**10,441,665**	**12,572,402**
Profit for the period		-	-	-	91,833	91,833
Other comprehensive income						
- Remeasurements of retirement benefit obligations, net of tax		-	-	(3,442)	-	(3,442)
Dividends relating to 2017	28	-	-	-	(2,276,295)	(2,276,295)
Balance at 31 December 2018		**863,214**	**816,609**	**447,472**	**8,257,203**	**10,384,498**

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts in thousands of RMB unless otherwise stated)

	Notes	2018	2017
Cash flows from operating activities			
Cash generated from operations	29	(4,180)	896,721
Interest paid		(218)	(226)
Income tax paid		(97,410)	(221,907)
Net cash (outflow)/inflow from operating activities		**(101,808)**	**674,588**
Cash flows from investing activities			
Payment for property, plant and equipment ("PPE")		(1,385,315)	(1,019,830)
Purchase of financial assets at fair value through profit or loss		(10,353,000)	-
Other cash paid relating to investing activities		(16,321)	(11,080)
Proceeds from disposal of PPE, lease prepayment and intangible assets	29	2,773	99,726
Proceeds from disposal of financial assets at fair value through profit or loss		10,353,000	-
Investment income from financial assets at fair value through profit or loss		18,191	-
Dividends received		-	10,168
Interest received		232,627	240,338
Other cash received from investing activities		9,121	11,022
Net cash outflow from investing activities		**(1,138,924)**	**(669,656)**
Cash flows from financing activities			
Repayments of borrowings		(434)	(5,443)
Dividends paid to shareholders of the Company		(2,278,417)	(527,117)
Other cash paid relating to financing activities		(1,260)	(871)
Net cash outflow from financing activities		**(2,280,111)**	**(533,431)**
Net decrease in cash and cash equivalents		**(3,520,843)**	**(528,499)**
Cash and cash equivalents at beginning of year		11,137,723	11,666,222
Effects of exchange rate changes		-	-
Cash and cash equivalents at end of year	20	**7,616,880**	**11,137,723**

The notes on pages 60 to 127 are an integral part of these consolidated financial statements.

1 General information

Jiangling Motors Corporation, Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC”) under the Company Law of the PRC and according to the approval of Hongban (1992) No. 005 of Nangchang Revolution and Authorisation Group of Company’s Joint Stock as a joint stock limited company to hold certain operational assets and liabilities of the automotive manufacturing business of Jiangxi Motors Manufacturing Factory, which was owned by Jiangling Motors Group Co.,Ltd (“JMCG”). The legal representative’s operating license of the Company is No. 913600006124469438.

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

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

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

As at 31 December 2018, the total number of issued shares of the Company is 863,214,000 shares, which are all listed on the Shenzhen Stock Exchange, the PRC.

The Company and its subsidiaries (the “Group”) are principally engaged in the development, manufacturing and selling of automobiles, engines and automobile related parts, dies and tools.

These consolidated financial statements were authorised for issue by the Board of Directors on 26 March 2019.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments, financial assets at FVOCI and financial liabilities at FVPL) are measured at fair value.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(1) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018. The Group had to change its accounting policies following the adoption of these standards. There is no retrospective adjustment recognised in prior periods. The impact of adopting the following standards are disclosed in Note 2.2.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

(2) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for reporting period ended 31 December 2018 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

- IFRS 16 Leases

Nature of change
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Impact
The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The Group only have leasing arrangements with short-term and low-value leases, no significant impact on the financial statement.

Date of adoption by the Group
The Group will apply the standard from its mandatory adoption date of 1 January 2019. No comparative amounts are need to be restated because all the leases are related to short-term and low-value leases.

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group’s financial statements.

(1) Impact on the financial statements

IFRS 9 was generally adopted without restating comparative information; IFRS 15 was adopted using the modified retrospective transition method. As a result, the reclassifications and adjustments arising from the adoption of new standards are therefore not reflected in the statement of financial position as at 31 December 2017. The following tables show the adjustments recognised for each individual line item at the date of initial application, 1 January 2018. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. There was no significant impact on retained earnings at 1 January 2018. The adjustments are explained in more detail by standard below.

Statement of Financial Position (extract)	**Closing balance 31 December 2017**	**IFRS 9**	**IFRS 15**	**Opening balance 1 January 2018**
Total assets	**26,383,761**	**-**	**-**	**26,383,761**
Non-current liabilities				-
Contract liabilities	240	-	32,134	32,374
Current liabilities				
Trade and other payables	13,222,540	-	(168,062)	13,054,478
Contract liabilities	-	-	135,928	135,928
Financial liabilities at fair value through profit or loss (“FVPL”)	8,493	(8,493)	-	-
Derivative financial instruments	-	8,493	-	8,493
Total liabilities	**13,811,359**	**-**	**-**	**13,811,359**
Net assets	**12,572,402**	**-**	**-**	**12,572,402**
Total equity	**12,572,402**	**-**	**-**	**12,572,402**

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Notes 2.13 and 2.15 below. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

There was no significant impact on the Group’s retained earnings as at 1 January 2018. The main effects resulting from reclassification are as follows:

(i) Reclassification of financial instruments on adoption of IFRS 9

Financial assets – 1 January 2018	**Notes**	**FVPL**	**Derivative financial instruments**
Closing balance 31 December 2017 – IAS 39		**8,493**	**-**
Reclassify foreign exchange forwards from FVPL to derivative financial instruments	(a)	(8,493)	8,493
Opening balance 1 January 2018 - IFRS 9		**-**	**8,493**

(a) Reclassify foreign exchange forwards from FVPL to derivative financial instruments

Foreign exchange forwards is a derivative financial instruments, the cash flow of the contract is modified according to the foreign exchange rate. As a result, forwards foreign exchange was reclassified from FVPL to derivative financial instruments.

On the date of initial application, 1 January 2018, the financial instruments of the Group impacted by the adoption of IFRS 9 were as follows:

	Measurement category		**Carrying amount**		
	Original (IAS 39)	**New (IFRS 9)**	**Original**	**New**	**Difference**
Current financial liabilities					
FVPL - foreign exchange forwards	FVPL	FVPL	8,493	-	(8,493)
Derivatives - foreign exchange forwards	FVPL	FVPL	-	8,493	8,493

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(2) IFRS 9 Financial Instruments (continued)

(ii) Impairment of financial assets

Trade receivables for sales of inventory and from the provisions of services are the main financial assets of the Group that are subject to IFRS 9's new expected credit loss model.

The Group was required to revise its impairment methodology under IFRS 9 for the financial assets. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group applies either 12-month expected credit losses or lifetime expected credit losses for other financial assets at amortised cost and financial assets at fair value through other comprehensive income, depending on whether there has been a significant increase in credit risk since initial recognition. The change in impairment methodology is disclosed in Note 2.13. There is no significant impact on the Group's retained earnings and equity at 1 January 2018.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(3) IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group elected to use the modified retrospective approach for transition to the revenue standard and the cumulative effect of initially applying the revenue standard recognised as an adjustment to the opening balance of retained earnings at the date of initial application. Comparative figures have not been restated.

The Group evaluated the impact of the adoption of IFRS 15 to the retained earnings of 1 January 2018, there is no significant impact on the retained earnings. In summary, the following adjustments were made to the amounts recognised in statement of financial position at the date of initial application (1 January 2018) and the end of current period presented (31 December 2018):

		Closing balance 31 December 2017 (ISA 18)	Reclassification	Opening balance 1 January 2018 (IFRS 15)
Trade and other payables	(a)	13,222,540	(168,062)	13,054,478
Contract liabilities	(a)	-	168,062	168,062

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(3) IFRS 15 Revenue from Contracts with Customers (continued)

		31 December 2018		
		Original (IAS 18)	**Reclassification**	**New (IFRS 15)**
Trade and other payables	(a)	12,501,050	(305,084)	12,195,966
Contract liabilities	(a)	-	305,084	305,084

The impact on the statement of profit and loss in the current period summarised as below:

		2018		
		Original (IAS 18)	**Reclassification**	**New (IFRS 15)**
Distribution costs	(b),(c)	2,730,955	(1,528,573)	1,202,382
Revenue from contracts with customers	(b)	29,121,617	(872,277)	28,249,340
Cost of sales	(c)	23,753,250	656,297	24,409,547

(a) Contract liabilities
Advance from customers have been presented as trade and other payables originally are now presented as contract liabilities. With the adoption of IFRS 15, a contract liability is recognised if the entity receives consideration (or if it has the unconditional right to receive consideration) in advance of performance. Contract liabilities are expected to be settled within 12 months after the end of the period are presented as current liabilities in the statement of financial position, otherwise are presented as other non-current liabilities.

(b) Sales rebates
With the adoption of IFRS 15, sales rebates are recoginsed as reduction of revenue unless the payment to the customer is in exchange for a distinct good or service under IFRS 15.

(c) Shipping fees
Shipping fees have previously been recognised in distribution costs are now recognised in cost of sales. Shipping service of automobiles is considered as a separate performance obligation because the control of goods transfers to the customer before shipment, but the Group has promised to arrange for the goods to be shipped. As a result, shipping fees are reclassified from distribution costs to cost of sales accordingly. Shipping fees incurred as fulfilment cost for the contract with a customer are also reclassified to cost of sales.

