Jiangling Motors Corporation, Ltd.

2019 Annual Report

2020-03

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, Ding Ni, 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 2019 profit distribution proposal approved by the Board of Directors is as follows:

A cash dividend of RMB 0.70 (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.
JIC	Nanchang Jiangling Investment Co., Ltd.
Ford	Ford Motor Company
CSRC	China Securities Regulatory Commission
JMCG	Jiangling Motors Group Co., Ltd.
JMCH	JMC Heavy Duty Vehicle Co., Ltd.
EVP	Executive Vice President
CFO	Chief Financial Officer
VP	Vice President

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 in the Main Business since the Listing	No change.
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 Jiangling Motor Holdings Co., Ltd. After the transference, Jiangling Motor Holdings Co., Ltd. and Ford were the controlling shareholders of the Company. In 2019, Jiangling Motor Holdings Co., Ltd., the former controlling shareholder, was divided and separated into Jangling Motor Holdings Co., Ltd. and Nanchang Jiangling Investment Co., Ltd., and transferred the 354.176 million JMC shares it held to Nanchang Jiangling Investment Co., Ltd. Presently, Nanchang Jiangling Investment Co., Ltd. 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

	2019	2018	Change (%)	2017
Revenue	29,173,636	28,249,340	3.27%	31,345,747
Profit Attributable to the Equity Holders of the Company	147,812	91,833	60.96%	690,938
Net Cash Generated From Operating Activities	2,733,963	-101,808	2785.41%	674,588
Basic Earnings Per Share (RMB)	0.17	0.11	60.96%	0.8
Diluted Earnings Per Share (RMB)	0.17	0.11	60.96%	0.8
Weighted Average Return on Equity Ratio	1.42%	0.83%	0.59%	5.51%
	End of Year 2019	End of Year 2018	Change (%)	End of Year 2017
Total Assets	24,298,529	23,396,529	3.86%	26,383,761
Shareholders' Equity Attributable to the Equity Holders of the Company	10,496,564	10,384,498	1.08%	12,572,402

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	6,506,386	7,215,568	6,686,321	8,765,361
Profit Attributable to the Equity Holders of the Company	25,158	33,704	98,811	-9,861
Net Cash Generated From Operating Activities	-191,400	1,626,602	-151,987	1,450,748

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 Ford 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 a 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. With the implementation of the national phase six emission standards, JMC as the "bellwether" of the commercial vehicle market, rapidly responds to the national policy to upgrade the emission of vehicle products by virtue of its advanced product research and development technology and high-quality manufacturing capacity. The JMC brand light truck EVI, Ford brand light bus EVI and other series of products were successively launched. The new Ford Territory SUV, based on deep insights into Chinese consumers, not only has leading space and size at the same level, but also takes the lead in introducing domestic technologies such as the Miller cycle engine, 48V micro-hybrid power, and Feiyu Intelligent Voice Control System. Respond quickly to market demands, increase comfort, intelligent network connectivity and assisted driving, including 16 all-standard 28-class leading configurations, which have been widely recognized by the market and customers since launched. 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 the new business field of intelligent driving, as one of the first demonstration companies certified by the vehicle networking product of China's self-developed global satellite positioning system Beidou system, based on 5G and vehicle networking technology application, the Company has researched and developed the first domestic intelligent driving pure electric TeShun light bus product with autonomous driving technology on the mass production model, achieve multiple functions such as high-speed automatic formation, automatic remove formation, automatic obstacle avoidance, automatic pull over, etc. The Company cooperated with Jiangxi provincial Department of Transportation, China mobile, Huawei and other leading enterprises to complete the Changjiu intelligent high-speed formation autonomous driving demonstration project, Yingtan international IoT conference collaboration and presentation project, 2019 World VR industry conference collaboration and presentation project, etc. Based on the Company's new energy light truck platform, cooperated with partners to build a full series of large-tonnage autonomous special vehicles for environmental sanitation，the vehicles will be used in municipal environmental sanitation and other demonstration projects. Combining with the above intelligent driving cooperation projects, the Company has become a member of National Science and Technology Major Project, , joint National Science and Technology Major Project -- "Zhi Gan Xing" subject research. In the field of new energy technology, based on the commercial scenario, the Company vigorously promotes the research and sales of pure electric vehicle, and develops hydrogen fuel and methanol fuel vehicle technology with advantageous partners. In the new business ecology field, the Company participates in the construction of the automobile business ecosystem, and creates a new ecology of cross-industry intelligent service for commercial vehicles with domestic financial enterprises, communication enterprises, logistics enterprises and mobile travel operating enterprises.

Chapter IV Management Discussion and Analysis

1. Summary

In 2019, China's economic growth is slowing, so as its auto market. Total sales volume was 25.72million units, decreased 7.51% 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 2019, JMC achieved sales volume of 290,058 units, increased 1.75% compared with last year, achieved revenue of RMB 29.17 billion, increased 3.27% compared with last year, achieved net profit of RMB 148 million, increased 60.96% compared with last year. It mainly reflects the rise in sales and the improvement of profitability resulted from the Company has taken positive measures to reduce cost and increase efficiency.

2. Core Business Analysis

I. Summary

In 2019, JMC sales volume achieved 290,058 units, increased 1.75% compared with last year, including96,915 units JMC series truck, 59,486 units JMC series pickup, 52,056 units SUV, 45,974 units Transit series commercial vehicle, and 35,627 units JMC branded light bus.

2019 total production volume was 288,074 units, increased 0.44% compared with last year, including 96,513 units JMC series truck, 58,368 units JMC series pickup, 51,881 units SUV, 45,735 units Transit series commercial vehicle, and 35,577 units JMC branded light bus.

JMC total sales revenue in 2019 was RMB 29.17 billion, increased 3.27% compared with last year.

II. Revenue and Cost

(a) Composition of Sales Revenue

Unit: RMB

	2019 FY		2018 FY		YOY change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Revenue	29,173,636,262	100.00%	28,249,339,672	100.00%	3.27%
By Industry					
Automobile Industry	29,173,636,262	100.00%	28,249,339,672	100.00%	3.27%
By Products					
Vehicle	26,252,631,564	89.99%	25,178,859,631	89.13%	4.26%
Components	2,351,979,223	8.06%	2,696,240,006	9.55%	-12.77%
Automobile Maintenance services	103,582,678	0.36%	71,798,771	0.25%	44.27%
Material & Others	465,442,797	1.60%	302,441,264	1.07%	53.90%
By region					
China	29,173,636,262	100.00%	28,249,339,672	100.00%	3.27%

(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	29,173,636,262	24,530,857,150	15.91%	3.27%	0.50%	2.32%
By Products						
Vehicle	26,252,631,564	22,303,937,803	15.04%	4.26%	0.72%	2.99%
By Region						
China	29,173,636,262	24,530,857,150	15.91%	3.27%	0.50%	2.32%

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	2019	2018	Change (%)
Automobile	Sales volume	unit	290,058	285,066	1.75%
	Production volume	unit	288,074	286,808	0.44%

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	2019 FY		2018 FY		YOY change (%)
	Cost	Proportion (%)	Cost	Proportion (%)	
Vehicle	22,303,937,803	90.92%	22,143,813,493	90.72%	0.72%
Components	1,696,042,274	6.92%	1,921,477,490	7.87%	-11.73%
Automobile Maintenance services	98,395,291	0.40%	69,559,583	0.29%	41.45%
Material & Others	432,481,782	1.76%	274,696,188	1.12%	57.44%

(f) Whether Consolidated Scope was Changed During the Reporting Period
☐Yes ☐ √ No
Xiamen Fujiang New Energy Automobile Sales Co., Ltd. was cancelled on December 16, 2019.

(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）	3,239,393,170
Accounted for the proportion of JMC's total annual turnover	11.11%
Included related party transaction accounted for the proportion of JMC's total annual turnover	3.75%

No.	Name of the Customer	Sales Value (RMB)	Percentage of JMC's Total Turnover (%)
1	Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	1,093,233,543	3.75%
2	Zhejiang Jiangling Motors Sales Company	1,075,100,487	3.69%
3	Hunan Transit Jiangling Motors Sales Company	399,887,905	1.37%
4	Shanghai Keda Zhoupu Auto Sales Company	335,775,073	1.15%
5	Beijing Jinglingshun Auto Sales Company	335,396,162	1.15%
Total		3,239,393,170	11.11%

Other introduction to main customers

☐ √ Applicable ☐Not Applicable

Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd. is a related party of the Company. VP Li Xiaojun holds the position of Director of Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.

Top 5 Suppliers:

Total purchase value from top 5 suppliers（RMB）	3,732,511,710
Accounted for the proportion of JMC's total annual purchase amount	16.96%
Included related party transaction accounted for the proportion of JMC's total annual purchase amount	13.60%

No.	Name of the Supplier	Purchase Value (RMB)	Percentage of JMC's Total Annual Purchase Amount (%)
1	Nanchang Baojiang Steel Processing Distribution Co., Ltd.	809,328,079	3.68%
2	Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	751,247,981	3.41%
3	Bosch Auto Diesel System (Wuxi) Company	739,472,213	3.36%
4	Jiangxi Jiangling Chassis Co., Ltd.	719,674,742	3.27%
5	Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	712,788,695	3.24%
Total		3,732,511,710	16.96%

Other introduction to main suppliers

☐ √ Applicable ☐Not Applicable

Except Bosch Auto Diesel System (Wuxi) Company, the other four suppliers are related parties of the Company.

III. Expense Analysis

Unit: RMB' 000

	2019	2018	YOY Change	Major Changes Explanation
Distribution Expenses	1,525,883	1,202,382	26.91%	
Administrative Expenses	2,731,887	2,460,259	11.04%	
Finance Income-net	195,644	182,587	7.15%	

IV. Research & Development

In 2019, JMC continued to focus on development of new product programs. Product related spending centered at future product development and compliance with regulatory requirements, including new model, increased payloads, new styling, and improved power, 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 2019 was 1,937 million, representing 18.45% of net assets, or 6.64% of revenue.

R&D

	2019	2018	Change (%)
R&D Staff (person)	2,758	2,692	2.45%
R&D Staff as % of total employees	18.65%	16.28%	2.37%
R&D Investment (RMB)	1,937,077,557	1,735,368,721	11.62%
R&D Investment as % of revenue	6.64%	6.14%	0.50%
Capitalization of R&D investment	160,756,911	71,814,337	123.85%
Capitalization of R&D investment as % of R&D Investment	8.30%	4.14%	4.16%

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 15 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	2019	2018	Y-O-Y Change
Net cash generated from operating activities	2,733,963	-101,808	2,785.41%
Net cash used in investing activities	-1,365,093	-1,138,924	-19.86%
Net cash used in financing activities	-47,813	-2,280,111	97.90%
Net (decrease)/increase cash and cash equivalents	1,321,057	-3,520,843	137.52%

Explanation on the major factors regarding major change of related data

☐ √ Applicable ☐Not Applicable

Increase of the net cash generated from operating activities compared with the same period mainly reflected the increase of sales revenue and the decrease of inventory level, as well as the increase of operating payables.

Decrease of the net cash used in investing activities compared with the same period mainly reflected the increase in cash paid for the purchase and construction of fixed assets.

Decrease of the net cash used in financing activities compared with the same period mainly reflected the payment of 2017 interim special dividends in 2018.

Increase of the net cash and cash equivalents compared with the same period mainly reflected the increase of net cash generated from operating activities and the payment of 2017 interim special dividends in 2018.

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	222,840,220	212.26%	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, 2019		December 31, 2018		YOY Proportion Change	Major Changes Explanation
	Amount	Proportion	Amount	Proportion	(Points)	
Property, plant and equipment	7,212,614	29.68%	6,941,292	29.67%	0.01	
Inventories	1,946,869	8.01%	2,522,354	10.78%	-2.77	
Trade and other receivables and prepayments	3,900,585	16.05%	4,678,284	20.00%	-3.95	
Cash and cash equivalents	8,937,937	36.78%	7,616,880	32.56%	4.22	
Trade and other payables	12,826,996	52.79%	12,195,966	52.13%	0.66	

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 2019 (RMB mils)	Cumulative Actual Investment (RMB mils)	Progress	Index
Fushan Plant	Self-funded	Y	489	861	42%	*
Total			489	861	--	--

**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	3,261,398	231,472	26,527,567	-23,853	-18,125
JMC Heavy Duty Vehicle Co., Ltd.	Subsidiary	Product heavy commercial vehicle , engine, component, and related service	281,793	2,789,891	-980,202	332,808	-305,397	-304,345

Acquisition and disposal of the subsidiaries
□√Applicable □Not Applicable

Name of Companies	Acquisition and disposal of the subsidiaries	Influence
Xiamen Fujiang New Energy Automobile Sales Co., Ltd.	Cancellation	None

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, its macro-control targets are well achieved, its imports and exports are stable, and its balance of payments is basically balanced. Domestic demand is stable, innovation is encouraged, and the combination of Internet and industry is further deepened. The long-term fundamentals of the Chinese economy have not changed, but short-term growth is expected to slow due to the COVID-19. Due to the impact of the COVID-19, the delayed resumption of work across the country will affect the normal operation of automobile OEMs, component companies, and logistics companies in the short term. There will be certain matching difficulties between supply and demand in the upstream and downstream of the supply chain, thereby reducing the industry overall capacity utilization. At the same time, because the automotive industry is a labor-intensive industry, the epidemic will inevitably lead to a short-term rise in the industry's overall labor costs, raw material costs, and logistics costs.