2 Summary of significant accounting policies (continued)

2.3 Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2 Summary of significant accounting policies (continued)

2.5 Separate financial statements

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

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

2.6 Segment Reporting

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

2.7 Foreign currency translation

(1) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in profit or loss within other income/(expense)-net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	35-40 years
Plant and machinery	10-15 years
Motor automobiles	6-10 years
Moulds	5 years
Electronic and other equipment	5-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

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

Assets under construction represent buildings under construction and plant and equipment pending installation, and are stated at cost. Costs include construction and acquisition costs. No provision for depreciation is made on assets under construction until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2.9 Lease prepayment

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

2 Summary of significant accounting policies (continued)

2.10 Intangible assets

(1) Goodwill

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

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

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

(2) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(b) management intends to complete the intangible asset and use or sell it;
(c) there is an ability to use or sell the intangible asset;
(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 Summary of significant accounting policies (continued)

2.10 Intangible assets (continued)

(3) Computer software

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

(4) Non-patent technology

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

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Non-current assets held-for-sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position.

2.13 Investments and other financial assets

(1) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(2) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(3) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expense)-net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

(3) Measurement (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income/(expense)-net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/(expense)-net and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(expense)-net in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income/(expense)-net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(4) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

(5) Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Classification

Until 31 December 2017 the Group classifies its financial assets in the following categories:
- financial assets at fair value through profit or loss,
- loans and receivables,
- available-for-sale financial assets.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period. See Note 15 for details about each type of financial asset.

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

(5) Accounting policies applied until 31 December 2017 (continued)

(ii) Subsequent measurement

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at FVPL' – in profit or loss within other income/(expense)-net
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and other losses from investment securities.

(iii) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or Group of financial assets was impaired. A financial asset or a Group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or Group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

(5) Accounting policies applied until 31 December 2017 (continued)

(iii) Impairment (continued)

Assets carried at amortised cost (continued)

Impairment testing of trade receivables is described in Note 3.1(2).

Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.15 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. No derivative is designated as a hedging instrument by the Group, changes in the fair value of derivatives are recognised immediately in profit or loss and included in other income/(expense)-net.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating capacity. Cost excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2 Summary of significant accounting policies (continued)

2.17 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 3.1 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.19 Share capital

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

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

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

2.20 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2 Summary of significant accounting policies (continued)

2.21 Borrowings (continued)

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

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

2.22 Borrowing costs

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

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

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

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

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

2.23 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(1) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies (continued)

2.23 Current and deferred income tax (continued)

(2) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.24 Employee benefits

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

(1) 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 and 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.

2 Summary of significant accounting policies (continued)

2.24 Employee benefits (continued)

(2) 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, the premiums or contributions on basic pensions and unemployment insurance belong to defined contribution plans; the premiums or contributions on supplementary retirement benefits belong to 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 Ministry of Human Resource 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 provides employees with some supplementary retirement benefits belong to defined benefit plans in addition to the social security policy prescribed by the State. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of national debt that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

2 Summary of significant accounting policies (continued)

2.24 Employee benefits (continued)

(3) 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.

(4) 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 settled within one year since the balance sheet date are classified as current liabilities.

2.25 Provisions

Provisions, mainly warranty costs, are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition

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

(1) Sales of goods – Automobile and automobile parts

The Group manufactures and sells a range of automobiles and automobile parts to dealers and ending customers. Sales are recognised when control of the products has transferred, being when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from the products. Control of automobiles is transferred when automobiles are delivered out of warehouse, being when customer has accepted the products. Control of automobile parts is transferred when the products out of warehouse or shipped to designated destination, being when customer has accepted the products.

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

No element of financing is deemed present as the sales are made with a credit term within one year, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the statutory warranty terms prescribed by the industry law and regulations is recognised as a provision, see Note 2.25. For additional warranty, it is considered as a separate performance obligation under IFRS 15, see Note 2.26(2).

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

(2) Rendering of services

The Group provides service of automobile maintenance and additional warranty. Revenue is recognised on the basis of inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

Trade receivables are recognised when the Group recognised revenue according to the completion process and has an unconditional right to consideration. Contract assets are recognised when the Group satisfies a performance obligation but does not have an unconditional right to consideration. The provision of trade receivables and contract assets are subject to expected credit loss model. Contract liabilities are recognised when the consideration received before the Group satisfies the performance obligation. The contract assets and liabilities are presented on a net basis for the some contract.

2 Summary of significant accounting policies (continued)

2.26 Revenue recognition (continued)

(3) Accounting policies applied before 1 January 2018

Revenue was measured at the fair value of the consideration received or receivable, and represented amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognised revenue when the amount of revenue can be reliably measured; when it was probable that future economic benefits would flow to the entity; and when specific criteria had been met for each of the Group’s activities, as described below. The Group based its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Revenue from the sale of goods was recognised when significant risks and rewards of ownership of the goods were transferred to the customer, the customer had accepted the products and collectability of the related receivables was reasonably assured.

(ii) Rental income

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

(iii) Rendering of services

The Group provided service of vehicle maintenance. The related revenue was recognised using the percentage of completion method, with the stage of completion being determined based on proportion of costs incurred to date to the estimated total costs.

2 Summary of significant accounting policies (continued)

2.27 Earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing: the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(2) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders, where appropriate.

2.30 Government grants

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

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

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

Government grants related to assets will be recorded as deferred income and recognised evenly in profit or loss over the useful lives of the related assets.

2 Summary of significant accounting policies (continued)

2.30 Government grants (continued)

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

2.31 Interest income

Interest income from financial assets at FVPL is included in other income/(expense)-net, see Note 8 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 –loans and receivables) calculated using the effective interest method is recognised in the statement of profit or loss as part of finance income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 9 below. Any other interest income is included in other income/(expense)-net.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 Financial risk management

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

The Group’s risk management is predominantly controlled by Finance Department under policies approved by the Board of Directors. Group Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3.1 Financial risk factors

(1) Market risk

(i) Foreign exchange risk

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

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

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(1) Market risk (continued)

(i) Foreign exchange risk (continued)

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2018			31 December 2017		
	USD RMB'000	EUR RMB'000	Other currency RMB'000	USD RMB'000	EUR RMB'000	Other currency RMB'000
Derivative financial instruments						
Foreign exchange forwards	979	-	-	-	-	-
Trade and other receivables	-	265	-	5,711	8,706	100
Financial liabilities at fair value through profit or loss						
Foreign exchange forwards	-	-	-	(8,493)	-	-
Borrowings	(4,044)	-	-	(4,279)	-	-
Trade and other payables	(164,599)	(100,450)	(4,045)	(235,847)	(116,320)	(2,685)
	(167,664)	(100,185)	(4,045)	(242,908)	(107,614)	(2,585)

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD/RMB and Euro/RMB exchange rates.

As at 31 December 2018, if RMB had strengthened/weakened by 10% against USD with all other variable held constant, the Group's net profit for the year then ended would have been approximately RMB14,187,000 (2017: RMB20,650,000) higher/lower.

As at 31 December 2018, if RMB had strengthened/weakened by 10% against Euro with all other variable held constant, the Group's net profit for the year then ended would have been approximately RMB8,626,000 (2017: RMB9,263,000) higher/lower.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. As at 31 December 2018, a large portion of its bank deposits were at variable rates and all of its borrowings were at fixed rate. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2018, if the interest rate of the Group's bank deposits had been increased/decreased by 10% and all other variables were held constant, the Group's net profit for the year then ended would have been increased/decreased by approximately RMB14,174,000 (2017: RMB19,352,000).

As at 31 December 2018, the difference between the fair value and book value of the Group's borrowings with fixed rate is immaterial.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of other financial instruments at fair value through comprehensive income and at fair value through profit or loss, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

(ii) Impairment of financial assets

The Group has four types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory and from the provision of services, and
- notes receivables carried at FVOCI
- other financial assets at amortised cost
- cash and cash equivalents.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of China in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(ii) Impairment of financial assets (continued)

(a) As at 31 December 2018, receivables with amounts are subject to separate assessment for impairment as below:

31 December 2018	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	-	-	-	-	100%	—
Gross carrying amount – trade receivables	-	-	-	-	8,633	8,633
Loss allowance	**-**	**-**	**-**	**-**	**(8,633)**	**(8,633)**

As the above debtors involved in several lawsuits, the Group cannot be able to collect the amount under the original terms, a full provision for bad debts of that receivable were made.

(b) As at 31 December 2018, trade receivables have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of expected credit losses:

i) Notes receivables group

As at 31 December 2018, all the notes receivables are bank acceptance bills of RMB626,509,000, which will be accepted mainly by large state-owned banks or national commercial banks. The Group believes that there is no significant credit losses due to the bank default.

ii) Automobiles sales group

31 December 2018	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.43%	0.46%	10.59%	10.78%	10.93%	—
Gross carrying amount – trade receivables	2,037,061	80,081	10,253	420	16,305	2,144,120
Loss allowance	**(8,684)**	**(366)**	**(1,085)**	**(45)**	**(1,782)**	**(11,962)**

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(ii) Impairment of financial assets (continued)

(b) As at 31 December 2018, trade receivables have been grouped on the basis of shared credit risk characteristics and the days past due for the measurement of expected credit losses (continued):

iii) New energy automobiles subsidies group

31 December 2018	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.30%	-	-	-	-	—
Gross carrying amount – trade receivables	228,543	-	-	-	-	228,543
Loss allowance	**(686)**	**-**	**-**	**-**	**-**	**(686)**

iv) Automobile parts group:

31 December 2018	Current	1-30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.30%	0.30%	0.50%	0.60%	5.00%	—
Gross carrying amount – trade receivables	313,028	614	484	485	1,021	315,632
Loss allowance	**(939)**	**(2)**	**(2)**	**(3)**	**(51)**	**(997)**

For the opening loss allowances for trade receivables as at 1 January 2018, the restatement on transaction as a result of applying the expected credit risk model was not material. The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2018 RMB'000	2017 RMB'000
31 December – calculated under IAS 39	**21,016**	**15,940**
Amounts restated through opening retained earnings	-	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	21,016	15,940
Increase in loss allowance recognised in profit or loss during the year	2,052	5,703
Receivables written off during the year as uncollectible	(42)	-
Unused amount reversed	(748)	(627)
At 31 December	**22,278**	**21,016**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Financial assets at fair value through other comprehensive income

Notes receivables carried at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers ‘low credit risk’ for the instruments that the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. JMC Heavy Duty Vehicle Co., Ltd. (“JMCH”), the subsidiary of the Group, held notes receivables for endorsement and presented as FVOCI at the statement of financial position. All the notes receivables are bank acceptable bills and considered as low credit risk financial instruments without significant credit risk because the banks have a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost

Other financial assets at amortised cost include bank interest receivables and other receivables. For the opening loss allowances for other financial assets as at 1 January 2018, the restatement on transaction as a result of applying the expected credit risk model was not material. The closing loss allowances for other financial assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(2) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Other financial assets at amortised cost (continued)

	1-30 days past due: expected credit losses in the next 12 months RMB'000	**More than 90 days past due: expected credit losses throughout lifetime** RMB'000	**Total** RMB'000
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	**554**	**104**	**658**
Amounts restated through opening retained earnings	-	-	-
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	554	104	658
Increase in the allowance recognised in profit or loss during the period	14	99	113
Reverse of the allowance recognised in profit or loss during the period	(328)	-	(328)
Closing loss allowance as at 31 December 2018	**240**	**203**	**443**

All the bank interest receivables are considered as low credit risk financial instruments without significant credit risk because the banks have a strong capacity to meet its contractual cash flow obligations in the near term.

Net impairment losses on financial assets recognised in profit or loss

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	2018 RMB'000	**2017** RMB'000
Impairment losses		
- movement in loss allowance for trade receivables	(2,052)	(5,703)
Impairment losses on other financial assets	(113)	(225)
Reversal of previous impairment losses	1,076	627
Net impairment losses on financial and contract assets	(1,089)	(5,301)

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(3) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Finance Department. Finance Department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 24) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

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

	Less than 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000	Over 5 years RMB’000
At 31 December 2018				
Bank borrowings				
- Principals	449	449	1,348	1,798
- Interests	59	52	116	61
Trade and other payables (exclude payroll and welfare payables, other tax payables)	11,658,259	-	-	-
	11,658,767	501	1,464	1,859
At 31 December 2017				
Bank borrowings				
- Principals	428	428	1,284	2,139
- Interests	63	56	130	88
Financial liabilities at fair value through profit or loss	8,493	-	-	-
Trade and other payables (exclude payroll and welfare payables, other tax payables)	12,641,368	-	-	-
	12,650,352	484	1,414	2,227

3.2 Capital risk management

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

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

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

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The gearing ratios at 31 December 2018 and 2017 were as follows:

	31 December 2018	31 December 2017
Total borrowings	4,044	4,279
Total equity	10,384,498	12,572,402
Total capital	10,388,542	12,576,681
Gearing ratio	0.04%	0.03%

3.3 Fair value estimation

(1) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. The Group has classified its financial instruments into the three levels prescribed under the accounting standards:

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivatives				
Foreign exchange forwards	-	979	-	**979**
Financial assets at FVOCI				
Notes receivables	-	-	6,246	**6,246**
Total financial assets	**-**	**979**	**6,246**	**7,225**

As at 31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Financial liabilities at FVPL				
Foreign exchange forwards	-	8,493	-	**8,493**
Total financial liabilities	**-**	**8,493**	**-**	**8,493**

See Note 2.2 for reclassification following the adoption of IFRS 9 Financial Instruments.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(2) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- for foreign currency forwards - present value of future cash flows based on forward exchange rates at the balance sheet date
- for other financial instruments - discounted cash flow analysis.

(3) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2018 and 31 December 2017:

	Financial assets at FVPL- monetary fund	Financial assets at FVOCI- notes receivables	Total
Opening balance 1 January 2017	-	—	-
Acquisitions	-	—	-
Disposals	-	—	-
Closing balance 31 December 2017	**-**	—	**-**
Opening balance 1 January 2018	-	-	**-**
Acquisitions	10,353,000	102,802	10,455,802
Disposals	(10,353,000)	(96,556)	(10,449,556)
Closing balance 31 December 2018	**-**	**6,246**	**6,246**

See Note 2.2 for reclassification following the adoption of IFRS 9 Financial Instruments.

There is no unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period. The gains or losses arising from the holding of the financial assets measured at fair value during the financial period are recognised in other income/(expense)-net.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates

(1) Measurement of expected credit losses

The Group calculates expected credit losses according to the default risk exposure and expected credit loss rate, and determines the expected credit loss rate based on default probability and default loss rate. In determining the expected credit loss rate, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Group include the risk of economic downturn, the expected increase in unemployment rate, the external market environment, the technological environment and changes in customer conditions. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses. In 2018, there was no significant change in the above estimation techniques and key assumptions.

(2) Impairment of long term assets

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

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

The Group determines the fair value less costs of disposal based on discounted future cash flow forecasts. The Group use the medium and long-term budgets of the business development plan approved by the management as a starting point when applying the present value technique, adjusting for market conditions.

Key judgements are made on revenue growth rate, sales price growth rate, discount rate and long term growth rate when estimate the discounted future cash flow forecasts. The Group uses relevant accessible information, including the production and sales volumn, relevant market information which are based on the reasonable and supportable assumptions, to estimate the recoverable amount of those long term assets.

(3) Taxation

The Group is subject to various taxes in the PRC, including corporate income tax, value added tax and consumption tax. Significant judgment is required in determining the provision for these taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts that were initial recorded, such differences will impact the tax provisions in the period of final tax outcome.

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

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates (continued)

(3) Taxation (continued)

As at 31 December 2018, the Group recorded deferred tax assets of approximately RMB743,096,000. To the extent that it is probable that taxable profit will be available against which the deductible temporary differences will be utilised, deferred tax assets are recognised mainly for temporary differences arising from accrued expenses and retirement benefit obligations.

(4) Provisions

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

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

(5) Write-down of inventory

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

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

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

4.2 Critical accounting judgements

(1) 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 of the financial assets performance and reporting the financial assets 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.

4 Critical accounting estimates and judgements (continued)

4.2 Critical accounting judgements (continued)

(1) Classification of financial assets (continued)

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 include time value of money, credit risks, other basic lending risks and considerations for costs and profits; whether the repayment in advance reflects the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(2) 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.

(3) Capitalisation of development costs

Development costs are capitalised when the criteria in Note 2.10(2) are fulfilled. The assessments on whether the criteria for capitalisation of development have been met involves the 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 costs and recorded the process in meeting minutes based on feasibility analysis and regular review on the development project phase etc.

(4) Timing of revenue recognition

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

(All amounts in thousands of RMB unless otherwise stated)

4 Critical accounting estimates and judgements (continued)

4.2 Critical accounting judgements (continued)

(5) Sales with product warranties

The Group provides statutory warranty for automobiles and automobile parts, and the period 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 for this purpose, thus this kind of warranty does not identified as a separate performance obligation. In addition, the Group also offers additional warranty other than the requirements of laws and regulations, which identified as a separate performance obligation. The Group recognises the revenue of the additional warranty over time during the period when services are rendered.

5 Revenue and segment information

The Group principally derives its turnover from the manufacture, assembly and sale of automobiles, related spare parts and components, and sales are made principally in the PRC. Revenue represents the total invoiced value of goods supplied to customers, net of value-added tax, returns and allowances.

Management has determined the operating segment based on the reports reviewed by the strategic executive committee that are used to make strategic decisions. The committee considers the business from the product perspective as all the Group's sales are made in the PRC. Since the Group principally derives its turnover from the sale of automobiles, the committee considers the automobile business as a whole in allocating resources and assessing performance. Accordingly, no segment information is presented.

The revenue by product of the whole business as follows:

	2018				
	Automobiles	Automobile parts	Maintenance services	Materials and others	Total
Main business income	25,178,860	2,696,240	71,799	-	27,946,899
-Recognition at a point in time	25,178,860	2,696,240	-	-	27,875,100
-Recognition over time	-	-	71,799	-	71,799
Other business income	-	-	-	302,441	302,441
	25,178,860	2,696,240	71,799	302,441	28,249,340

	2017				
	Automobiles	Automobile parts	Maintenance services	Materials and others	Total
Main business income	28,390,846	2,605,497	18,720	-	31,015,063
-Recognition at a point in time	28,390,846	2,605,497	-	-	30,996,343
-Recognition over time	-	-	18,720	-	18,720
Other business income	-	-	-	330,684	330,684
	28,390,846	2,605,497	18,720	330,684	31,345,747

As at 31 December 2018, the expected revenue of unsatisfied performance obligations from signed contract is RMB92,838,000. The Group will recognise the revenue from 2019 to 2021.

(All amounts in thousands of RMB unless otherwise stated)

5 Revenue and segment information (continued)

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 December 2018	1 January 2018
Contract liabilities		
Automobiles and automobile parts	212,246	110,470
Maintenance services and additional warranty	92,838	57,592
Total contract liabilities	305,084	168,062
Less: non-current liabilities	(38,382)	(32,134)
Total current contract liabilities	266,702	135,928

See Note 2.2 for reclassification following the adoption of IFRS 15 Revenue from Contracts with Customers.