From the demand side, due to the epidemic, it is expected that car sales in the first quarter will be larger decrease in amplitude. In addition, in the context of the outbreak of the COVID-19, the online car-hailing service has been greatly impacted. As new energy vehicles are important models of the online car-hailing vehicle, the epidemic will inevitably lead to a sharp decline in demand for new energy vehicles in the short term.

Along with the epidemic's impact on the country's production and operation, the state level is also reviving the vitality of SMEs through measures such as tax reductions and low interest rate loans, and using monetary policy to promote the construction of a number of key projects, while expanding domestic consumption and overseas trade, these measures will help reduce the negative impact of the epidemic on the automotive industry.

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 2020, 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

The company has formulated a new development strategy, with the vision of “becoming a leader in the light commercial vehicle industry and a supplier of cost-effective products for Ford”, we uphold the values of “integrity, dedication, innovation and cooperation”. The company's commercial vehicles are positioned as a supplier of comprehensive solutions for urban and mainline logistics products and services, and passenger cars have made breakthroughs and large developments in the small and medium-sized markets. In the future, the company will focus on innovation and services, promote structural adjustment, continue to vigorously implement product innovation-driven development, integrate resources to strengthen technological innovation, and promote product innovation in the market; deepen transformation and adjustment, adhere to business model innovation; and comprehensively enhance product core competitiveness. The company will focus on core business, focus on intensive cultivation in segmented areas, take customers as the center, improve market awareness of the entire value chain, and actively build the company's products into market segment leaders. The company will also aim at the new trends in the automotive industry, and promote the implementation of the "new four modernization" development strategy of "electrification, intelligent networking, sharing, and autonomous driving". In the core of new energy vehicles, intelligent connected vehicles, and autonomous driving, etc. The field has been laid out, and through the overall coordination and integration of the four modernizations, the construction of a future-oriented and globally competitive business ecosystem is accelerated.

III. 2020 Business Plan

The Company is targeting 2020 sales volume level at 331 thousand units and revenue level at RMB 32 billion, increases of 14% and 10% vs. 2019 respectively. To enhance profitability, the company is committed to the following plans in 2020:

(1) Continue to consolidate and enhance the company's leading advantage in the field of light commercial vehicles, and vigorously increase the popularity of passenger vehicle products and sales; continue to promote the layout of the "new four modernization" development strategy;

(2) Continue to strengthen the company's sales network and channels, actively lay out network channels in low-tier cities, establish flexible marketing programs to achieve sales and market share targets, strengthen the capacity building of dealer channels, and improve dealer channel performance;

(3) High-quality production and launch of new models of Ford Territory, Ford Everest EVI models, and light bus all models upgraded to national phase six emission standards and other new products, perfecting light truck and pickup truck lineages;

(4) Promote cost reduction and efficiency, further reduce structural risks, and improve the overall operating efficiency of the company;

(5) Continue to promote new fuel economy and emission adaptation projects to meet the further requirements of national regulations on energy conservation and environmental protection;

(6) Strengthen cooperation with technology partners to continuously promote future product development and R & D capabilities;

(7) Expand finished vehicle exports and OEM components sales business.

(8) Actively explore and try innovative business.

IV. Potential Challenges and Solutions

Affected by the epidemic in 2020,the company faces huge growth tests, increased industry competition, stricter regulatory requirements, rising cost pressures, and slowing economic growth. To maintain steady growth, the company will continue to focus on the following areas:

(1) Based on the prevention and control of the epidemic, steadily promote the resumption of production and production at the factory;

(2) Insight into customer needs, design and release customer-oriented products, improve channel performance, and achieve customer-centric business growth;

(3) Accelerate product platform, redefine product portfolio, enrich pedigree and network connection configuration to better meet customer needs; promote the development of modified vehicle business, and improve market performance and industrial share in special modified vehicle fields such as medical rescue, logistics and transportation;

(4) Continue to optimize JMC's lean production, improve production efficiency and product quality level;

(5) Improve supplier capabilities and component quality, and continue to reduce component procurement costs;

(6) Strengthen corporate governance, strictly follow national laws and regulations, and improve risk assessment and control mechanisms;

(7) Continuous expense management and control to optimize business structure;

(8) Through the established process optimization team, create a lean and efficient organization to respond flexibly to market changes.

The Company will focus on light commercial vehicle with the support of SUV, maximize its own advantage and fully take advantage of shareholders resource to realize sustainable profit. Strengthen channel coverage, improve financing service ability; promote new products development and R&D ability improvement, to accelerate the progress of launching new competitive products to the market; develop more proactive cost reduction plan to improve the company’s profit ability. The company will accelerate the development and cultivation of the heavy truck market and increase the company's influence in the field of commercial vehicles. Guided by the new strategy, the company will continuously implement all the specific initiatives to accelerate the strategic target achievement.

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

□√Applicable □Not Applicable

Date	Communication Method	Type of Object	Information Discussed and Materials offered
July 11, 2019	On-the-spot research	Other	JMC Operating highlights
July 18, 2019	On-the-spot research	Institution	JMC Operating highlights
Reception times			2
Visiting institution number			31
Visiting person number			20
Other objects			4
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 2019 Year Profit Distribution
Details on the profit available for appropriation of the Company in 2019 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, 2018	8,260,412	8,257,203
2019 net profit	147,812	147,812
Allocation of dividend for 2018	34,529	34,529
Retained earnings at Dec. 31, 2019	8,373,695	8,370,486

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, 2019 were RMB 8,370,486 thousand.

The Board approved to submit to the 2019Annual Shareholders' Meeting the following proposal on year 2019profit distribution:

(i). to appropriate for the dividend distribution from the profit available for distribution, which shall be equal to RMB 0.07 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 0.7 (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, 2019, total cash dividend distribution amounts shall be RMB 60,424,980.

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) 2018 Year Profit Distribution Plan

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.

(3) 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.

(4) 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.

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
2019 (Proposed)	60,425	147812	40.88%
2018	34,529	91,833	37.60%
2017	2,276,295	690,938	329.45%

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

☐Applicable ☐ √ Not Applicable

2. Proposal on 2019 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 XII 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

9. Appointment or Dismissal of Accounting Firm
Current accounting firm

Name	PricewaterhouseCoopers Zhong Tian LLP
Compensation (RMB'000)	2,000
Consecutive years offering audit services	18
Names of signed accountants	Lei Fang, Ye Dan
Consecutive years offering audit services of signed accountants	Lei Fang 3 year, Ye Dan 2 year

Dismissal of accounting firm
☐Applicable ☐ √ Not Applicable

Appointment of C-SOX auditor, financial consultant or sponsor
☐ √ Applicable ☐Not Applicable
Upon the approval of 2017 Annual Shareholders' Meeting, JMC agreed to appoint PricewaterhouseCoopers Zhong Tian LLP as JMC's 2019 to 2021 C-SOX auditor. In 2019, 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.

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

Please refer to the Note 32 related party transactions of the notes to the consolidated financial statements in the Chapter XII Financial Statements for details.

II. Major related party transaction concerning transfer of assets or equity
☐Applicable ☐ √ Not Applicable
There was no major related party transaction concerning transfer of assets or equity 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 announcement on Related Party Transactions

Name	Disclosure Date	Index
Public Announcement on the 2019 Forecast Routine Related Party Transactions	March 28, 2019	The announcement (No: 2019-014) was published in the website www.cninfo.com.cn.
Public Announcement on Related Party Transactions of the Eighth Session of the Ninth Board of Directors	April 2, 2019	The announcement (No: 2019-017) was published in the website www.cninfo.com.cn.
Public Announcement on Related Party Transactions	June 1, 2019	The announcement (No: 2019-028) was published in the website www.cninfo.com.cn.
Public Announcement on Related Party Transactions of the Ninth Session of the Ninth Board of Directors	June 29, 2019	The announcement (No: 2019-034) was published in the website
Public Announcement on Related Party Transactions	September 28, 2019	The announcement (No: 2019-051) was published in the website www.cninfo.com.cn.
Public Announcement on Related Party Transactions	November 13, 2019	The announcement (No: 2019-059) was published in the website www.cninfo.com.cn.
Public Announcement on the 2020 Forecast Routine Related Party Transactions	March 26, 2020	The announcement (No: 2020-0XX) was published in the website www.cninfo.com.cn.

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 note14 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 2019, 387 bridges have been donated in 24 provinces, benefiting nearly 600,000 people. After JMC had been awarded China Poverty Alleviation Ambassador Prize, China Responsible Public Partners Prize and China Social Responsibility Excellent Brand Prize, the video work "Bridge" recording the development process of "Jiangxi · Xiqiao Project" won the "2019 Public Welfare Image Award". JMC has won the "China Charity Festival" award for many years.

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 2019 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 2019

The Company regards the realization of precision poverty relief as the basic strategy of precision poverty alleviation. The Company continued to consolidate efforts of one-to-one poverty alleviation in 2019.

c. Status of targeted measures in poverty alleviation

Item	Unit	Amount/Progress
I. Brief Introduction	——	——
including：1. Funding	RMB ('000)	2,859.9
2. Sum converted from the materials	RMB ('000)	30.8
3. Persons get rid of poverty	Persons	3
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	3
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)	36.9
4.2 Poor students in aid	Persons	
4.3 Investments on the improvement of educational source in poverty-stricken are	RMB ('000)	800
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)	53.8
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)	2,000
9. Other	——	——
including：9.1.Project	Number	
9.2.Investment amount	RMB ('000)	
9.3. Persons getting rid of poverty	Persons	
III. Awards	——	——
2019 listed companies Social responsibility award (the 9th China public welfare festival)		

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

The year 2020 will be a decisive year in the fight against poverty, JMC will make unremitting efforts to implement the strategy of precise poverty alleviation, strengthen the combination of poverty alleviation, ambition and wisdom, and contribute to the fight against poverty.

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:145.4mg/L NH-N:12.64mg/L"	"Wastewater Discharge Standard"(GB 8978-1996)	COD: 113.615t; NH-N: 3.401t	COD≤841.68t; NH-N≤83.1414t	Meet Standard
Exhaust gas (SO2,NOx,smoke,toluol, dimethylbenzene, NMHC）	continuous discharge	148	51 in Mainsite, 58 in Xiaolan Site, 33 in Cast Plant and 6 in Axle Plant	SO2: 13mg/m3; NOx :111mg/m3; smoke: 20mg/m3; toluol :1.913mg/m3; dimethylbenzene :23mg/m3;	"The Emission Standard of Air Pollutants", "Emission Standard of Air Pollutants for Boiler"（GB 13271-2014）	SO2: 17.195t; NOx : 24.935t	NOx≤37.69t	Meet Standard

The construction and operation of pollutant preventive and control facilities

In 2019, JMC built Wastewater Treatment Station and Solid Waste Storage Station at Fushan Plant. Fushan Plant mainly contained Stamping workshop, welding workshop, painting workshop and final assembly workshop. The plant produced industrial wastewater including phosphating wastewater and comprehensive wastewater, and domestic sewage. Industrial wastewater was categorized, collected and pre-treated through two physicochemical treatment systems respectively. Comprehensive wastewater after pre-treatment, together with domestic sewage, was transported to biochemical treatment system. At present, wastewater to be discharged outside must reach Level 1 national standard. At second stage, wastewater after biochemical treatment will be all reused by the plant. Solid Waste Storage Station was nicely designed, and its exterior look was consistent with the overall plant outlook standard. Normal solid waste and hazardous solid waste were separated in the Station, according to the strict legitimate requirements.

In 2019, JMC introduced an organic system for exhaust gas treatment in Fushan Plant, including one set of zeolite roller equipment and one set of regenerative thermal oxidizer equipment (RTO). Exhaust gas from solvent spray paint and paint mixing was collected and condensed through zeolite roller system and finally burnt in RTO system. Exhaust gas from electrical coating-drying, PVC glue drying, paint drying, and solvent recollection was collectively burnt in RTO.

The zeolite roller system can condense a big amount of low-density exhaust gas to a small amount of high-density enriched gas, by conducting three temperature-changing procedures of absorption and desorption. The system is especially designed for treating large amounts of low-density exhaust gas with various compositions.

JMC Fushan Plant, dubbed as a smart plant with green and energy-efficient technologies, introduced several energy-saving and emission-reducing measures. The plant used LEDs for all the lighting in the plant, and an energy management system to monitor energy use and consumption in the plant. The air supply in the Paint workshop can achieve 75% recycling of the air. The Paint Drying Furnace/ RTO smoke residue heat was recollected to heat up the pre-treatment system and air conditioning for cooling or heating. Broad Air Conditioning system with comprehensive energy-conservative technology was introduced. Photovoltaic power generation equipment was installed in the Vehicle Shipyard and employees' vehicle parking lot. BIM technology was adopted to help build a digitalized plant.

In 2019, JMC Casting Plant introduced electrical furnace dust collector in the large workshop. After this action, the outdoor dust density and indoor post area dust density could meet the national standard, which effectively improved indoor working environment and outdoor air quality.

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 2019, the Company completed the environmental inspection and acceptance of the new energy vehicle transformation project of Xiaolan Plant, New energy laboratory project and the intelligent equipment center, and obtained the environmental assessment approval of Vehicle production expansion 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 2019, JMC's Qingyunpu Main Plant Area and Xiaolan Plant Areawere listed as a key pollutant discharging organization of wastewater/hazardous wastes, and its 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".

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

☐ √ Applicable ☐Not Applicable

JMC received government incentives of approximate RMB 441 million appropriated by Nanchang County Xiaolan Economy Development Zone, and Shanxi Transformation and Comprehensive Reform Demonstration Zone in 2019, which is to support JMC's development.

20. Major event of JMC subsidiary

☐ √ Applicable ☐Not Applicable

Xiamen Fujiang New Energy Automobile Sales Co., Ltd., a wholly-owned subsidiary of the Company established in 2018 with a cash investment of RMB 10 million, was cancelled on December 16, 2019.

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	786,840	0.09%	-	-	-	-35,925	-35,925	750,915	0.09%
1. Other domestic shares	786,840	0.09%	-	-	-	-35,925	-35,925	750,915	0.09%
Including:									
Domestic legal person shares	785,940	0.09%	-	-	-	-36,000	-36,000	749,940	0.09%
Domestic natural person shares	900	0.00%	-	-	-	75	75	975	
II. Unlimited tradable shares	862,427,160	99.91%	-	-	-	35,925	35,925	862,463,085	99.91%
1. A shares	518,427,160	60.06%	-	-	-	35,925	35,925	518,463,085	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, 2019. JMC’s total shares remained unchanged in 2019, and the change in shareholding structure was caused by the trading restriction on limited A shares of 36,000 shares held by 17 natural persons, Huang Weiqing and others, were relived on December 30, 2019.

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 27,891 shareholders, including 22,479 A-share holders, and 5,412 B-share holders, as of December 31, 2019.					
Total shareholders as of the last month-end prior to the disclosure date of the Report	JMC had 29,711 shareholders, including 24,112 A-share holders, and 5,599 B-share holders, as of February 29, 2020.					
Top ten shareholders						
Shareholder Name	Shareholder Type	Shareholding Percentage (%)	Shares at the End of Year	Change (+,-)	Shares with Trading Restriction	Shares due to mortgage or frozen
Nanchang Jiangling Investment Co., Ltd.	State-owned legal person	41.03	354,176,000	354,176,000	0	0
Ford Motor Company	Foreign legal person	32	276,228,394	0	0	0
China Securities Corporation Limited	Domestic non-State-owned legal persons	2.72	23,458,066	0	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
Harvest Environmental Protection Low Carbon Stock Investment Fund	Other	0.74	6,420,188	4,070,159	0	0
GAOLING FUND, L.P.	Foreign legal person	0.63	5,453,086	0	0	0
INVESCO FUNDS SICAV	Foreign legal person	0.56	4,841,889	-193,857	0	0
Hong Kong Central Clearing Limited	Foreign legal person	0.54	4,664,502	3,959,166	0	0
National Social Security Fund 602 Portfolio	Other	0.52	4,488,212	2,706,312	0	0

Notes on association among above-mentioned shareholders	None.		
Top ten shareholders holding unlimited tradable shares			
Shareholder Name	Shares without Trading Restriction	Share Type	
Nanchang Jiangling Investment Co., Ltd.	354,176,000	A share	
Ford Motor Company	276,228,394	B share	
China Securities Corporation Limited	23,458,066	A share	
Shanghai Automotive Co., Ltd.	13,019,610	A share	
Central Huijin Investment Ltd.	7,186,600	A share	
Harvest Environmental Protection Low Carbon Stock Investment Fund	6,420,188	A share	
GAOLING FUND, L.P.	5,453,086	B share	
INVESCO FUNDS SICAV	4,841,889	B share	
Hong Kong Central Clearing Limited	4,664,502	B share	
National Social Security Fund 602 Portfolio	4,488,212	A 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
Nanchang Jiangling Investment Co., Ltd.	Qiu Tiangao	May 28, 2019	91360125MA38LUR91F	investment management, industrial investment, asset management and other business.
Ford Motor Company	William Clay Ford, Jr.	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

New Controlling Shareholders	Nanchang Jiangling Investment Co., Ltd.
Change Date	July 26, 2019
Index	http://www.cninfo.com.cn
Disclosure Date	July 27, 2019

III. Actual Controlling Parties

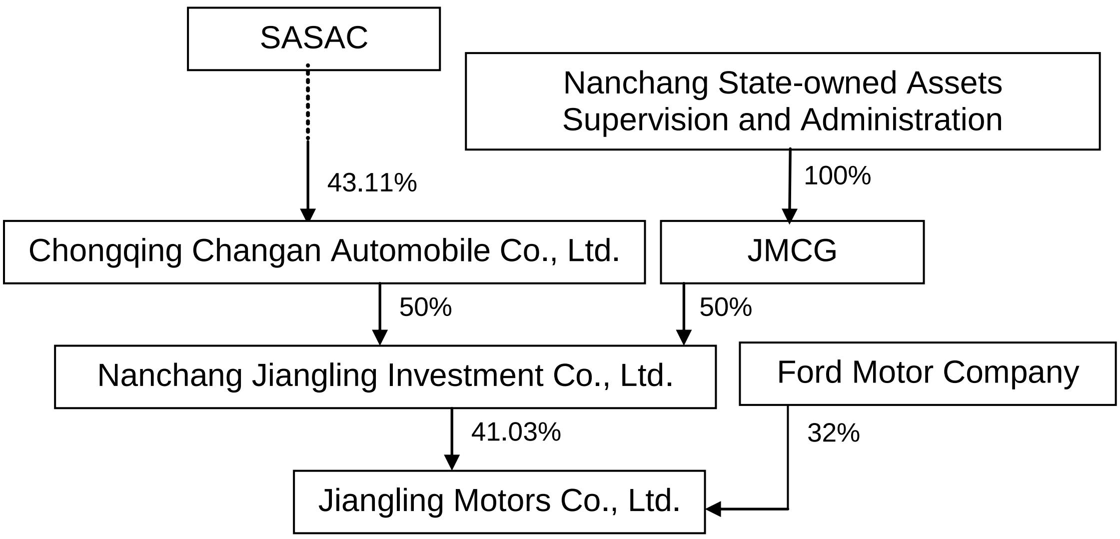
Nature of controlling shareholders: Central/Local State-owned Assets Supervision and Administration

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	October 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	53	2017.06.29-2020.06.28	0	0	0
Anning Chen	Vice Chairman	Male	58	2018.12.05-2020.06.28	0	0	0
Wan Jianrong	Director	Male	54	2017.09.23-2020.06.28	0	0	0
Thomas Peter Hilditch	Director	Male	42	2019.09.23-2020.06.28	0	0	0
Manto Wong	Director & President	Male	57	2019.06.28-2020.06.28	0	0	0
Jin Wenhui	Director & EVP	Male	52	2019.06.28-2020.06.28	0	0	0
Lu Song	Independent Director	Male	62	2017.06.29-2020.06.28	0	0	0
Wang Kun	Independent Director	Female	43	2017.06.29-2020.06.28	0	0	0
Li Xianjun	Independent Director	Male	52	2017.06.29-2020.06.28	0	0	0
Xiao Hu	Chief supervisor	Male	51	2018.12.05-2020.06.28	0	0	0
Alvin Qing Liu	Supervisor	Male	62	2017.06.29-2020.06.28	0	0	0
Zhang Jian	Supervisor	Male	50	2017.06.29-2020.06.28	40	0	40
Ding Zhaoyang	Supervisor	Male	50	2017.06.28-2020.06.28	20	0	20
Chen Guang	Supervisor	Male	46	2017.06.28-2020.06.28	0	0	0
Xiong Chunying	EVP	Female	55	2017.06.29-2020.06.28	1,200	0	1,200
Li Weihua	CFO	Female	42	2018.08.01-2020.06.28	0	0	0
Wan Hong	VP & Board Secretary	Male	58	2017.06.29-2020.06.28	0	0	0
Li 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
Milton Wong	VP	Male	45	2019.07.01-2020.06.28	0	0	0
Liu Shuying	VP	Female	57	2017.06.29-2020.06.28	0	0	0
Mike Chang	VP	Male	53	2017.06.29-2020.06.28	0	0	0
Wu Xiaojun	VP	Male	45	2017.06.29-2020.06.28	0	0	0
Luo Xiaofang	VP	Female	41	2019.05.01-	0	0	0

				2020.06.28			
Yu Jianbin	VP	Male	51	2019.10.16-2020.06.28	0	0	0
David Johnston	Ex-Director	Male	49	2017.06.29-2019.09.06	0	0	0
Thomas Fann	Ex-Director & President	Male	57	2017.06.29-2019.03.01	0	0	0
Yuan Mingxue	Ex-Director	Male	51	2017.06.29-2019.09.06	0	0	0
Xiong Chunying	Ex-Director	Female	55	2017.06.29-2019.03.29	1,200	0	1,200
Tim Slatter	Ex-VP	Male	45	2017.06.29-2019.03.01	0	0	0
Christian Chen	Ex-VP	Male	47	2017.06.29-2019.03.29	0	0	0
Andy Ball	Ex-VP	Male	54	2019.04.01-2019.05.01	0	0	0
	Total				1260	0	1260

2. Changes of Directors, Supervisors and Senior Management

Name	Position	Status	Date	Reason
David Johnston	Director	Leave	2019.09.06	Work rotation
Thomas Fann	Director & President	Leave	2019.03.01	Work rotation
Yuan Mingxue	Director	Leave	2019.09.06	Work rotation
Xiong Chunying	Director	Leave	2019.03.29	Work rotation
Tim Slatter	VP	Leave	2019.03.01	Work rotation
Christian Chen	VP	Leave	2019.03.29	Work rotation
Andy Ball	VP	Leave	2019.05.01	Resign from the vice president position for the personal reasons

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

Directors:

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, Chairman of Nanchange Jiangling Investment 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 Holdings 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 and President of Ford China for 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. Wan Jianrong, born in 1965, holds a Bachelor's Degree in Mechanical Manufacturing from Central China Engineering College and a MBA from Jiangxi University of Finance & Economics. He is Director and General Manager of JMCG, Director of Nanchange Jiangling Investment Co., Ltd. and Director of JMC. Mr. Wan Jianrong has held various positions including Deputy Manager and Manager for Engineer Plant of JMC, Assistant to the President and Vice President of JMC, Deputy General Manger of JMCG, and Executive Deputy General Manager and General Manager of Jiangxi Isuzu Automobile Co., Ltd.

Mr. Thomas Peter Hilditch, born in 1977, holds a Bachelor's Degree in Chemistry from University of London and a Master's Degree in Management Accounting from the Chartered Institute of Management Accountants, and is Director and Chief Financial Officer of Ford Motor (China) Ltd. and Director of JMC. Mr. Hilditch held various positions including Controller of Ford Otosan, Purchasing Controller of Ford Asia Pacific, Chief Financial Officer of Ford Sollers, and Chief Operating Officer of Ford Sollers.

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 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.

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 Director & First Executive Vice President of JMC, in charge of marketing sales & service, manufacturing, IT and assist the President to manage the Company. 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., and Executive Vice President of JMC.

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 Director 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, Chairman of Supervisor Board of Nanchang Jiangling Investment 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 for his resume.

Mr. Jin Wenhui, please refer to the part of Directors for his resume.

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 Executive Vice President of JMC, in charge of the Company's product research and development. Ms. Xiong Chunying held various positions including Chief of Quality Management Department, Assistant to the President, Vice President, and a Director for JMC.

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 the Company’s 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’s human resources and relevant duties of Board Secretary. Mr. Wan Hong held various positions including Chief of Labour and Personnel Department, and Assistant to the 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 the Company’s quality, manufacturing management and strategic planning. 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.

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 the Company's product research and development. 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.

Mr. Milton Wong, born in 1974, holds a Bachelor's Degree in Mechanical Engineering from Massachusetts Institute of Technology, a Master's Degree in Automotive Engineering from University of Michigan and a Master of Business Administration from Harvard University, USA, and is a Vice President of JMC, in charge of the Company's product research and development. Mr. Milton Wong has held various positions in Ford including Global Program Supervisor, Assistant Chief Project Engineer, Chief Project Engineer for multiple product projects, and Lincoln Segment Chief Project Engineer of Ford AP.

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 the Company's product research and 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 Plant 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. 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 the Company's 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.

Ms. Luo Xiaofang, born in 1978, holds a Bachelor's Degree in Economics from Central South University, China and a MBA from Maastricht University, Netherlands, and is a Vice President of JMC, in charge of the Company's purchasing business. Ms. Luo Xiaofang held various positions including Raw Materials Purchasing Supervisor for Irving Schweizer Asia, and Senior Purchasing Manager for Ford AP.

Mr. Yu Jianbin, born in 1968, holds a Bachelor's Degree in Forging from Xi'an Jiaotong University, and is a Vice President of JMC, in charge of the Company's Safety and Environmental Protection Department, Logistics Department and Qingyunpu Plant. Yu Jianbin has held various positions including Manager for the Engineering Department, Manager for the Manufacturing & Logistics Department for Jiangling Motor Holdings Co., Ltd., Assistant to General Manager of Jiangxi Fire-fighting Vehicle Plant, Deputy General Manager of Jiangxi-Isuzu Motors Co., Ltd., and Deputy General Manager of JMCG Jingma Motors Co., Ltd.