As of 1 January 2018, the balance of the Group's contract liabilities was RMB168,062,000, of which RMB110,470,000 from automobiles and automobile parts, and RMB25,458,000 from maintenance services have been recognised in revenue in 2018.

6 Expenses by nature

	2018	2017
Changes in inventories of finished goods and work in progress	(197,140)	(139,613)
Raw materials and consumables used	21,532,654	22,638,768
Employee benefit expense (Note 7)	2,233,351	2,087,061
Depreciation of PPE (Note 12, 29)	925,888	845,100
Repairs and maintenance expenditure on PPE	160,692	186,019
Transportation expenses	656,297	558,395
Amortisation of lease prepayment (Note 13, 29)	15,574	15,574
Amortisation of intangible assets (Note 14, 29)	55,737	40,575
Provision of statutory warranty (Note 26)	291,471	313,289
Design fees	469,174	803,892
Sales promotion expenses	326,215	1,076,493
Advertising and new product planning expenses	194,932	309,267
Net impairment losses on financial assets	—	5,301
Provision for inventories write-down	53,651	34,655
Others	1,407,343	1,709,693
Total cost of sales, distribution expenses and administrative expenses	28,125,839	30,484,469

(All amounts in thousands of RMB unless otherwise stated)

7 Employee benefit expense

	2018	2017
Wages and salaries	1,577,058	1,463,528
Social security costs	225,163	204,839
Pension costs – defined contribution plans	267,737	251,727
Pension costs – defined benefit plans (Note 25)	9,200	4,251
Others	154,193	162,716
	2,233,351	2,087,061

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

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

8 Other income

	2018	2017
Government grants (a)	398,427	640,577
Net fair value gains/(losses) on derivative financial instruments	9,472	(17,032)
Net loss on disposal of derivative financial instruments	(7,200)	(58)
Others	25,979	8,549
	426,678	632,036

(a) In 2018, the Group received grants of approximately RMB398,427,000, mainly from Finance Bureau of Nanchang, Finance Bureau of Nanchang Qingyunpu District, Economic Development District Administrative Commission of Xiaolan and the Finance Bureau of Economic, Transformation and Comprehensive Reform Demonstration Zone Administrative Commission of Shanxi. Those grants were income related government grants to support the Group's operation.

9 Finance income and expenses

	2018	2017
(a) Finance income		
Interest income on bank deposits	169,036	230,693
Interest income on credit sales	19,400	13,607
	188,436	244,300
(b) Finance expenses		
Interest expense on bank loans	(217)	(225)
Bank charges and others	(5,632)	(4,854)
	(5,849)	(5,079)
Net finance income	182,587	239,221

(All amounts in thousands of RMB unless otherwise stated)

10 Taxation

(i) Corporate income tax ("CIT")

As the Company is qualified as a high-tech enterprise and approved by the relevant tax authorities in 2018, the Company is entitled to a preferential CIT rate of 15% from 2018 to 2020 (2017: 15%). The CIT rates of JMCH, Jiangling Motor Sales Co., Ltd. ("JMCS"), Shenzhen Fujiang New Energy Automobile Sales Co., Ltd. ("SZFJ"), Guangzhou Fujiang New Energy Automobile Sales Co., Ltd. ("GZFJ") and Xiamen Fujiang New Energy Automobile Sales Co., Ltd. ("XMFJ"), the subsidiaries of the Company, are 25%.

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

	2018	**2017**
Current tax	213	206,893
Deferred tax (Note 17)	(52,407)	(136,008)
	(52,194)	70,885

The difference between the actual income tax charge in profit or loss and the amounts which result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2018	**2017**
Profit before tax	39,639	761,823
Tax calculated at tax rates applicable to profits in the respective companies	(29,654)	96,654
Tax concessions	(69)	(28)
Expenses not deductible for tax purposes	561	726
R&D costs deduction	(151,581)	(79,044)
Income not subject to tax	(336)	(1,223)
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	32,929	(2,714)
Temporary differences for which no deferred income tax asset was recognised	29,948	18,615
Tax losses for which no deferred income tax asset was recognised	66,008	37,899
Tax charge	(52,194)	70,885

The tax credit relating to other comprehensive income is as follows:

	2018			**2017**		
	Before tax	Tax credit	After tax	Before tax	Tax credit	After tax
Actuarial loss on retirement benefit obligations	(4,590)	1,148	(3,442)	(1,616)	404	(1,212)
Other comprehensive income	**(4,590)**	**1,148**	**(3,442)**	**(1,616)**	**404**	**(1,212)**
Current tax		-			-	
Deferred tax (Note 17)		1,148			404	

(All amounts in thousands of RMB unless otherwise stated)

10 Taxation (continued)

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

Pursuant to the "Notice on the adjustment of VAT rate from the Ministry of Finance and the State Administration of Taxation" (Cai Shui [2018] 32) jointly issued by the Ministry of Finance and the State Administration of Taxation, the Group's taxable products sales income applicable VAT rate is 16% from 1 May 2018, while the VAT rate was 17% before then. The VAT rate applicable to the Group's transportation business is 10% from 1 May 2018, while the VAT rate was 11% before then.

(iii) Consumption Tax ("CT")

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

11 Earnings per share

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

	2018	**2017**
Profit attributable to shareholders of the Company	91,833	690,938
Weighted average number of ordinary shares in issue ('000)	863,214	863,214
Basic earnings per share (RMB)	0.11	0.80

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2018.

(All amounts in thousands of RMB unless otherwise stated)

12 Property, plant and equipment

	Buildings	Plant and Machinery	Motor Automobiles	Moulds	Electronic and other equipment	Assets under constructions	Total
At 1 January 2017							
Cost	1,865,850	3,526,187	262,667	2,206,895	2,862,436	1,100,860	11,824,895
Accumulated depreciation and impairment	(373,449)	(1,787,948)	(123,898)	(1,399,618)	(1,450,760)	(692)	(5,136,365)
Net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
Year ended 31 December 2017							
Opening net book amount	1,492,401	1,738,239	138,769	807,277	1,411,676	1,100,168	6,688,530
Additions	-	-	-	-	-	921,700	921,700
Transfers	230,556	517,758	33,133	220,145	320,019	(1,321,611)	-
Disposals	(370)	(351)	(4,562)	-	(617)	-	(5,900)
Classified as held for sale	(5,777)	-	-	-	-	-	(5,777)
Other deductions	-	(4,817)	-	-	(433)	(22,265)	(27,515)
Impairment charge (Note 29)	-	(8,061)	(352)	-	(3,021)	(416)	(11,850)
Depreciation charge (Note 6, 29)	(47,385)	(223,833)	(30,926)	(224,991)	(317,965)	-	(845,100)
Closing net book amount	1,669,425	2,018,935	136,062	802,431	1,409,659	677,576	6,714,088
At 31 December 2017							
Cost	2,084,217	3,954,028	280,071	2,411,080	3,137,100	678,684	12,545,180
Accumulated depreciation and impairment	(414,792)	(1,935,093)	(144,009)	(1,608,649)	(1,727,441)	(1,108)	(5,831,092)
Net book amount	1,669,425	2,018,935	136,062	802,431	1,409,659	677,576	6,714,088
Year ended 31 December 2018							
Opening net book amount	1,669,425	2,018,935	136,062	802,431	1,409,659	677,576	6,714,088
Additions	-	-	-	-	-	1,214,241	1,214,241
Transfers	101,202	97,601	21,936	176,549	199,671	(596,959)	-
Disposals	(56)	(1,164)	(1,188)	(5,986)	(688)	(7)	(9,089)
Reclassification	2,965	(143,415)	29,462	3,871	107,117	-	-
Other deductions	-	(10,119)	-	-	(2,647)	(32,151)	(44,917)
Impairment charge (Note 29)	-	(2,832)	(478)	-	(3,478)	(355)	(7,143)
Depreciation charge (Note 6, 29)	(51,781)	(246,570)	(37,514)	(252,144)	(337,879)	-	(925,888)
Closing net book amount	1,721,755	1,712,436	148,280	724,721	1,371,755	1,262,345	6,941,292
At 31 December 2018							
Cost	2,188,306	3,837,053	326,799	2,556,744	3,376,670	1,263,392	13,548,964
Accumulated depreciation and impairment	(466,551)	(2,124,617)	(178,519)	(1,832,023)	(2,004,915)	(1,047)	(6,607,672)
Net book amount	1,721,755	1,712,436	148,280	724,721	1,371,755	1,262,345	6,941,292

(All amounts in thousands of RMB unless otherwise stated)

12 Property, plant and equipment (continued)

For the year ended 31 December 2018, depreciation expense of approximately RMB761,189,000 (2017: RMB738,069,000) has been charged in cost of sales, RMB3,099,000 (2017: RMB2,841,000) in distribution costs and RMB161,600,000 (2017: RMB104,190,000) in administrative expenses.