Positions at the shareholder entities

□√Applicable □Not Applicable

Name	Shareholder Entity	Title	Term of Office	Compensation Paid by Shareholder Entity (Y/N)
Qiu Tiangao	JIC	Chairman	2019.05.28-	N
Anning Chen	Ford	Group Vice President and President, Ford China	2018.10.24-	Y
Wan Jianrong	JIC	Director	2019.05.28-	N
Thomas Peter Hilditch	Ford	CFO, Ford China	2019.08.01-	Y
Zhang Jian	JIC	Chairman of Supervisor Board	2019.05.28-	N

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

□√Applicable □Not Applicable

Name	Entity	Title	Compensation Paid by Other Entities (Y/N)
Qiu Tiangao	JMCG	Chairman	Y
	Jiangling Motor Holdings Co., Ltd.	Vice Chairman	N
	JMCG Jingma Motors Co., Ltd.	Chairman	N
	Jiangling Dingsheng Investment Co., Ltd.	Chairman	N
	JMCG New Energy Vehicle Co., Ltd.	Chairman	N
	Jiangxi ISUZU Co., Ltd.	Chairman	N
	GETRAG (Jiangxi) Transmission Company	Director	N
	JMC Heavy Duty Vehicle Co., Ltd.	Chairman	N
Anning Chen	Ford Motor (China) Ltd.	President & CEO	N
	Changan Ford Automobile Co., Ltd.	Vice Chairman	N
	Fordshuttle Trading (Shanghai) Co., Ltd.	Chairman	N
Wan Jianrong	JMCG	Director	Y
	Jiangling Motor Holdings Co., Ltd.	Director	N
	Jiangxi ISUZU Co., Ltd.	Director	N
	JMCG New Energy Vehicle Co., Ltd.	Director	N
	JMCG Jingma Motors Co.	Director	N
	Jiangling Dingsheng Investment Co., Ltd.	Director	N
	Jiangxi Yizhizhingxing Automobile Operation Service co. LTD	Chairman	N
Thomas Peter Hilditch	Ford Motor (China) Ltd.	Director	N
	Changan Ford Automobile Co., Ltd.	Director	N
	Fordshuttle Trading (Shanghai) Co., Ltd.	Director	N
Manto Wong	JMC Heavy Duty Vehicle Co., Ltd.	Director	N
Jin Wenhui	Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Chairman	N
	Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Director	N
	Jiangling Motor Sales Co., Ltd.	Legal Representative & Executive Director	N

	JMC Heavy Duty Vehicle Co., Ltd.	Director	N
	Hanon Systems (Nanchang) Co., Ltd.	Director	N
	Shenzhen Fujiang New Energy Automobile Sales Co., Ltd.	Legal Representative	N
	Guangzhou Fujiang New Energy Automobile Sales Co., Ltd.	Legal Representative & Executive Director	N
Lu Song	China Foreign Affairs University	Professor	Y
Wang Kun	Tsinghua University	Assistant to Dean of School of Economics and Management & Deputy Director of Corporate Governance Center	Y
Li Xianjun	Tsinghua University	Head and Academic Director of School of Automotive Engineering	Y
Xiao Hu	JMCG	Chief supervisor	Y
	JMCG Jingma Motors Co., Ltd.	Supervisor	N
	Jiangling Dingsheng Investment Co., Ltd.	Supervisor	N
	Jiangxi Jiangling Real Estate Co., Ltd.	Chief supervisor	N
	Jiangxi Jiangling Chassis Co., Ltd.	Supervisor	N
	Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Supervisor	N
Alvin Qing Liu	Ford Motor (China) Ltd.	Director	N
	Changan Ford Automobile Co., Ltd.	Director	N
	Ford Motor Research (Nanjing) Co., Ltd.	Supervisor	N
	Ford Motor Research Test (Nanjing) Co., Ltd.	Supervisor	N
	Fordshuttle Trading (Shanghai) Co., Ltd.	Supervisor	N
Zhang Jian	JMCG	Chairman of the Labor Union	Y
	Jiangling Motor Holdings Co., Ltd.	Chief supervisor	N
	JMCG New Energy Automobile Co. Ltd.	Supervisor	N
	Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Supervisor	N
	Jiangxi JMCG Specialty Vehicles Co., Ltd.	Supervisor	N
	Nanchang Gear Co., Ltd.	Chief supervisor	N
	JMCG Finance Co., Ltd.	Chief supervisor	N
	Jiangxi Lingrui Renewable Resources Development Co., Ltd.	Supervisor	N
	Jiangxi Jiangling Real Estate Co.,Ltd	Supervisor	N
	Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Chief supervisor	N
	Jiangxi Yizhizhixing Automobile Operation Service Co., Ltd.	Chief supervisor	N
Xiong Chunying	JMC Heavy Duty Vehicle Co., Ltd.	Director	N
Li Weihua	Jiangling Motors Sales Co., Ltd.	Supervisor	N
	JMC Heavy Duty Vehicle Co., Ltd.	Director	N
	Hanon Systems (Nanchang) Co., Ltd.	Director	N
	Shenzhen Fujiang New Energy Automobile	Supervisor	N

	Sales Co., Ltd.		
	Guangzhou Fujiang New Energy Automobile Sales Co., Ltd.	Supervisor	N
Wan Hong	Jiangxi Hongdu Aviation Industry Co., Ltd.	Independent Director	Y
Li Xiaojun	Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Director	N
Ding Wenming	JMC Heavy Duty Vehicle Co., Ltd.	Director	N
Wu Xiaojun	JMC Heavy Duty Vehicle Co., Ltd.	Director & General Manager	N
Chen Guang	JMC Heavy Duty Vehicle Co., Ltd.	Vice General Manager	Y

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, Wan Jianrong, Supervisors Xiao Hu and Zhang Jian were paid by JMCG. Directors Anning Chen, Thomas Peter Hilditch and Supervisor Alvin Qing Liu were paid by Ford.

(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 2019, the Company paid annual compensation before tax of approximately RMB 1,570 thousand to EVP Jin Wenhui, paid approximately RMB 1,640 thousand to EVP Xiong Chunying, paid approximately RMB 1,190 thousand per person to VP & Board Secretary Wan Hong, VP Liu Shuying, paid approximately RMB 1,180 thousand to VP Li Xiaojun, paid approximately RMB 1,170 thousand to VP Ding Wenming, paid approximately RMB 1,370 thousand to VP Wu Xiaojun, paid approximately RMB 170 thousand to VP Yu Jianbin. Two employee-representative supervisors, Mr. Ding Zhaoyang and Mr. Chen Guang, were paid annual compensation before tax of about RMB 520 thousand and RMB 660 thousand respectively. The total compensation before tax paid by JMC for the aforesaid persons was about RMB 10.66 million in the reporting period, including the long-term incentive of RMB 0.84 million deferred from the previous years.

(2) JMC pays annual compensation for Ford-seconded senior management personnel to Ford in accordance with the Personnel Secondment Agreement signed between JMC and Ford & Ford Affiliates. In 2019, JMC should pay US$ 90 thousand to Ford for Ex Director & President Thomas Fann, pay RMB 250 thousand for Ex VP Christian Chen, pay US$ 60 thousand for Ex VP Tim Slatter,

pay US$ 125 thousand for Ex VP Andy Ball, pay US$ 325 thousand for President Manto Wong, pay RMB 786 thousand for CFO Li Weihua, pay US$ 200 thousand for VP Milton Wong, pay US$ 376 thousand for VP Mike Chang, pay RMB 530 thousand for VP Luo Xiaofang. 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	53	Y	0	Y
Anning Chen	Vice Chairman	Male	58	Y	0	Y
Wan Jianrong	Director	Male	54	Y	0	Y
Thomas Peter Hilditch	Director	Male	42	Y	0	Y
Manto Wong	Director & President	Male	57	Y	*	Y
Jin Wenhui	Director & EVP	Male	52	Y	1,570	N
Lu Song	Independent Director	Male	62	Y	100	N
Wang Kun	Independent Director	Female	43	Y	100	N
Li Xianjun	Independent Director	Male	52	Y	100	N
Xiao Hu	Chief supervisor	Male	51	Y	0	Y
Alvin Qing Liu	Supervisor	Male	62	Y	0	Y
Zhang Jian	Supervisor	Male	50	Y	0	Y
Ding Zhaoyang	Supervisor	Male	50	Y	520	N
Chen Guang	Supervisor	Male	46	Y	660	N
Xiong Chunying	EVP	Female	55	Y	1,640	N
Li Weihua	CFO	Female	42	Y	*	Y
Wan Hong	VP & Board Secretary	Male	58	Y	1,190	N
Li Xiaojun	VP	Male	44	Y	1,180	N
Ding Wenmin	VP	Male	47	Y	1,170	N
Milton Wong	VP	Male	45	Y	*	Y
Liu Shuying	VP	Female	57	Y	1,190	N
Mike Chang	VP	Male	53	Y	*	Y
Wu Xiaojun	VP	Male	45	Y	1,370	N
Luo Xiaofang	VP	Female	41	Y	*	Y
Yu Jianbin	VP	Male	51	Y	170	N
David Johnston	Ex Director	Male	49	N	0	Y
Yuan Mingxue	Ex Director	Male	51	N	0	Y
Thomas Fann	Ex Director & President	Male	57	N	*	Y
Tim Slatter	Ex-VP	Male	45	N	*	Y
Christian Chen	Ex-VP	Male	47	N	*	Y
Andy Ball	Ex-VP	Male	54	N	*	Y

Total	--	--	----	--	10,960	--

* 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)	13,492
Employees in subsidiaries (persons)	1,296
Total employees (persons)	14,788
Total employees paid compensation (persons)	15,654
Retired employees bore retirement benefits in parent company and its subsidiaries	754
Professional Structure	
Type	Employees (Persons)
Production Worker	9,467
Sales Personnel	646
Technical Personnel	3,600
Finance Personnel	201
Administrative Staff	874
Total	14,788
Educational Level	
Type	Employees (Persons)
Master degree and higher	1,066
Bachelor degree	3,793
Polytechnic school degree	2,308
Below polytechnic school degree	7,621
Total	14,788

ii. Compensation Policy

The Company strictly complies with the relevant requirements of national labor laws and regulations, provides a safe and environmentally friendly workplace, and continuously establishes and improves the salary management mechanism that matches the employees' income with the Company's performance, position value, employees' individual ability and performance, and effectively link organizational performance and individual performance, strengthen the incentive guiding role of compensation, and precisely motivate high-performing backbone talents. At the same time, the employees' welfare policies are constantly improved to meet the diverse personal needs of employees and to enhance employees' experience and satisfaction.

iii. Training

In the current new normal of the industry, closely follow the Company's strategy and business needs, strengthen the training and construction of the talent team, and consolidate the training system to establish an "online + offline" diversified learning method, to provide employees' career development with a steady stream of knowledge support and diverse learning options. With HR vision and mission as the goal, it provides talent retention and training solutions for the Company's business goals and strategic transformation.

Continue to optimize the career development channels for employees, build and improve a management and professional dual-channel career development system starting from the comprehensive development of new employees, so that employees with different specialties and career development have more professional choice and growth opportunities. Please refer to 2019 JMC Corporation Social Responsibility Report for more details on 2019 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
2019 First Special Shareholders' Meeting	Special Shareholders' Meeting	77.45%	2019.02.20	2019.02.21	The announcement (No: 2019-007) was published in the website www.cninfo.com.cn.
2018 Annual Shareholders' Meeting	Annual Shareholders' Meeting	76.86%	2019.06.28	2019.06.29	The announcement (No: 2019-032) was published in the website www.cninfo.com.cn.
2019 Second Special Shareholders' Meeting	Special Shareholders' Meeting	76.68%	2019.09.23	2019.09.24	The announcement (No: 2019-049) 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	20	3	16	1	0	N	1
Wang Kun	20	3	16	1	0	N	0
Li Xianjun	20	2	16	2	0	N	0

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. 2019 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 Assets Impairment Provisions and Write-off proposal and submitted it to the Board for review and approval.

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

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

v. 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.

vi. The Audit Committee has submitted the 2019 Independent Auditor Summary Report to the Board for review.

vii. 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 15, 2020: 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 21, 2020: 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, 2019, 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 2019 financial statements as follows on March 5, 2020: 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, 2019, 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. 2019 Independent Audit Work Summary Report

The Audit Committee reviewed the 2019 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 2019 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, 2019, and the financial performance and cash flows for the year then ended. The audit conclusion fairly reflects the Company’s actual status.

II. 2019 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 2018 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 2019;

iii. Reviewed and approved the 2019 Due Diligence Report of the Compensation Committee;

iv. Reviewed and approved the KPIs for the Company’s senior executives in 2019.

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

The 2019 annual compensation for the Chinese-side senior management was paid upon the principles promulgated in the JMC Executive Compensation Scheme. The 2019 annual compensation for Ford-seconded senior management personnel was paid in accordance with the Personnel Secondment Agreement signed between JMC and Ford & 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 2019 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 the KPIs for the Company's senior executives in 2020 and to adjust the Year 2020 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

<table>
<tr><td colspan="2">Issuance date</td><td>March 26, 2020</td></tr>
<tr><td colspan="2">Index</td><td>www.cninfo.com.cn</td></tr>
<tr><td colspan="2">Total value of assets of the entities in scope counts as % of that disclosed in the consolidated financial statements</td><td>100.00%</td></tr>
<tr><td colspan="2">Total value of operating revenue of the entities in scope counts as % of that disclosed in the consolidated financial statements</td><td>100.00%</td></tr>
<tr><td colspan="3">Deficiency Determination Criteria</td></tr>
<tr><td>Type</td><td>Financial Report</td><td>Non-financial Report</td></tr>
<tr><td>Qualitative Criteria</td><td>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</td><td>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</td></tr>
</table>

	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.	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 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.	Please refer to internal control deficiency over financial reporting for the criteria for non-financial reporting internal control.
Number of Material Weakness in financial report	0	
Number of Material Weakness in non-financial report	0	
Number of Significant	0	

Deficiency in financial report	
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 26, 2020
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 24, 2020
Name of Auditor	PricewaterhouseCoopers Zhong Tian LLP
Document No. of Audit Report	2020/SH-0178

Independent Auditor's Report

To the Shareholders of Jiangling Motors Corporation, Ltd.

- (incorporated in the People's Republic of China with limited liability)

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 62 to 140, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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 15 to the consolidated financial statements. We focussed on this area due to the incurred amount of research and development expenditures (RMB1,937,078,000 in 2019), the amount of the development costs capitalised (RMB160,757,000 in 2019), 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 RMB23,000,000, 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 RMB21,000,000. 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 RMB1,495,092,000 as at 31 December 2019, which indicates there may be impairment on its long term assets, mainly including property, plant and equipment with the amount of RMB1,524,790,000. 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 the Audit Committee for the Consolidated Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these 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 has 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 the 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 the 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 the 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

24 March 2020

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF THE AUDITORS

31 DECEMBER 2019

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATEDSTATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31DECEMBER 2019
(All amounts in thousands of RMB unless otherwise stated)

	Notes	2019	2018
Revenue from contracts with customers	5	29,173,636	28,249,340
Taxes and surcharges		(744,695)	(687,133)
Cost of sales	6	(24,597,898)	(24,463,198)
Gross profit		**3,831,043**	**3,099,009**
Distribution costs	6	(1,525,883)	(1,202,382)
Administrative expenses	6	(2,731,887)	(2,460,259)
Net impairment losses on financial assets	3.1(2)	(131,701)	(1,089)
Net impairment losses on non-financial assets		(25,355)	(7,143)
Other income	8	492,301	426,678
Operating loss		**(91,482)**	**(145,186)**
Finance income	9	203,950	188,436
Finance costs	9	(8,306)	(5,849)
Finance income-net	9	**195,644**	**182,587**
Share of profit of investments accounted for using the equity method	17b	823	2,238
Profit before income tax		**104,985**	**39,639**
Income tax credit	10	42,827	52,194
Profit for the period		**147,812**	**91,833**
Profit attributable to:			
Shareholders of the Company		**147,812**	**91,833**
Other comprehensive income/(loss)			
Item that will not be reclassified to profit or loss			
- Remeasurements of retirement benefits obligations		(1,623)	(4,590)
- Income tax relating to remeasurements of retirement benefit obligations		406	1,148
Other comprehensive loss for the period, net of tax		**(1,217)**	**(3,442)**
Total comprehensive income for the period		**146,595**	**88,391**
Total comprehensive income attributable to:			
Shareholders of the Company		**146,595**	**88,391**
Earnings per share for profit attributable to the shareholders of the Company for the period (expressed in RMB per share)			
- Basic and diluted	11	0.17	0.11

The notes on pages 68 to 140 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATEDSTATEMENT OF FINANCIAL POSITION
AS AT 31DECEMBER 2019
(All amounts in thousands of RMB unless otherwise stated)

	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	12	7,212,614	6,941,292
Right-of-use assets	14	36,040	—
Lease prepayment	13	719,695	601,260
Intangible assets	15	354,203	246,026
Deferred income tax assets	18	860,607	743,096
Investments accounted for using the equity method	17b	40,935	40,112
Total non-current assets		9,224,094	8,571,786
Current assets			
Inventories	19	1,946,869	2,522,354
Trade and other receivables and prepayments	20	3,900,585	4,678,284
Derivative financial instruments	3.3	-	979
Financial assets at fair value through other comprehensive income	3.3	289,044	6,246
Cash and cash equivalents	21	8,937,937	7,616,880
Total current assets		15,074,435	14,824,743
Total assets		**24,298,529**	**23,396,529**

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATEDSTATEMENT OF FINANCIAL POSITION (continued)
AS AT 31DECEMBER 2019
(All amounts in thousands of RMB unless otherwise stated)

	Notes	2019	2018
EQUITY			
Share capital	22	863,214	863,214
Share premium		816,609	816,609
Other reserves	23	446,255	447,472
Retained earnings		8,370,486	8,257,203
Total equity		**10,496,564**	**10,384,498**
LIABILITIES			
Non-current liabilities			
Contract liabilities	5	61,714	38,382
Borrowings	24	3,198	3,595
Leaseliabilities	14	22,592	—
Deferred income tax liabilities	18	25,340	26,024
Retirement benefit obligations	25	63,685	63,425
Provisions for statutory warranty	26	166,687	151,492
Other non-current liabilities		34,470	60,160
Total non-current liabilities		377,686	343,078
Current liabilities			
Trade and other payables	27	12,826,996	12,195,966
Contract liabilities	5	268,170	266,702
Current income tax liabilities		75,019	179
Borrowings	24	457	449
Lease liabilities	14	13,387	—
Derivative financial instruments	3.3	546	-
Retirement benefit obligations	25	4,756	4,595
Provisions for statutory warranty	26	234,948	201,062
Total current liabilities		13,424,279	12,668,953
Total liabilities		**13,801,965**	**13,012,031**
Total equity and liabilities		**24,298,529**	**23,396,529**

The notes on pages 68 to 140 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 2019
(All amounts in thousands of RMB unless otherwise stated)

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Total
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		-	-	-	(2,276,295)	(2,276,295)
Balance at 31 December 2018		**863,214**	**816,609**	**447,472**	**8,257,203**	**10,384,498**
Balance at 1 January 2019		**863,214**	**816,609**	**447,472**	**8,257,203**	**10,384,498**
Profit for the period		-	-	-	147,812	147,812
Other comprehensive income		-	-	-	-	-
- Remeasurements of retirement benefit obligations, net of tax		-	-	(1,217)	-	(1,217)
Dividends relating to 2018	28	-	-	-	(34,529)	(34,529)
Balance at 31 December 2019		**863,214**	**816,609**	**446,255**	**8,370,486**	**10,496,564**

The notes on pages 68 to 140 are an integral part of these consolidated financial statements.

JIANGLING MOTORS CORPORATION, LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(All amounts in thousands of RMB unless otherwise stated)

	Notes	2019	2018
Cash flows from operating activities			
Cash generated from operations	29	2,737,046	(4,180)
Interest paid		(2,904)	(218)
Income tax paid		(179)	(97,410)
Net cash inflow/(outflow) from operating activities		**2,733,963**	**(101,808)**
Cash flows from investing activities			
Payment for property, plant and equipment ("PPE")		(1,616,841)	(1,385,315)
Purchase of financial assets at fair value through profit or loss		(9,200,000)	(10,353,000)
Other cash paid relating to investing activities		(12,942)	(16,321)
Proceeds from disposal of PPE		3,888	2,773
Proceeds from disposal of financial assets at fair value through profit or loss		9,200,000	10,353,000
Investment income from financial assets at fair value through profit or loss		47,386	18,191
Interest received		209,561	232,627
Other cash received from investing activities		3,855	9,121
Net cash outflow from investing activities		**(1,365,093)**	**(1,138,924)**
Cash flows from financing activities			
Proceeds from borrowings		200,000	-
Repayments of borrowings		(200,454)	(434)
Principal elements of lease payments		(12,831)	—
Dividends paid to shareholders of the Company		(34,509)	(2,278,417)
Other cash paid relating to financing activities		(19)	(1,260)
Net cash outflow from financing activities		**(47,813)**	**(2,280,111)**
Net increase/(decrease) in cash and cash equivalents		**1,321,057**	**(3,520,843)**
Cash and cash equivalents at beginning of year		7,616,880	11,137,723
Cash and cash equivalents at end of year	21	**8,937,937**	**7,616,880**

The notes on pages 68 to 140 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 2019, 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 24 March 2020.

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 and financial assets at FVOCI) 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 IFRS 16 Leases for the first time for their annual reporting period commencing 1 January 2019. The Group had to change its accounting policies as a result of adopting IFRS 16. There is no retrospective adjustment recognised in prior periods. The impact of adopting the following standards are disclosed in Note 2.2.

(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 2019 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted IFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. No cumulative effect of the initial adoption need to be recognised in retained earnings on 1 January 2019. While the reclassifications arising from the new leasing rules are recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.28.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.8%.

For leases previously classified as finance leases the entity should recognise the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The Group has no finance lease arrangement.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies(continued)

2.2 Changes in accounting policies (continued)

(ii) Measurement of lease liabilities

	2019 RMB'000
Operating lease liabilities as at 31 December 2018	30,662
Discounted using the lessee's incremental borrowing rate of at the date of initial application	27,326
(Less): short-term leases not recognised as a liability	(4,176)
Lease liability recognised as at 1 January 2019	23,150
Of which are:	
Current lease liabilities	3,913
Non-current lease liabilities	19,237
	23,150

(iii) Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB23,150,000
- Lease liabilities – increase by RMB23,150,000

No impact on retained earnings on 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

2 Summary of significant accounting policies(continued)

2.3 Subsidiaries

Subsidiaries are all entities (including structured entities) 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 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 is 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 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets

(1) Classification

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

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.

2 Summary of significant accounting policies (continued)

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.

2.17 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 Summary of significant accounting policies (continued)

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)

2.27 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

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. The Group has no financial leases arrangements.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Summary of significant accounting policies (continued)

2.28 Leases (continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

There is no variable lease payments based on the lease contracts.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. There is no purchase option included in the lease contracts.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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 Summary of significant accounting policies (continued)

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.

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 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).

(All amounts in thousands of RMB unless otherwise stated)

2 Summary of significant accounting policies (continued)

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, including the use of foreign currency forwards. 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.

Exposure

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

	31 December 2019			**31 December 2018**		
	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	(546)	-	-	979	-	-
Trade and other receivables	-	30	-	-	265	-
Borrowings	(3,655)	-	-	(4,044)	-	-
Trade and other payables	(260,962)	(42,659)	(5,574)	(164,599)	(100,450)	(4,045)
	(265,163)	**(42,629)**	**(5,574)**	**(167,664)**	**(100,185)**	**(4,045)**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(1) Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity

As shown in the table above, the Group is primarily exposed to changes in USD/RMB and Euro/RMB exchange rates. The Group's exposure to other foreign exchange movements is not material.

As at 31 December 2019, 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 RMB22,553,000 (2018: RMB14,187,000) higher/lower.

As at 31 December 2019, 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 RMB4,000,000 (2018: RMB8,626,000) 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 2019, 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 2019, 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 RMB16,235，000(2018: RMB14,174,000).

As at 31 December 2019, 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. If the credit losses of a signal trade receivable can be assessed at a reasonable cost, the credit losses of those trade receivables are assessed separately. If not, 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 2019 or 1 January 2019 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 2019 and 31 December 2018 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 2019 and 31 December 2018,receivables with amounts are subject to separate assessment for impairment as below:

31 December 2019	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%	-	-	-	100%	
Gross carrying amount – trade receivables from the sales of automobiles i)	81,020	-	-	-	8,633	89,653
Gross carrying amount – trade receivables from the government subsidy of new energy vehicles ii)	20,411	-	-	-	-	20,411
Loss allowance	**(101,431)**	**-**	**-**	**-**	**(8,633)**	**(110,064)**

i) As the above debtors involved in several lawsuits, the Group does not expect to collect the amount under the original terms, a full provision were made to those trade receivables.

ii) As the above new energy vehicles cannot meet the mileage required within two years for the receiving of government subsidy, the Group does not expected to receive the amount under the original terms, a full provision were made to those government subsidy for the sales of new energy vehicles.