(i) Temporarily idle property, plant and equipment

As at 31 December 2018, property, plant and equipment with book value of approximately RMB 2,497,000 (cost of RMB56,727,000) (31 December 2017: book value of approximately RMB 1,878,000 and cost of RMB53,297,000) were temporarily idle due to product process adjustment and other reasons.The specific analysis is as follows:

	Cost	Accumulated depreciation	Impairment	Net book amount
Plant and Machinery	28,138	(16,597)	(10,609)	932
Motor Automobiles	3,826	(2,391)	(470)	965
Electronic and other equipment	24,763	(21,988)	(2,175)	600
	56,727	(40,976)	(13,254)	2,497

(ii) Property, plant and equipment not yet obtained proper certificate

	Net book amount	Reasons for not completing proper certificate
Buildings	892,127,119	Procedure not yet completed

13 Lease prepayment

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

	31 December 2018	**31 December 2017**
Opening net book amount	616,834	632,408
Additions	-	-
Amortisation charge (Note 6, 29)	(15,574)	(15,574)
Closing net book amount	601,260	616,834
Cost	751,626	751,626
Accumulated amortisation	(150,366)	(134,792)
Net book amount	601,260	616,834

Amortisation expense was charged in administrative expenses.

(All amounts in thousands of RMB unless otherwise stated)

14 Intangible assets

	Non-patent technology	Software	Goodwill	After-sale management model	Other	Total
Year ended 31 December 2017						
Opening net book amount	115,893	38,797	3,462	-	8	158,160
Addition	58,010	22,265	-	-	-	80,275
Amortisation charge (Note 6, 29)	(27,347)	(13,220)	-	-	(8)	(40,575)
Closing net book amount	**146,556**	**47,842**	**3,462**	**-**	**-**	**197,860**
At 31 December 2017						
Cost	182,597	120,282	89,028	36,978	1,649	430,534
Accumulated amortisation and impairment	(36,041)	(72,440)	(85,566)	(36,978)	(1,649)	(232,674)
Net book amount	**146,556**	**47,842**	**3,462**	**-**	**-**	**197,860**
Year ended 31 December 2018						
Opening net book amount	146,556	47,842	3,462	-	-	197,860
Addition	71,814	32,152	-	-	-	103,966
Disposals	-	(63)	-	-	-	(63)
Amortisation charge (Note 6, 29)	(38,952)	(16,785)	-	-	-	(55,737)
Closing net book amount	**179,418**	**63,146**	**3,462**	**-**	**-**	**246,026**
At 31 December 2018						
Cost	254,412	152,014	89,028	36,978	1,649	534,081
Accumulated amortisation and impairment	(74,994)	(88,868)	(85,566)	(36,978)	(1,649)	(288,055)
Net book amount	**179,418**	**63,146**	**3,462**	**-**	**-**	**246,026**

(All amounts in thousands of RMB unless otherwise stated)

14 Intangible assets (continued)

(i) For the year ended 31 December 2018, amortisation expense of approximately RMB54,860,000 (2017: RMB39,614,000) was charged in administrative expenses, RMB537,000 (2017: RMB621,000) in cost of sales and RMB340,000 (2017: RMB340,000) in distribution costs.

(ii) Development cost of approximately RMB71,814,000 (2017: RMB58,010,000) were capitalised by the Group during the year ended 31 December 2018.

(iii) Impairment test for goodwill

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

	31 December 2017	Addition	Impairment	31 December 2018
JMCH	3,462	-	-	3,462

The recoverable amount of the CGU is determined based on fair value less costs of disposal. These calculations use after-tax cash flow projections based on financial budgets approved by management covering a seven-year period according to the medium and long-term budgets for the business development plan approved by the management. Adjustments for market conditions are also considered for the forecast. Cash flows beyond the seven-year period are extrapolated using the estimated long term growth rate stated below. The long term growth rate does not exceed the average growth rate for the heavy duty automobile business in which the CGU operates.

The key assumptions used for calculations in 2018 are as follows:

Item	JMCH
Revenue growth rate	84%
Sales price growth rate	0%
Long term growth rate	3%
Discount rate	19.10%

The key assumptions used for calculations in 2017 were as follows:

Item	JMCH
Revenue growth rate	135%
Sales price growth rate	1%
Long term growth rate	3%
Discount rate	19.40%

The key assumptions used and forecast period are consistent with the heavy duty automobile industry.

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

(All amounts in thousands of RMB unless otherwise stated)

14 Intangible assets (continued)

(iii) Impairment test for goodwill (continued)

In the opinion of management, the recoverable amount of the CGU will not be lower than the carrying amount even if taking into account a reasonably possible change in the key assumptions on the calculation of recoverable amount of the CGU.

The fair value measurement is categorised in level 3 of the fair value hierarchy.

15 Financial instruments by category

The Group holds the following financial instruments:

Financial assets	**Notes**	**31 December 2018**	**31 December 2017**
Financial assets at amortised cost			
Trade receivables	19	2,674,650	2,307,119
Notes receivables	19	626,509	654,335
Other receivables	19	84,588	130,959
Interest receivables	19	37,923	79,217
Cash and cash equivalents	20	7,616,880	11,137,723
Financial assets at fair value through other comprehensive income			
Notes receivables		6,246	—
Financial assets at fair value through profit or loss			
Derivative financial instruments		979	-
		11,047,775	14,309,353

Financial liabilities	**Notes**	**31 December 2018**	**31 December 2017**
Liabilities at amortised cost			
Trade and other payables(exclude payroll and welfare payables, other tax payables)	27	11,658,259	12,641,368
Borrowings	24	4,044	4,279
Financial liabilities at fair value through profit or loss		-	8,493
		11,662,303	12,654,140

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(All amounts in thousands of RMB unless otherwise stated)

16a Subsidiaries

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

Entity	Place and date of incorporation	Percentage of equity interest held	Principal activities
JMCH	Taiyuan, PRC /8 January 2013	100%	Manufacture and sale of automobiles and spare parts
JMCS	Nanchang, PRC /11 October 2013	100%	Sale of automobiles and spare parts
SZFJ	Shenzhen, PRC /3 May 2018	100%	Sale of automobiles and spare parts
GZFJ	Guangzhou, PRC /15 June 2018	100%	Sale of automobiles and spare parts
XMFJ	Xiamen, PRC /20 June 2018	100%	Sale of automobiles and spare parts

In 2018, the Company invested RMB10,000,000 respectively to set up subsidiaries, including SZFJ, GZFJ and XMFJ.

16b Investments accounted for using the equity method

(i) Summarised financial information for immaterial associate

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

	31 December 2018	31 December 2017
Associate	40,112	37,874

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

	2018	2017
Share of profit	2,238	8,149

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

(ii) Reconciliation of summarised financial information of the associate

	2018	2017
At beginning of the year	**197,774**	**208,317**
Profit for the year	11,686	42,555
Dividends distributed	-	(53,098)
At end of the year	**209,460**	**197,774**
Interest in associate	19.15%	19.15%
Carrying value	40,112	37,874

(All amounts in thousands of RMB unless otherwise stated)

17 Deferred income tax

	31 December 2018	31 December 2017
Deferred tax assets	926,630	757,877
Deferred tax liabilities-can be offset	(183,534)	(67,624)
Deferred tax liabilities-cannot be offset	(26,024)	(26,736)
Deferred tax assets-net	743,096	690,253
Deferred tax liabilities-net	(26,024)	(26,736)

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

	31 December 2018	31 December 2017
At beginning of the year	663,517	527,105
Credited to profit or loss (Note 10(i))	52,407	136,008
Credited to other comprehensive income (Note 10(i))	1,148	404
At end of the year	717,072	663,517

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

Deferred tax assets	Provision for impairment of assets	Retirement benefits obligation	Accrued expenses and provision for statutory warranty	Amortization of non-patented technology	Tax losses	Others	Total
At 1 January 2017	7,586	14,094	567,486	1,087	-	646	590,899
Credited/(charged) to profit or loss	4,563	(955)	155,901	3,418	-	3,647	166,574
Credited to other comprehensive income	-	404	-	-	-	-	404
At 31 December 2017	12,149	13,543	723,387	4,505	-	4,293	757,877
Credited/(charged) to profit or loss	4,549	1,405	(18,816)	4,869	178,791	(3,193)	167,605
Credited to other comprehensive income	-	1,148	-	-	-	-	1,148
At 31 December 2018	16,698	16,096	704,571	9,374	178,791	1,100	926,630

Deferred tax liabilities	Amortisation of intangible assets	PPE depreciation	Fair value gains	Forwards exchange contracts	Total
At 1 January 2017	(4,696)	(30,434)	(27,383)	(1,281)	(63,794)
Credited/(charged) to profit or loss	1,151	(33,645)	647	1,281	(30,566)
At 31 December 2017	(3,545)	(64,079)	(26,736)	-	(94,360)
(Charged)/credited to profit or loss	(841)	(114,922)	712	(147)	(115,198)
At 31 December 2018	(4,386)	(179,001)	(26,024)	(147)	(209,558)

(All amounts in thousands of RMB unless otherwise stated)

17 Deferred income tax (continued)

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

	31 December 2018	31 December 2017
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	203,802	17,453
– Deferred tax asset to be recovered within 12 months	722,828	740,424
	926,630	757,877

	31 December 2018	31 December 2017
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(182,373)	(90,097)
– Deferred tax liabilities to be recovered within 12 months	(27,185)	(4,263)
	(209,558)	(94,360)

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

	31 December 2018	31 December 2017
Deductible temporary differences	234,433	114,642
Tax losses	639,805	376,658
	874,238	491,300

The expiry years of the tax losses are as follows:

	31 December 2018	31 December 2017
2019	36,772	36,772
2020	72,470	72,470
2021	115,820	115,820
2022	150,713	151,596
2023	264,030	-
	639,805	376,658

(All amounts in thousands of RMB unless otherwise stated)

18 Inventories

	31 December 2018	31 December 2017
Raw materials	1,553,135	1,566,589
Work in progress	211,490	208,981
Finished goods	757,729	563,734
	2,522,354	2,339,304

For the year ended 31 December 2018, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB21,121,474,000 (2017: RMB22,318,293,000).

Movement on the provision for inventories write-down is as follows:

	31 December 2018	31 December 2017
At beginning of the year	(45,130)	(26,491)
Provision for inventories write-down (Note 29)	(53,651)	(34,655)
Inventories written off during the year as uncollectible	21,966	16,016
At end of the year	(76,815)	(45,130)

19 Trade and other receivables and prepayments

	31 December 2018	31 December 2017
Trade receivables	2,696,928	2,328,135
Less: Provision for impairment of trade receivables	(22,278)	(21,016)
Trade receivables – net	2,674,650	2,307,119
Notes receivables	626,509	654,335
Other receivables	85,031	131,617
Less: Provision for impairment of other receivables	(443)	(658)
Other receivables – net	84,588	130,959
Prepayments	1,158,303	1,238,878
-Material payment in advance	525,777	571,001
-Advance payment of taxes and surcharges	632,048	656,366
-Others	478	11,511
Deductable VAT input tax	96,311	145,426
Interest receivables	37,923	79,217
	4,678,284	4,555,934

Refer to Note 32 for details of receivables from related parties.

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

(All amounts in thousands of RMB unless otherwise stated)

19 Trade and other receivables and prepayments (continued)

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

	31 December 2018	31 December 2017
At beginning of the year	(21,674)	(16,373)
Provision for receivables impairment (Note 29)	(1,089)	(5,301)
Receivables written off during the year as uncollectible	42	-
At end of the year	(22,721)	(21,674)

For the year ended 31 December 2018, the creation of provision for impaired receivables was included in ‘Net expected credit losses on financial assets’ (2017: ‘administrative expense’) in profit or loss.

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

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

20 Cash and cash equivalents

	31 December 2018	31 December 2017
Cash at bank and in hand	2,016,859	2,046,999
Short-term bank deposits (a)	5,600,021	9,090,724
	7,616,880	11,137,723

As at 31 December 2018 and 31 December 2017, all bank deposits are in RMB.

As at 31 December 2018, the Group had cash of approximately RMB833,617,000 (2017: RMB1,120,806,000) deposited in Jiangling Motor Group Finance Company (“JMCF”) (Note 32 (ix)). The interest rates range from 0.455%-2.25% per annum (2017: 1.495%-2.25%). JMCF, a non-bank financial institution, is a subsidiary of JMCG.

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

(All amounts in thousands of RMB unless otherwise stated)

21 Assets classified as held for sale

	31 December 2018	31 December 2017
Lease prepayment and buildings of Transit plant	-	93,413

As at 26 March 2015, under the authorization from the board of directors, the Company signed an agreement of "state-owned land reserves" with Nanchang City Land Reserve Centre (the "agreement"). According to the agreement, the Company sold its land use right and buildings of Transit plant, with a consideration of RMB135,000,000 to Nanchang City Land Reserve Centre.

The transfer of the asset was completed in 2018, and the Group recognised the disposal profit of RMB33,840,000 in 'other income'.

22 Share capital

	Number of shares (thousands)	Tradable shares			Total
		"A" shares		"B" shares	
		Restricted	Non-restricted		
Year ended 31 December 2017					
Balance at 1 January 2017	863,214	1,726	517,488	344,000	863,214
Transfer	-	(819)	819	-	-
Balance at 31 December 2017	863,214	907	518,307	344,000	863,214
Year ended 31 December 2018					
Balance at 1 January 2018	863,214	907	518,307	344,000	863,214
Transfer	-	(120)	120	-	-
Balance at 31 December 2018	863,214	787	518,427	344,000	863,214

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

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

After the implementation of the share reform scheme on 13 February 2006, 787,000 shares were still restricted as at 31 December 2018.

(All amounts in thousands of RMB unless otherwise stated)

23 Other reserves

	Statutory surplus reserve fund (a)	Reserve fund	Others	Total
At 1 January 2017	431,607	18,627	1,892	452,126
Other comprehensive income				
-Remeasurements of retirement benefit obligation, net of tax	-	-	(1,212)	(1,212)
At 31 December 2017	431,607	18,627	680	450,914
Other comprehensive income				
-Remeasurements of retirement benefit obligation, net of tax	-	-	(3,442)	(3,442)
At 31 December 2018	431,607	18,627	(2,762)	447,472

(a) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the Company, it is required to appropriate 10% of its annual net profit, after offsetting any prior years' losses as determined under the Accounting Standards for Business Enterprises in the PRC, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the Company's share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them. The fund is non-distributable except for liquidation.

As the balance of the statutory surplus reserve fund has reached 50% of the Company's share capital, no further appropriations to the statutory surplus reserve fund were provided for the years ended 31 December 2017 and 2018.

24 Borrowings

	31 December 2018	31 December 2017
Current		
Bank borrowings - guaranteed (a)	449	428
Non-current		
Bank borrowings - guaranteed (a)	3,595	3,851
Total borrowings	4,044	4,279

(a) Bank borrowings of USD589,000 (equivalent to approximately RMB4,044,000) (2017: USD655,000 equivalent to approximately RMB4,279,000) were guaranteed by JMCF (Note 32 (iii)).

The interest rate of bank borrowings is 1.50% per annum (2017: 1.50%).

The fair value of borrowings approximates their carrying values.

(All amounts in thousands of RMB unless otherwise stated)

24 Borrowings (continued)

The maturity of non-current borrowings is as follows:

	31 December 2018	31 December 2017
Between 1 and 2 years	449	428
Between 2 and 5 years	1,348	1,284
Over 5 years	1,798	2,139
	3,595	3,851

The Group has the following undrawn borrowing facilities:

	31 December 2018	31 December 2017
Fixed rate		
- Expiring within one year	2,270,784	2,113,140

25 Retirement benefits obligations

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

	31 December 2018	31 December 2017
Present value of defined benefits obligations	68,020	59,184

The movement of early retirement and supplemental benefit obligations for the year ended 31 December 2018 is as follows:

	31 December2018	31 December2017
At beginning of the year	59,184	58,188
For the year		
-Current service cost	1,315	1,804
-Interest cost	2,410	1,951
-Payment	(4,954)	(4,871)
-Past service cost from the change of plan	2,386	670
-Actuarial loss	7,679	1,442
At end of the year	68,020	59,184
Current	4,595	4,420
Non-current	63,425	54,764
	68,020	59,184

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

(i) Discount rate adopted: 3.5% (2017: 4.25%)
(ii) Inflation rate adopted: 2.0% (2017: 2.0%)
(iii) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post: 0% to 6% (2017: 0% to 6%)

(All amounts in thousands of RMB unless otherwise stated)

25 Retirement benefits obligations (continued)

Based on the assessment and IAS 19, the Group estimated that, at 31 December 2018, a provision of RMB68,020,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB68,020,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB4,595,000 (2017: RMB4,420,000) has been included under current liabilities.

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

	Change in assumption	Impact on overall liability
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 5.7%/6.4%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.4%/2.1%

For the year ended 31 December 2018, approximately RMB9,200,000 (2017: RMB4,251,000) were charged in ‘administrative expenses’ and RMB4,590,000 (2017: RMB1,616,000) were charged in other comprehensive income.

26 Provisions for statutory warranty

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

	31 December 2018	31 December 2017
At beginning of the year	374,981	284,627
Charged for the year (Note 6)	291,471	313,289
Utilised during the year	(313,898)	(222,935)
At end of the year	352,554	374,981

Analysis of total provisions:

	31 December 2018	31 December 2017
Non-current	151,492	184,688
Current	201,062	190,293
	352,554	374,981

The above represents the statutory warranty protecting customer from faults that arise after the product has been transferred to the customer. The statutory warranty is estimated based on prior years’ experience on the occurrence of such cost.

(All amounts in thousands of RMB unless otherwise stated)

27 Trade and other payables

	31 December 2018	31 December 2017
Trade payables	7,824,908	8,603,320
Payroll and welfare payables	304,322	273,666
Dividend payables	6,790	4,969
Other tax payables	233,385	139,442
Payables of sales rebates	1,714,485	1,767,366
Payables of R&D expenses	828,807	988,950
Others	1,283,269	1,444,827
	12,195,966	13,222,540

Refer to Note 32 for details of amount due to related parties.

28 Dividends

A special interim dividend for 2018 of RMB2,000,067,000 (RMB2.317 per share) was paid in 2018.

A final dividend for 2017 of RMB276,228,000 (RMB0.32 per share) was paid in 2018.

29 Cash generated from operations

	2018	2017
Profit before tax	39,639	761,823
Depreciation of PPE (Note 6, 12)	925,888	845,100
Amortisation of lease prepayment (Note 6, 13)	15,574	15,574
Amortisation of intangible assets (Note 6, 14)	55,737	40,575
Impairment charges of PPE (Note 12)	7,143	11,850
Provision for receivables impairment (Note 19)	1,089	5,301
Provision of inventories (Note 18)	53,651	34,655
(Gain)/loss on disposals of PPE	(26,953)	976
Finance expenses (Note 9)	5,111	4,386
Finance income (Note 9)	(188,436)	(244,300)
Net foreign exchange transaction loss/(gain)	18,921	(4,423)
Share of profit from investment accounted for using equity method (Note 16b)	(2,238)	(8,149)
Investment gain of finance asset investment	(18,191)	-
Investment loss of forwards exchange contracts	7,200	58
Changes on fair value of forwards exchange contracts	(9,472)	17,032
Provisions for statutory warranty	(22,427)	90,354
Changes in working capital:		
- Increase in inventories	(289,820)	(488,115)
- Increase in trade and other receivables	(233,475)	(1,804,557)
- (Decrease)/increase in trade and other payables	(347,367)	1,619,201
- Increase/(decrease) in pensions and other retirement benefits	4,246	(620)
Cash generated from operations	(4,180)	896,721

(All amounts in thousands of RMB unless otherwise stated)

29 Cash generated from operations (continued)

In the cash flow statement, proceeds from disposal of PPE, lease prepayment and intangible assets comprise:

	Year ended 31 December	
	2018	2017
Net book amount	102,565	5,900
Gain/(loss) on disposal of PPE, lease prepayment and intangible assets	26,953	(976)
(Decrease)/increase in trade and other payables	(126,745)	94,802
Proceeds from disposal of PPE, lease prepayment and intangible assets	2,773	99,726

30 Contingencies

At 31 December 2018, the Group did not have any significant contingent liabilities.