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 i)	-	-	-	-	8,633	8,633
Loss allowance	**-**	**-**	**-**	**-**	**(8,633)**	**(8,633)**

i) As the above debtors involved in several lawsuits, the Group does not expected to collect the amount under the original terms, a full provision were made to those 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)

(b) As at 31 December 2019 and 31 December 2018, trade receivables have been grouped onthe 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 2019, all the notes receivables are bank acceptance bills of RMB85,816,000(2018: 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) General group of automobiles

31 December 2019	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	0.05%	0.05%	1.20%	1.97%	4.63%	
Gross carrying amount – trade receivables	1,152,288	15,981	2,840	323	31,805	1,203,237
Loss allowance	**(558)**	**(8)**	**(34)**	**(6)**	**(1,473)**	**(2,079)**

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	0.38%	0.38%	10.59%	10.78%	10.93%	
Gross carrying amount – trade receivables	1,202,896	28,827	10,253	420	16,305	1,258,701
Loss allowance	**(4,574)**	**(110)**	**(1,085)**	**(45)**	**(1,782)**	**(7,596)**

(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 2019 and 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) Group of new energy vehicles

31 December 2019	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	5.53%	-	-	-	-	
Gross carrying amount – trade receivables	476,963	-	-	-	-	476,963
Loss allowance	**(26,383)**	**-**	**-**	**-**	**-**	**(26,383)**

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%	-	-	-	-	
Gross carrying amount – trade receivables	728,555	-	-	-	-	728,555
Loss allowance	**(3,125)**	**-**	**-**	**-**	**-**	**(3,125)**

iv) Group of other automobiles

31 December 2019	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	5.88%	6.49%	26.08%	28.14%	30.07%	
Gross carrying amount – trade receivables	40,410	17,873	5,836	1,202	28,183	93,504
Loss allowance	**(2,377)**	**(1,161)**	**(1,522)**	**(338)**	**(8,474)**	**(13,872)**

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	0.50%	0.50%	-	-	-	
Gross carrying amount – trade receivables	334,154	51,253	-	-	-	385,407
Loss allowance	**(1,671)**	**(256)**	**-**	**-**	**-**	**(1,927)**

(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 2019 and 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):

v) Group of automobiles parts

31 December 2019	**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	437,011	29,418	4,208	2,823	5,083	478,543
Loss allowance	**(1,297)**	**(88)**	**(21)**	**(17)**	**(254)**	**(1,677)**

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)**

(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 2019 and 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):

The loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

	Trade receivables	
	2019 RMB'000	2018 RMB'000
Opening loss allowance at 1 January	**22,278**	**21,016**
Increase in loss allowance recognised in profit or loss during the year	131,797	2,052
Receivables written off during the year as uncollectible	-	(42)
Unused amount reversed	-	(748)
Closing loss allowance at 31 December	**154,075**	**22,278**

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.

(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)

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. The notes receivables held by the Group for endorsement are 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. The loss allowances for other financial assets at amortised cost as at 31 December reconciles to the opening loss allowances as follows:

	Bank interest receivables RMB'000	**Other receivable** RMB'000	**Total** RMB'000
Closing loss allowance as at 1 January 2018	**-**	**658**	**658**
Increase in the allowance recognised in profit or loss during the period	-	113	113
Reverse of the allowance recognised in profit or loss during the period	-	(328)	(328)
Closing loss allowance as at 31 December 2018	**-**	**443**	**443**
Increase in the allowance recognised in profit or loss during the period	-	20	20
Reverse of the allowance recognised in profit or loss during the period	-	(116)	(116)
Closing loss allowance as at 31 December 2019	**-**	**347**	**347**

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.

(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)

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:

	2019 RMB'000	**2018** RMB'000
Impairment losses		
- movement in loss allowance for trade receivables	(131,797)	(2,052)
Impairment losses on other financial assets	(20)	(113)
Reversal of previous impairment losses	116	1,076
Net impairment losses on financial and contract assets	(131,701)	(1,089)

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.

(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 tables below analyse the Group’s financial liabilities into relevant maturity groupings based on their contractual maturities for:
(a) all non-derivative financial liabilities, and
(b) net settled derivative financial instruments.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management(continued)

3.1 Financial risk factors(continued)

(3) Liquidity risk (continued)

Contractual maturities of financial liabilities	**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 2019				
Bank borrowings				
- Principals	457	458	1,370	1,370
- Interests	53	46	98	36
Trade and other payables (exclude payroll and welfare payables, other tax payables related)	12,292,836	-	-	-
Lease liabilities	13,387	6,987	15,605	-
Derivative financial instruments	546	-	-	-
	12,307,279	**7,491**	**17,073**	**1,406**
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 related)	11,658,259	-	-	-
	11,658,767	**501**	**1,464**	**1,859**

3.2 Capital risk management

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

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

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

The gearing ratios at 31 December 2019 and 2018 were as follows:

	31 December 2019	**31 December 2018**
Total borrowings	3,655	4,044
Total equity	10,496,564	10,384,498
Total capital	10,500,219	10,388,542
Gearing ratio	0.03%	0.04%

(All amounts in thousands of RMB unless otherwise stated)

3 Financial risk management (continued)

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 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at FVOCI				
Notes receivables	-	-	289,044	**289,044**
Total financial assets	-	-	289,044	**289,044**
Financial liabilities				
Derivatives				
Foreign exchange forwards	-	546	-	**546**
Total financial liabilities	**-**	**546**	**-**	**546**

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**

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 - the 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 2019 and 31 December 2018:

	Financial assets at FVPL- monetary fund	Financial assets at FVPL- Structured deposit	Financial assets at FVOCI-notes receivables	Total
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**
Opening balance 1 January 2019	-	-	**6,246**	**6,246**
Acquisitions	3,300,000	5,900,000	1,654,757	10,854,757
Disposals	(3,300,000)	(5,900,000)	(1,371,959)	(10,571,959)
Closing balance 31 December 2019	-	-	**289,044**	**289,044**

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.

4.1 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 2019, 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.

4 Critical accounting estimates and judgements (continued)

4.1 Critical accounting estimates (continued)

(3) Taxation

The Group is subject to various taxes in the PRC, including corporate income tax, value added tax and consumption tax. Significant judgement 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.

As at 31 December 2019, the Group recorded deferred tax assets of approximately RMB860,607,000. 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 Critical accounting estimates and judgements (continued)

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.

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 Critical accounting estimates and judgements (continued)

4.2 Critical accounting judgements (continued)

(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.

(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.

(All amounts in thousands of RMB unless otherwise stated)

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:

	2019				
	Automobiles	Automobile parts	Maintenance services	Materials and others	Total
Main business income	26,252,632	2,351,979	103,583	-	28,708,194
-Recognition at a point in time	26,252,632	2,351,979	-	-	28,604,611
-Recognition over time	-	-	103,583	-	103,583
Other business income	-	-	-	465,442	465,442
	26,252,632	2,351,979	103,583	465,442	29,173,636

	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

As at 31 December 2019, the expected revenue of unsatisfied performance obligations from signed contract is RMB102,110,000. The Group will recognise the revenue from 2020 to 2025.

(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 2019	31 December 2018
Contract liabilities		
Automobiles and automobile parts	227,774	212,246
Maintenance services and additional warranty	102,110	92,838
Total contract liabilities	329,884	305,084
Less: non-current liabilities	(61,714)	(38,382)
Total current contract liabilities	268,170	266,702

During 2019, the amount of the Group's contract liabilities which was recorded at the opening balance and have been recognised as revenue was RMB257,892,000 (2018: RMB135,928,000), in which RMB212,246,000 (2018: RMB110,470,000) from automobiles and automobile parts, and RMB45,646,000 (2018: RMB25,458,000) from maintenance services have been recognised in revenue in 2019.

6 Expenses by nature

	2019	2018
Changes in inventories of finished goods and work in progress	185,846	(197,140)
Raw materials and consumables used	21,393,300	21,532,654
Employee benefit expense (Note 7)	2,333,270	2,233,351
Depreciation of PPE (Note 12, 29)	969,479	925,888
Repairs and maintenance expenditure on PPE	149,051	160,692
Transportation expenses	699,933	656,297
Amortisation of lease prepayment (Note 13, 29)	16,250	15,574
Amortisation of intangible assets (Note 15, 29)	73,930	55,737
Amortisation of right-of-use assets (Note 14, 29)	12,770	—
Provision of statutory warranty (Note 26)	383,568	291,471
Design fees	578,196	469,174
Sales promotion expenses	276,225	326,215
Advertising and new product planning expenses	404,920	194,932
Provision for inventories write-down (Note 19)	67,041	53,651
Others	1,311,889	1,407,343
Total cost of sales, distribution expenses and administrative expenses	28,855,668	28,125,839

(All amounts in thousands of RMB unless otherwise stated)

7 Employee benefit expense

	2019	2018
Wages and salaries	1,665,646	1,577,058
Social security costs	240,658	225,163
Pension costs – defined contribution plans	247,078	267,737
Pension costs – defined benefit plans (Note 25)	3,400	9,200
Others	176,488	154,193
	2,333,270	2,233,351

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

	2019	2018
Government grants (a)	466,818	398,427
Net fair value (losses)/ gains on derivative financial instruments	(1,525)	9,472
Net loss on disposal of derivative financial instruments	(9,087)	(7,200)
Others	36,095	25,979
	492,301	426,678

(a) In 2019, the Group received grants of approximately RMB466,818,000 mainly from 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

	2019	2018
(a) Finance income		
Interest income on bank deposits	193,072	169,036
Interest income on credit sales	10,878	19,400
	203,950	188,436
(b) Finance expenses		
Interest expense on bank loans	(947)	(217)
Interest for lease liabilities	(1,957)	—
Bank charges and others	(5,402)	(5,632)
	(8,306)	(5,849)
Net finance income	195,644	182,587

(All amounts in thousands of RMB unless otherwise stated)

10 Taxation

(1) 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 to2020 (2018: 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:

	2019	**2018**
Current tax	74,962	213
Deferred tax (Note 18)	(117,789)	(52,407)
	(42,827)	(52,194)

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:

	2019	**2018**
Profit before tax	104,985	39,639
Tax calculated at tax rates applicable to profits in the respective companies	(18,226)	(29,654)
Tax concessions	(9)	(69)
Expenses not deductible for tax purposes	588	561
R&D costs deduction	(151,181)	(151,581)
Income not subject to tax	(984)	(336)
Effect of different tax rates applied for the periods in which the temporary differences are expected to reverse	37,703	32,929
Utilisation of previously temporary differences for which no deferred income tax asset was recognised	(17,341)	-
Temporary differences for which no deferred income tax asset was recognised	-	29,948
Tax losses for which no deferred income tax asset was recognised	106,623	66,008
Tax credit	(42,827)	(52,194)

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

	2019			**2018**		
	Before tax	Tax credit	After tax	Before tax	Tax credit	After tax
Actuarial loss on retirement benefit obligations	(1,623)	406	(1,217)	(4,590)	1,148	(3,442)
Other comprehensive income	**(1,623)**	**406**	**(1,217)**	**(4,590)**	**1,148**	**(3,442)**
Current tax		-			-	
Deferred tax (Note 18)		406			1,148	

(All amounts in thousands of RMB unless otherwise stated)

10 Taxation (continued)

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

Pursuant to the "Notice on policies about deepening the VAT reformation" (Cai Shui [2019] 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and General Administration of Customs, the Group's taxable products sales income applicable VAT rate is 13% from 1 April 2019, while the VAT rate was 16% before then. The VAT rate applicable to the Group's transportation business is 9% from 1 April 2019, while the VAT rate was 10% before then.

(3) 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.

	2019	2018
Profit attributable to shareholders of the Company	147,812	91,833
Weighted average number of ordinary shares in issue ('000)	863,214	863,214
Basic earnings per share (RMB)	0.17	0.11

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 2019.

(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 2018							
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 31December 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(Note29)	-	(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
Year ended 31December 2019							
Opening net book amount	1,721,755	1,712,436	148,280	724,721	1,371,755	1,262,345	6,941,292
Additions	-	-	-	-	-	1,438,059	1,438,059
Transfers	108,106	76,241	35,369	495,716	327,340	(1,042,772)	-
Disposals	(902)	(5,091)	(2,555)	-	(638)	(10)	(9,196)
Other deductions	-	(6,387)	-	-	(285)	(159,497)	(166,169)
Impairment charge(Note29)	-	(19,164)	(114)	-	(2,615)	-	(21,893)
Depreciation charge (Note 6,29)	(54,239)	(241,534)	(35,027)	(287,690)	(350,989)	-	(969,479)
Closing net book amount	1,774,720	1,516,501	145,953	932,747	1,344,568	1,498,125	7,212,614
At 31 December 2019							
Cost	2,294,038	3,820,738	350,351	3,030,591	3,672,244	1,498,816	14,666,778
Accumulated depreciation and impairment	(519,318)	(2,304,237)	(204,398)	(2,097,844)	(2,327,676)	(691)	(7,454,164)
Net book amount	1,774,720	1,516,501	145,953	932,747	1,344,568	1,498,125	7,212,614

(All amounts in thousands of RMB unless otherwise stated)

12 Property, plant and equipment (continued)

For the year ended 31 December 2019, depreciation expense of approximately RMB790,993,000 (2018: RMB761,189,000) has been charged in cost of sales, RMB3,260,000 (2018: RMB3,099,000) in distribution costs and RMB175,226,000 (2018: RMB161,600,000) in administrative expenses.

(i) Temporarily idle property, plant and equipment

As at 31 December 2019, property, plant and equipment with book value of approximately RMB6,377,000 (cost of RMB155,508,000) (31 December 2018: book value of approximately RMB2,497,000 (cost of RMB56,727,000)) were temporarily idle due to product process adjustment. The specific analysis is as follows:

	Cost	Accumulated depreciation	Impairment	Net book amount
Plant and Machinery	122,154	(102,459)	(15,052)	4,643
Motor Automobiles	2,658	(2,171)	(120)	367
Electronic and other equipment	30,696	(26,676)	(2,653)	1,367
	155,508	(131,306)	(17,825)	6,377

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

	Net book amount	Reasons for not completing proper certificate
Buildings	961,428	Procedure not yet completed

(iii) Impairment assessment on the cash generating unit ("CGU")

The subsidiary of the Company JMCH has incurred accumulated losses which indicates there may be impairment on the long term assets. The management considers JMCH as a CGU to perform the impairment testing. Please refer to note 15 for the testing method and key assumptions. Based on the testing result, no impairment recognised on the property, plant and equipment of JMCH.

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 2019	**31 December 2018**
Opening net book amount	601,260	616,834
Additions	134,685	-
Amortisation charge (Note 6,29)	(16,250)	(15,574)
Closing net book amount	719,695	601,260
Cost	886,310	751,626
Accumulated amortisation	(166,615)	(150,366)
Net book amount	719,695	601,260

Amortisation expense was charged in administrative expenses.

(All amounts in thousands of RMB unless otherwise stated)

14 Leases

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019	1 January 2019
Right-of-use assets		
Buildings	36,040	23,150
Lease liabilities		
Current	13,387	3,913
Non-current	22,592	19,237
	35,979	23,150

The Group has land lease arrangement with Chinese government as disclosed in Note 13.

Additions to the right-of-use assets during the 2019 financial year were RMB25,660,000.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Notes	2019	2018
Depreciation charge of right-of-use assets			
Buildings		12,770	—
Interest expense (included in finance cost)	9	1,957	—
Expense relating to short-term and low-value assets leases (included in cost of goods sold and distribution expenses)		6,093	—

The total cash outflow for leases in 2019 was RMB20,881,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and apartments. Rental contracts are typically made for fixed periods of 12 months to 5 years without extension or termination options. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants in relation to security interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes. The Group did not provide any residual value guarantees in relation to lease assets.

(All amounts in thousands of RMB unless otherwise stated)

15 Intangible assets

	Non-patent technology	Software	Goodwill	After-sale management model	Other	Total
Year ended 31December 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**
Year ended 31December 2019						
Opening net book amount	179,418	63,146	3,462	-	-	246,026
Addition	160,757	24,812	-	-	-	185,569
Impairment charge	-	-	(3,462)	-	-	(3,462)
Amortisation charge (Note 6, 29)	(53,500)	(20,430)	-	-	-	(73,930)
Closing net book amount	**286,675**	**67,528**	**-**	**-**	**-**	**354,203**
At 31 December 2019						
Cost	415,169	176,542	89,028	36,978	1,649	719,366
Accumulated amortisation and impairment	(128,494)	(109,014)	(89,028)	(36,978)	(1,649)	(365,163)
Net book amount	**286,675**	**67,528**	**-**	**-**	**-**	**354,203**

(All amounts in thousands of RMB unless otherwise stated)

15 Intangible assets (continued)

(i) For the year ended 31 December 2019, amortisation expense of approximately RMB73,088,000 (2018: RMB54,860,000) was charged in administrative expenses, RMB502,000 (2018: RMB537,000) in cost of sales and RMB340,000 (2018: RMB340,000) in distribution costs.

(ii) Development cost of approximately RMB160,757,000(2018: RMB71,814,000) were capitalised by the Group during the year ended 31 December 2019.

(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 CGU:

	31 December 2018	Addition	Impairment	31 December 2019
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 2019 are as follows:

Item	JMCH
Revenue growth rate	61%
Sales price growth rate	0%
Long term growth rate	3%
Discount rate	16.50%

The key assumptions used for calculations in 2018 were 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 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.

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

(All amounts in thousands of RMB unless otherwise stated)

16 Financial instruments by category

The Group holds the following financial instruments:

Financial assets	**Notes**	**31 December 2019**	**31 December 2018**
Financial assets at amortised cost			
Trade receivables	20	2,208,236	2,674,650
Notes receivables	20	85,816	626,509
Other receivables	20	83,890	84,588
Interest receivables	20	32,093	37,923
Cash and cash equivalents	21	8,937,937	7,616,880
Financial assets at fair value through other comprehensive income			
Notes receivables		289,044	6,246
Financial assets at fair value through profit or loss			
Derivative financial instruments		-	979
		11,637,016	11,047,775

Financial liabilities	**Notes**	**31 December 2019**	**31 December 2018**
Liabilities at amortised cost			
Trade and other payables(exclude payroll and welfare payables, other tax payables related)	27	12,292,836	11,658,259
Borrowings	24	3,655	4,044
Lease liabilities	14	35,979	—
Financial liabilities at fair value through profit or loss			
Derivative financial instruments		546	-
		12,333,016	11,662,303

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)

17a 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 October 2019, the Group has closed XMFJ according to the Board Meeting on 15 October 2019.

17b 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 2019	31 December 2018
Associate	40,935	40,112

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

	2019	2018
Share of profit	823	2,238

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

	2019	2018
At beginning of the year	**209,460**	**197,774**
Profit for the year	4,298	11,686
At end of the year	**213,758**	**209,460**
Interest in associate	19.15%	19.15%
Carrying value	40,935	40,112

(All amounts in thousands of RMB unless otherwise stated)

18 Deferred income tax

	31 December 2019	31 December 2018
Deferred tax assets	1,128,122	926,630
Deferred tax liabilities-can be offset	(267,515)	(183,534)
Deferred tax liabilities-cannot be offset	(25,340)	(26,024)
Deferred tax assets-net	860,607	743,096
Deferred tax liabilities-net	(25,340)	(26,024)

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

	31 December 2019	31 December 2018
At beginning of the year	717,072	663,517
Credited to profit or loss(Note 10(i))	117,789	52,407
Credited to other comprehensive income (Note 10(i))	406	1,148
At end of the year	835,267	717,072

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 2018	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
Credited to profit or loss	22,770	135	98,327	6,688	59,704	13,462	201,086
Credited to other comprehensive income	-	406	-	-	-	-	406
At 31 December 2019	39,468	16,637	802,898	16,062	238,495	14,562	1,128,122

Deferred tax liabilities	Amortisation of intangible assets	PPE depreciation	Fair value gains	Others	Total
At 1January2018	(3,545)	(64,079)	(26,736)	-	(94,360)
Credited/(charged)to profit or loss	(841)	(114,922)	712	(147)	(115,198)
At 31 December 2018	(4,386)	(179,001)	(26,024)	(147)	(209,558)
(Charged)/credited to profit or loss	(2,582)	(81,406)	684	7	(83,297)
At 31 December 2019	(6,968)	(260,407)	(25,340)	(140)	(292,855)

(All amounts in thousands of RMB unless otherwise stated)

18 Deferred income tax (continued)

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

	31 December 2019	31 December 2018
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	272,129	203,802
- Deferred tax asset to be recovered within 12 months	855,993	722,828
	1,128,122	926,630

	31 December 2019	31 December 2018
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(245,492)	(182,373)
- Deferred tax liabilities to be recovered within 12 months	(47,363)	(27,185)
	(292,855)	(209,558)

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

	31 December 2019	31 December 2018
Deductible temporary differences	165,068	234,433
Tax losses	1,006,172	603,033
	1,171,240	837,466

The expiry years of the tax losses are as follows:

	31 December 2019	31 December 2018
2020	72,470	72,470
2021	115,820	115,820
2022	150,713	150,713
2023	240,678	264,030
2024	426,491	-
	1,006,172	603,033

(All amounts in thousands of RMB unless otherwise stated)

19 Inventories

	31 December 2019	31 December 2018
Raw materials	1,164,301	1,553,135
Work in progress	158,083	211,490
Finished goods	624,485	757,729
	1,946,869	2,522,354

For the year ended 31 December 2019, the cost of inventories recognised as expenses and included in cost of sales amounted to approximately RMB21,579,146,000 (2018: RMB21,121,474,000).

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

	31 December 2019	31 December 2018
At beginning of the year	(76,815)	(45,130)
Provision for inventories write-down (Note 29)	(67,041)	(53,651)
Inventories written off during the year as uncollectible	60,533	21,966
At end of the year	(83,323)	(76,815)

20 Trade and other receivables and prepayments

	31 December 2019	31 December 2018
Trade receivables	2,362,311	2,696,928
Less: Provision for impairment of trade receivables	(154,075)	(22,278)
Trade receivables – net	2,208,236	2,674,650
Notes receivables	85,816	626,509
Other receivables	84,237	85,031
Less: Provision for impairment of other receivables	(347)	(443)
Other receivables – net	83,890	84,588
Prepayments	1,311,667	1,158,303
-Material payment in advance	517,124	525,777
-Advance payment of taxes and surcharges	794,543	632,048
-Others	-	478
Deductible VAT input tax	178,883	96,311
Interest receivables	32,093	37,923
	3,900,585	4,678,284

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)

20 Trade and other receivables and prepayments (continued)

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

	31 December 2019	31 December 2018
At beginning of the year	(22,721)	(21,674)
Net Provision for receivables impairment (Note 29)	(131,701)	(1,089)
Receivables written off during the year as uncollectible	-	42
At end of the year	(154,422)	(22,721)

For the year ended 31 December 2019, the creation of provision for impaired receivables was included in 'Net expected credit losses on financial assets' (2018: 'Net expected credit losses on financial assets') 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.

21 Cash and cash equivalents

	31 December 2019	31 December 2018
Cash at bank and in hand	6,887,937	2,016,859
Short-term bank deposits (a)	2,050,000	5,600,021
	8,937,937	7,616,880

As at 31 December 2019 and 31 December 2018, all bank deposits arein RMB.

As at 31 December 2019, the Group had cash of approximately RMB967,750,000 (2018: RMB833,617,000) deposited in Jiangling Motor Group Finance Company ("JMCF") (Note 32 (ix)). The interest rates range from 0.455%-3.30% per annum (2018: 0.455%-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)

22 Share capital

	Number of shares (thousands)	Tradable shares			Total
		"A" shares		"B" shares	
		Restricted	Non-restricted		
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
Year ended 31 December 2019					
Balance at 1 January 2019	863,214	787	518,427	344,000	863,214
Transfer	-	(36)	36	-	-
Balance at 31 December 2019	863,214	751	518,463	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, 751,000 shares were still restricted as at 31 December 2019.

(All amounts in thousands of RMB unless otherwise stated)

23 Other reserves

	Statutory surplus reserve fund (a)	Reserve fund	Others	Total
At 1 January 2018	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
Other comprehensive income				
-Remeasurements of retirement benefit obligation, net of tax	-	-	(1,217)	(1,217)
At 31 December 2019	431,607	18,627	(3,979)	446,255

(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 2018 and 2019.

24 Borrowings

	31 December 2019	31 December 2018
Current		
Bank borrowings - guaranteed (a)	457	449
Non-current		
Bank borrowings - guaranteed (a)	3,198	3,595
Total borrowings	3,655	4,044

(a) Bank borrowings of USD524,000 (equivalent to approximately RMB3,655,000 (2018: USD589,000 (equivalent to approximately RMB4,044,000)) were guaranteed by JMCF (Note 32 (iii)).

The interest rate of bank borrowings is 1.50% per annum (2018: 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 2019	31 December 2018
Between 1 and 2 years	458	449
Between 2 and 5 years	1,370	1,348
Over 5 years	1,370	1,798
	3,198	3,595

The Group has the following undrawn borrowing facilities:

	31 December 2019	31 December 2018
Fixed rate		
- Expiring within one year	1,989,507	2,270,784

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 2019	31 December 2018
Present value of defined benefits obligations	68,441	68,020

The movement of early retirement and supplemental benefit obligations for the year ended31 December 2019 is as follows:

	31 December2019	31 December2018
At beginning of the year	68,020	59,184
For the year		
-Current service cost	1,203	1,315
-Interest cost	2,300	2,410
-Payment	(4,602)	(4,954)
-Past service cost from the change of plan	(1,523)	2,386
-Actuarial loss	3,043	7,679
At end of the year	68,441	68,020
Current	4,756	4,595
Non-current	63,685	63,425
	68,441	68,020

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

(i) Discount rate adopted: 3.5% (2018: 3.5%)
(ii) Inflation rate adopted: 2.0% (2018: 2.0%)
(iii) The salary and supplemental benefits inflation rate of retiree, early-retiree and employee at post:0% to 6% (2018: 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 2019, a provision of RMB68,441,000 is sufficient to cover all future retirement-related obligations.

Obligation in respect of retirement benefits of RMB68,441,000 is the present value of the unfunded obligations, of which the current portion amounting to RMB4,756,000 (2018: RMB4,595,000) 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 5.6%/6.3%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 2.4%/2.1%

For the year ended 31 December 2019, approximately RMB3,400,000 (2018: RMB9,200,000) were charged in 'administrative expenses' and RMB1,623,000 (2018: RMB4,590,000) 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 2019	31 December 2018
At beginning of the year	352,554	374,981
Charged for the year (Note 6)	383,568	291,471
Utilised during the year	(334,487)	(313,898)
At end of the year	401,635	352,554

Analysis of total provisions:

	31 December 2019	31 December 2018
Non-current	166,687	151,492
Current	234,948	201,062
	401,635	352,554

The above represents thestatutorywarrantyprotectingcustomerfromfaultsthatariseaftertheproducthasbeentransferredtoth ecustomer. 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 2019	31 December 2018
Notes payables(i)	31,400	-
Trade payables	8,116,170	7,824,908
Payroll and welfare payables	380,791	304,322
Dividend payables	6,790	6,790
Other tax payables related	153,369	233,385
Payables of sales rebates	1,848,584	1,714,485
Payables of R&D expenses	1,016,588	828,807
Others	1,273,304	1,283,269
	12,826,996	12,195,966

(i) A book value of RMB31,400,000 bank notes payables was pledged by a book value of RBM34,197,000 bank notes received.