31 Commitments

Capital commitments

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

	31 December 2018	31 December 2017
Contracted but not provided for:		
Purchases of buildings, plant and machinery	1,095,333	477,482

32 Related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Jiangling Motor Holdings Co. Ltd. ("JMH"), which owns 41.03% of the Company's shares, and Ford Motor Company ("Ford"), which owns 32% of the Company's shares, are major shareholders of the Company as at 31 December 2018. The shareholders of JMH are Chongqing Changan Automobile Corporation Ltd. and JMCG, and both of them hold 50% equity interest of JMH, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCG and its subsidiaries, JMH and its subsidiaries and joint venture, Ford and its subsidiaries and joint venture in the ordinary course of business during the year ended 31 December 2018.

32 Related party transactions (continued)

For the year ended 31 December 2018, related parties, other than the subsidiary, and their relationship with the Group are as follows:

Name of related party	Relationship
JMCG	Shareholder of JMH
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Associate of JMCG
GETRAG (Jiangxi) Transmission Company	Associate of JMCG
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Associate of JMCG
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd	Associate of JMCG
Nanchang JMCG Skyman Auto Component Co., Ltd.	Associate of JMCG
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Associate of JMCG
Nanchang Hengou Industry Co. ,Ltd.	Associate of JMCG
Jiangxi Jiangling Motors Imp. & Exp. Co.,Ltd.	Associate of JMCG
Jiangxi JMCG Motorhome Co.,Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Associate of JMCG
Changan Ford Automobile Co.,Ltd.	Joint venture of Ford
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	Joint venture of JMCG
Jiangxi Jiangling Lear Interior System Co., Ltd.	Joint venture of JMCG
Nanchang Unistar Electric & Electronics Co., Ltd.	Joint venture of JMCG
Nanchang Yinlun Heat-exchanger Co., Ltd.	Joint venture of JMCG
Jiangxi ISUZU Engine Co., Ltd.	Joint venture of JMCG
Jiangxi ISUZU Co., Ltd.	Joint venture of JMCG
Ford Otomotiv Sanayi A.S.	Subsidiary of Ford
Auto Alliance (Thailand) Co., Ltd.	Subsidiary of Ford
Ford Global Technologies, LLC	Subsidiary of Ford
Ford Motor (China) Co., Ltd.	Subsidiary of Ford
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Subsidiary of Ford
Ford Vietnam Limited	Subsidiary of Ford
Jiangxi Jiangling Chassis Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Subsidiary of JMCG
Nanchang Lianda Machinery Co., Ltd.	Subsidiary of JMCG
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	Subsidiary of JMCG
Jiangling Material Co.,Ltd.	Subsidiary of JMCG
Jiangling Aowei Automobile Spare Part Co.,Ltd.	Subsidiary of JMCG
Nanchang JMCG Xinchen Auto Component Co.,Ltd.	Subsidiary of JMCG
Jiangxi JMCG Industry Co.,Ltd.	Subsidiary of JMCG
Nanchang Gear Co., Ltd.	Subsidiary of JMCG
NC.Gear Forging Factory	Subsidiary of JMCG
Nanchang JMCG Shishun Logistics Co., Ltd.	Subsidiary of JMCG
Jiangxi Biaohong Engine Tappet Co., Ltd.	Subsidiary of JMCG
Jiangxi Lingrui Recycling Resources Development Corporation	Subsidiary of JMCG
Jiangxi JMCG Shangrao Industrial Co., Ltd.	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
JMCG Property Management Co.	Subsidiary of JMCG
JMCG Jingma Motors Co., Ltd.	Subsidiary of JMCG
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	Subsidiary of JMCG
Jiang ling Motor Electricity Vehicle Sales Co., Ltd	Subsidiary of JMCG
JMCF	Subsidiary of JMCG

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Purchase of goods	2018	2017
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	922,454	943,608
Jiangxi Jiangling Chassis Co., Ltd.	864,932	888,703
GETRAG (Jiangxi) Transmission Company	791,365	813,926
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	782,403	764,437
Ford	623,631	830,603
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	515,419	543,846
Jiangxi Jiangling Lear Interior System Co., Ltd.	454,604	550,290
Nanchang JMCG Liancheng Auto Component Co., Ltd.	418,722	479,447
Nanchang Unistar Electric & Electronics Co., Ltd.	298,128	275,937
Hanon Systems	250,486	252,848
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	195,453	221,553
Jiangxi JMCG Specialty Vehicles Co., Ltd.	192,509	178,147
Ford Otomotiv Sanayi A.S.	128,341	47,775
JMCG (a)	110,093	112,201
Auto Alliance (Thailand) Co., Ltd.	106,035	188,931
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd	91,976	-
Nanchang Lianda Machinery Co., Ltd.	69,827	66,691
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	63,649	64,907
Nanchang Yinlun Heat-exchanger Co., Ltd.	53,976	56,232
Nanchang JMCG Skyman Auto Component Co., Ltd. (d)	50,852	77,718
Jiangxi ISUZU Engine Co., Ltd.	49,911	10,028
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	42,967	12,129
Jiangling Material Co., Ltd.	30,399	29,441
Jiangling Aowei Automobile Spare Part Co., Ltd.	26,464	31,737
Nanchang JMCG Xinchen Auto Component Co., Ltd.	18,297	23,097

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Purchase of goods (continued)	2018	2017
Jiangxi JMCG Industry Co., Ltd.	17,581	5,683
Nanchang Gear Co., Ltd.	15,420	18,758
NC.Gear Forging Factory	13,240	-
JMH (d)	12,484	-
Changan Ford Automobile Co., Ltd.	10,993	191,815
Nanchang JMCG Shishun Logistics Co., Ltd. (b)	10,097	-
Jiangxi Biaohong Engine Tappet Co., Ltd.	6,649	8,329
Jiangxi Lingrui Recycling Resources Development Corporation(c)	4,378	3,956
Jiangxi JMCG Shangrao Industrial Co., Ltd.	4,235	6,567
JMCG Jiangxi Engineering Construction Co., Ltd.	-	2,520
Others	211	6,888
	7,248,181	7,708,748

(a) In January 2019, the Jiangling Motors Corporation Group has been renamed to Jiangling Motors Group Corporation Limited.
(b) In June 2018, the Nanchang JMCG Shishun Logistics LLC has been renamed to Nanchang JMCG Shishun Logistics Co., Ltd.
(c) In March 2018, Jiangxi Jiangling Non-ferrous Metal Die-casting Co., Ltd has been renamed to Jiangxi Lingrui Recycling Resources Development Corporation.
(d) In December 2018, JMH absorbed Nanchang JMCG Skyman Auto Component Co., Ltd.

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

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

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Purchase of services	Natures of transaction	2018	2017
Nanchang JMCG Shishun Logistics Co., Ltd.	Truckage/Transportation	247,762	304,852
Ford Global Technologies, LLC	Royalty fee	186,454	250,088
Ford	Engineering service and design	183,983	286,361
Nanchang Hengou Industry Co., Ltd.	Packing/Truckage	47,407	53,218
Ford Otomotiv Sanayi A.S.	Engineering service and design	42,734	74,245
Ford	Secondments costs	36,965	33,331
Jiangxi JMCG Industry Co., Ltd.	Working meal	35,249	33,451
Ford Otomotiv Sanayi A.S.	Royalty fee	24,868	25,143
JMCG Jiangxi Engineering Construction Co., Ltd.	Engineering construction and maintenance	16,830	64,940
Changan Ford Automobile Co., Ltd.	Service fee/Design fee/Labor costs	16,509	15,091
Ford Otomotiv Sanayi A.S.	Secondments costs	13,396	30,773
Ford Motor (China) Co., Ltd.	Regional personnel costs	9,572	5,763
GETRAG (Jiangxi) Transmission Company	Design fee/Experimental costs	9,546	11,572
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Promotion/Repairment	6,968	972
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Agent business of importation	4,431	4,242
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Regional personnel costs	3,508	2,107
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	Design fee	3,256	5,615
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Promotion/Experimental manufacturing costs	2,304	428
JMCG Property Management Co.	Property management	2,100	2,040

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Purchase of services (continued)	Natures of transaction	2018	2017
Jiangxi JMCG Motorhome Co., Ltd.	Promotion	1,855	154
JMH	Secondments costs/Labor fee	2,054	1,904
Jiangxi Jiangling Lear Interior System Co., Ltd.	Experimental manufacturing costs/ Design fee	704	3,649
Ford Motor (China) Co., Ltd.	Software fee	466	3,327
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Promotion/Repairment	57	2,200
JMH	Royalty fee	-	29,434
Hanon Systems	Experimental manufacturing costs	-	2,263
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Experimental manufacturing costs	-	1,824
Others		1,440	3,480
		900,418	1,252,467

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

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Purchase fuel consumption credits	2018	2017
JMH	20,375	-

Sales of goods	2018	2017
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	1,228,471	1,047,618
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	155,313	-
Jiangxi JMCG Specialty Vehicles Co., Ltd.	102,068	95,331
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	94,214	67,557
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	85,326	22,006
Jiangxi Jiangling Chassis Co., Ltd.	74,362	83,408
Jiangxi Lingrui Recycling Resources Development Corporation	69,005	55,274
JMCG Jingma Motors Co., Ltd.	66,197	79,196
Nanchang JMCG Liancheng Auto Component Co., Ltd.	51,945	62,506
JMH	35,107	148,459
Nanchang Hengou Industry Co., Ltd.	28,878	79,976
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	14,071	18,650
Jiangxi JMCG Yichehang Second-hand Motors Sales Co., Ltd.	9,487	23,259
JMCG Property Management Co.	6,470	7,129
Jiangxi JMCG Industry Co., Ltd.	5,537	7,563
Jiangxi Jiangling Lear Interior System Co., Ltd.	5,516	7,467
Jiang ling Motor Electricity Vehicle Sales Co., Ltd	5,139	-
JMCG Jiangxi Engineering Construction Co., Ltd.	1,974	47
Jiangxi ISUZU Co., Ltd.	1,806	1,896
Nanchang Lianda Machinery Co., Ltd.	1,157	400
Nanchang JMCG Shishun Logistics Co., Ltd.	671	25,408
Others	1,701	950
	2,044,415	1,834,100

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

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

(ii) Rental

Rental cost

Lessor	Category	Rental cost of 2018	Rental cost of 2017
JMCG	Building	4,687	4,140
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Building	4,297	4,400
JMCG Property Management Co.	Building	422	422
		9,406	8,962

Rental income

Lessee	Category	Rental income of 2018	Rental income of 2017
Jiangling Material Co., Ltd.	Building	120	132
GETRAG (Jiangxi) Transmission Company	Building	3	3
JMH	Building	3	55
		126	190

(iii) Guarantee

As at 31 December 2018, bank loans of USD589,000 (equivalent to approximately RMB 4,044,000) (2017:USD655,000, equivalent to approximately RMB4,279,000) were guaranteed by JMCF (Note 24).

(iv) Sales of PPE

	2018	2017
Jiangxi JMCG Industrial Co., Ltd.	1	5

(v) Purchase of PPE

	2018	2017
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	6,424	-
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	5,548	-
Nanchang JMCG Liancheng Auto Component Co., Ltd.	677	-
JMH	534	-
Jiangxi JMCG Specialty Vehicles Co., Ltd.	-	1,000
	13,183	1,000

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

(vi) Provide technique sharing

	2018	2017
Ford Vietnam Limited	10,780	-
JMCG	3,606	-
	14,386	-

(vii) Key management remuneration

Key management includes directors (executive and non-executive), members of the Executive Committee, the Company Secretary and members of the Supervisory Board. During the year ended 31 December 2018, the total remuneration of the key management was approximately RMB11,591,000 (2017: RMB13,598,000).

(viii) Interest received from cash deposit in related parties

	31 December 2018	31 December 2017
JMCF	17,323	20,156

In 2018, the interest rates range from 0.455% to 2.25% per annum (2017: 1.495% to 2.25%).

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

Trade receivables from related parties	31 December 2018	31 December 2017
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	251,236	171,475
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	32,940	-
Jiangxi Jiangling Chassis Co., Ltd.	9,803	-
JMCG Jingma Motors Co., Ltd.	6,162	8,543
Jiang ling Motor Electricity Vehicle Sales Co., Ltd	5,961	-
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	5,726	-
Ford Vietnam Limited	5,104	-
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	1,899	3,765
Nanchang Hengou Industry Co., Ltd.	3	1,508
JMH	-	170,853
Nanchang JMCG Shishun Logistics Co., Ltd.	-	14,731
Nanchang JMCG Liancheng Auto Component Co., Ltd.	-	5,913
Others	356	549
	319,190	377,337

Other receivables from related parties	31 December 2018	31 December 2017
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	35,027	42,356
Ford	-	5,158
GETRAG (Jiangxi) Transmission Company	-	2,770
Others.	11	964
	35,038	51,248

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Prepayments for purchasing of goods	31 December 2018	31 December 2017
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	496,146	457,613
Ford Otomotiv Sanayi A.S.	-	31,069
	496,146	488,682

Notes receivables from related parties	31December2018	31December2017
JMCG Jingma Motors Co., Ltd.	41,418	48,491

Prepayments for construction in progress	31 December 2018	31 December 2017
Jiangxi JMCG Specialty Vehicles Co., Ltd.	500	500
JMCG Jiangxi Engineering Construction Co., Ltd.	-	2,231
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	-	572
	500	3,303

Prepayments for mould lease	31 December 2018	31 December 2017
Changan Ford Automobile Co., Ltd.	478	11,990

Cash deposit in related parties	31 December 2018	31 December 2017
JMCF (Note 20)	833,617	1,120,806

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Trade payables to related parties	31 December 2018	31 December 2017
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	336,126	262,946
Jiangxi Jiangling Chassis Co., Ltd.	333,431	303,148
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	316,174	243,796
GETRAG (Jiangxi) Transmission Company	275,275	251,080
Jiangxi Jiangling Lear Interior System Co., Ltd.	214,139	352,627
Ford	151,749	86,504
Nanchang JMCG Liancheng Auto Component Co., Ltd.	148,483	153,529
Jiangxi JMCG Specialty Vehicles Co., Ltd.	138,209	209,228
Nanchang Unistar Electric & Electronics Co., Ltd.	96,905	118,889
Hanon Systems	91,656	135,846
JMCG	68,159	74,918
Changan Ford Automobile Co., Ltd.	67,622	68,221
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	58,966	83,113
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd	48,200	-
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	28,944	10,490
Nanchang Lianda Machinery Co., Ltd.	28,325	24,651
JMH	26,349	-
Nanchang Yinlun Heat-exchanger Co., Ltd.	24,756	25,151
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	19,850	30,751
Jiangling Aowei Automobile Spare Part Co., Ltd.	14,533	17,142
Nanchang JMCG Shishun Logistics Co., Ltd.	10,113	293
Jiangxi ISUZU Engine Co., Ltd.	9,956	11,714
Jiangxi JMCG Industry Co., Ltd.	7,830	2,394
Nanchang JMCG Xinchen Auto Component Co., Ltd.	6,355	5,334
Nanchang Gear Co., Ltd.	6,179	7,902
NC.Gear Forging Factory	4,173	-
Auto Alliance (Thailand) Co., Ltd.	2,151	17,000
Jiangxi Biaohong Engine Tappet Co., Ltd.	2,037	2,891
Jiangxi Lingrui Recycling Resources Development Corporation	1,736	1,712
Jiangxi JMCG Shangrao Industrial Co., Ltd.	1,693	4,009
Jiangling Material Co., Ltd.	1,372	1,002
Ford Otomotiv Sanayi A.S.	1,031	29,711
Nanchang JMCG Skyman Auto Component Co., Ltd.	-	36,998
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	-	1,007
Others	16	-
	2,542,493	2,573,997

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Other payables to related parties	31 December 2018	31 December 2017
Ford Otomotiv Sanayi A.S.	115,254	134,059
Ford	92,310	104,814
Ford Global Technologies, LLC	41,203	62,410
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	31,946	-
JMCG Jiangxi Engineering Construction Co., Ltd.	30,166	36,818
JMH	15,641	30,000
GETRAG (Jiangxi) Transmission Company	14,216	6,309
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	13,584	8,521
Nanchang Hengou Industry Co., Ltd.	10,211	3,498
Changan Ford Automobile Co., Ltd.	9,776	2,765
Nanchang JMCG Shishun Logistics Co., Ltd.	7,736	10,751
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	7,222	3,693
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	6,921	484
Ford Motor (China) Co., Ltd.	4,803	1,755
Jiangxi Jiangling Lear Interior System Co., Ltd.	4,612	11,455
Jiangxi JMCG Industry Co., Ltd.	3,504	1,922
Jiangxi JMCG Motorhome Co., Ltd.	1,905	50
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	1,403	510
Nanchang JMCG Liancheng Auto Component Co., Ltd.	283	4,860
Hanon Systems	45	2,520
Others	3,736	5,139
	416,477	432,333

Advance from related parties	31 December 2018	31 December 2017
Jiangxi JMCG Specialty Vehicles Co., Ltd.	-	294
Others	-	1,501
	-	1,795

Capital commitments	31 December 2018	31 December 2017
JMCG Jiangxi Engineering Construction Co., Ltd.	29,456	35,178

33 Event after the balance sheet date

According to the resolution of the Board of Directors as at 26 March 2019, the board of directors proposed that the Company distribute cash dividends to all shareholders at RMB0.04 per share. Based on the issued shares of 863,214,000, totalled amount of proposed dividend is RMB34,529,000.

Chapter XII Catalog on Documents for Reference

1. Originals of 2018 financial statements signed by legal representative and Chief Financial Officer.
2. Originals of the Independent Auditor’s Reports signed by Independent accountants and stamped by the accounting firm.
3. Originals of all the documents and public announcements disclosed in newspapers designated by CSRC in 2018.
4. The Annual Report in the China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
March 26, 2019