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

28 Dividends

A final dividend for 2018 of RMB34,528,560 (RMB0.04 per share) was paid in 2019.

29 Cash generated from operations

	2019	2018
Profit before tax	104,985	39,639
Depreciation of PPE (Note 6, 12)	969,479	925,888
Amortisation of lease prepayment (Note 6, 13)	16,250	15,574
Amortisation of intangible assets (Note 6, 15)	73,930	55,737
Amortisation of right-of-use asset	12,770	—
Impairment charges of PPE (Note 12)	21,893	7,143
Impairment charges of goodwill (Note 15)	3,462	-
Net provision for receivables impairment (Note 20)	131,701	1,089
Provision of inventories (Note 19)	67,041	53,651
Loss/(gain)on disposals of PPE	4,213	(26,953)
Finance expenses (Note 9)	7,420	5,111
Finance income (Note 9)	(203,950)	(188,436)
Net foreign exchange transaction loss	6,138	18,921
Share of profit from investment accounted for using equity method (Note 17b)	(823)	(2,238)
Investment gain of finance asset investment	(47,386)	(18,191)
Investment loss of forwards exchange contracts	9,087	7,200
Changes on fair value of forwards exchange contracts	1,525	(9,472)
Net provisions for statutory warranty	49,081	(22,427)
Changes in working capital:		
- Decrease/(Increase) in inventories	464,079	(289,820)
- Decrease/(Increase) in trade and other receivables	226,027	(233,475)
- Increase/(decrease) in trade and other payables	821,326	(347,367)
- (Decrease)/increase in pensions and other retirement benefits	(1,202)	4,246
Cash generated from operations	2,737,046	(4,180)

(All amounts in thousands of RMB unless otherwise stated)

30 Contingencies

At 31 December 2019, 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 2019	31 December 2018
Contracted but not provided for:		
Purchases of buildings, plant and machinery	701,817	1,095,333

(All amounts in thousands of RMB unless otherwise stated)

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.

In 2019, Jiangling Motor Holdings Co., Ltd. (hereinafter referred to as "JMH"), one of the major shareholders of the Company, divided into two companies, Nanchang Jiangling Investment Co., Ltd. (hereinafter referred to as "JIC") and Jiangling Motor Holdings Co., Ltd. (JMH as the existing company). After the division, JMH transferred all the shares of the Company to JIC, JIC became the new shareholder of the Company and owns 41.03% of the Company's shares.

JIC, 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 2019. The shareholders of JIC are Chongqing Changan Automobile Corporation Ltd. and JMCG, and both of them hold 50% equity interest of JIC, respectively.

The following is a summary of the significant transactions carried out between the Group, its associates, JMCG and its subsidiaries, JIC 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 2019.

For the year ended 31 December 2019, related parties, other than the subsidiary, and their relationship with the Group are as follows:

Name of related party	Relationship
JMCG	Shareholder of JIC
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	Associate of JMCG
GETRAG (Jiangxi) Transmission Company	Associate of JMCG
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	Associate of JMCG
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	Associate of JMCG
JMH	Associate of JMCG
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Co., Ltd.	Associate of JMCG
Nanchang Hengou Industry Co., Ltd.	Associate of JMCG
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Associate of JMCG
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Associate of JMCG
Jiangxi Jiangling Overseas Automobile Sales and Service Co., Ltd.	Associate of JMCG
Jiangxi Lingyun Automobile Industry Technology Co.,Ltd	Associate of JMCG
Jiangxi JMCG Motorhome Co., Ltd.	Associate of JMCG
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
Dali Wanfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Yunan Wanfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Beijing Beifang Changfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
China Changan Group Hefei Investing Co., Ltd.	Subsidiary of JIC's shareholder
Chongqing Anfu Vehicle Marketing Co., Ltd.	Subsidiary of JIC's shareholder
Guizhou Wanfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder

32 Related party transactions (continued)

Chengdu Wanxing Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Chongqing Anbo Vehicle Sales Co., Ltd.	Subsidiary of JIC's shareholder
Beijing Baiwang Changfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Honghe Wanfu Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
China Changan Group Tianjin Sales Co., Ltd.	Subsidiary of JIC's shareholder
Chengdu Wanyou Vehicle Trade & Service Co., Ltd.	Subsidiary of JIC's shareholder
Chongqing Wanyoulongrui Vehicle Sales & Service Co., Ltd.	Subsidiary of JIC's shareholder
Changan Ford Automobile Co., Ltd.	Joint venture of Ford
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Subsidiary of JMCG
Jiangling Material Co., Ltd.	Subsidiary of JMCG
Jiangxi JMCG Industry Co., Ltd.	Subsidiary of JMCG
Nanchang Gear Co., Ltd.	Subsidiary of JMCG
Jiangxi Lingrui Recycling Resources Development Corporation	Subsidiary of JMCG
JMCG Property Management Co.	Subsidiary of JMCG
JMCG Jingma Motors Co., Ltd.	Subsidiary of JMCG
Jiangxi Jiangling Chassis Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Shishun Logistics Co., Ltd.	Subsidiary of JMCG
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Xinchen Auto Component Co., Ltd.	Subsidiary of JMCG
JMCF	Subsidiary of JMCG
Nanchang JMCG Liancheng Auto Component Co., Ltd.	Subsidiary of JMCG
Nanchang Lianda Machinery Co., Ltd.	Subsidiary of JMCG
Jiangling Aowei Automobile Spare Part Co., Ltd.	Subsidiary of JMCG
Jiangxi Biaohong Engine Tappet Co., Ltd.	Subsidiary of JMCG
Jiangxi JMCG Boya brake system Co., Ltd	Subsidiary of JMCG
NC.Gear Forging Factory	Subsidiary of JMCG
Jiangxi JMCG Shangrao Industrial Co., Ltd.	Subsidiary of JMCG
JMCG Jiangxi Engineering Construction Co., Ltd.	Subsidiary of JMCG
Nanchang JMCG Frame Co., Ltd	Subsidiary of JMCG
Jiangling Motor Electricity Vehicle Sales Co.,Ltd	Subsidiary of JMCG
Jiujiang Fuwantong Vehicle Co., Ltd.	Subsidiary of JMCG
Jiangxi Fuxiang Vehicle Co., Ltd.	Subsidiary of JMCG
Yichun Xinfu Vehicle Co., Ltd.	Subsidiary of JMCG
Ji'an Qingyuan District Yongfuda Vehicle Co., Ltd.	Subsidiary of JMCG
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 Otomotiv Sanayi A.S.	Subsidiary of Ford
Auto Alliance (Thailand) Co., Ltd.	Subsidiary of Ford
Ford Vietnam Limited	Subsidiary of Ford

(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	2019	2018
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	809,328	922,454
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	751,248	515,419
Jiangxi Jiangling Chassis Co., Ltd.	719,675	864,932
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	712,789	782,403
GETRAG (Jiangxi) Transmission Company	707,209	791,365
Jiangxi Jiangling Lear Interior System Co., Ltd.	525,146	454,604
Ford	485,394	623,631
Nanchang JMCG Liancheng Auto Component Co., Ltd.	372,578	418,722
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	313,890	195,453
Nanchang Unistar Electric & Electronics Co., Ltd.	245,138	298,128
Nanchang JMCG Shishun Logistics Co., Ltd.	236,929	10,097
Hanon Systems	188,064	250,486
JMCG	112,289	110,093
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	98,454	91,976
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	67,682	63,649
Nanchang Lianda Machinery Co., Ltd.	64,025	69,827
Nanchang Yinlun Heat-exchanger Co., Ltd.	63,097	53,976
JMH	46,379	12,484
Ford Otomotiv Sanayi A.S.	28,954	128,341
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	27,249	42,967
Jiangling Material Co., Ltd.	27,155	30,399
Jiangxi JMCG Specialty Vehicles Co., Ltd.	26,778	192,509
Jiangling Aowei Automobile Spare Part Co., Ltd.	23,172	26,464
Jiangxi JMCG Industry Co., Ltd.	22,175	17,581
Auto Alliance (Thailand) Co., Ltd.	22,015	106,035

(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)	**2019**	**2018**
Nanchang JMCG Xinchen Auto Component Co., Ltd.	16,109	18,297
Jiangxi Lingyun Automobile Industry Technology Co.,Ltd	13,910	-
Jiangxi ISUZU Engine Co., Ltd.	13,362	49,911
Nanchang Gear Co., Ltd.	12,368	15,420
Jiangxi Lingrui Recycling Resources Development Corporation	8,692	4,378
Jiangxi Biaohong Engine Tappet Co., Ltd.	6,483	6,649
Jiangxi JMCG Boya brake system Co., Ltd	6,005	-
Changan Ford Automobile Co., Ltd.	5,574	10,993
NC.Gear Forging Factory	3,296	13,240
Jiangxi JMCG Shangrao Industrial Co., Ltd.	3,083	4,235
Nanchang JMCG Skyman Auto Component Co., Ltd. (a)	-	50,852
Others	150	211
	6,785,844	7,248,181

(a) 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	2019	2018
Nanchang JMCG Shishun Logistics Co., Ltd.	Truckage/Transportation	277,648	247,762
Ford Global Technologies,LLC	Royalty fee	239,856	186,454
Ford	Engineering service and design	217,224	183,983
Changan Ford Automobile Co., Ltd.	Channel fee/Design fee/Labor costs	114,469	16,509
Ford Otomotiv Sanayi A.S.	Engineering service and design	49,341	42,734
Jiangxi JMCG Industry Co., Ltd.	Accommodation fee/dinning fee	29,240	35,249
Ford	Secondments costs	29,161	36,965
Ford Otomotiv Sanayi A.S.	Royalty fee	17,862	24,868
Nanchang Hengou Industry Co., Ltd.	Packing/Truckage	11,649	47,407
Ford Motor (China) Co., Ltd.	Regional personnel costs	8,271	9,572
JMH	Secondments costs/Labor fee	8,248	2,054
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	Regional personnel costs	7,906	3,508
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	Agent business/software cost	7,683	4,431
Ford Otomotiv Sanayi A.S.	Secondments costs	5,829	13,396
JMCG Jiangxi Engineering Construction Co., Ltd.	Engineering construction and maintenance	4,683	16,830
JMCG Property Management Co.	Property management	2,413	2,100
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	Promotion	2,278	-
GETRAG (Jiangxi) Transmission Company	Design fee/Experimental costs	753	9,546
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	Promotion	-	6,968

(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	2019	2018
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	Design fee	-	3,256
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	Promotion	-	2,304
Jiangxi JMCG Motorhome Co., Ltd.	Promotion	-	1,855
Others		4,413	2,667
		1,038,927	900,418

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)

Sales of goods	2019	2018
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	1,093,234	1,228,471
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	142,293	94,214
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	133,144	155,313
Jiangxi Lingrui Recycling Resources Development Corporation	81,514	69,005
Jiangxi JMCG Specialty Vehicles Co., Ltd.	75,666	102,068
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	60,985	85,326
Jiangxi Jiangling Chassis Co., Ltd.	51,280	74,362
Dali Wanfu Vehicle Sales & Service Co., Ltd.	50,109	-
JMCG Jingma Motors Co., Ltd.	49,619	66,197
Nanchang JMCG Liancheng Auto Component Co., Ltd.	38,951	51,945
Yunan Wanfu Vehicle Sales & Service Co., Ltd.	26,020	-
Beijing Beifang Changfu Vehicle Sales & Service Co., Ltd.	25,576	-
China Changan Group Hefei Investing Co., Ltd.	24,232	-
Nanchang JMCG Shishun Logistics Co., Ltd.	23,967	671
Chongqing Anfu Vehicle Marketing Co., Ltd.	20,914	-
Guizhou Wanfu Vehicle Sales & Service Co., Ltd.	18,766	-
Chengdu Wanxing Vehicle Sales & Service Co., Ltd.	16,965	-
Jiujiang Fuwantong Vehicle Co., Ltd.	16,960	-
Chongqing Anbo Vehicle Sales Co., Ltd.	16,564	-
Beijing Baiwang Changfu Vehicle Sales & Service Co., Ltd.	9,564	-
Jiangxi Jiangling Overseas Automobile Sales and Service Co., Ltd.	9,235	912
Nanchang Hengou Industry Co., Ltd.	8,984	28,878
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	7,689	14,071
Jiangxi JMCG Yichehang Second-hand Motors Sales Co.,Ltd. (a)	7,640	9,487
Honghe Wanfu Vehicle Sales & Service Co., Ltd.	6,723	-
China Changan Group Tianjin Sales Co., Ltd.	5,758	-
Nanchang JMCG Frame Co., Ltd	4,933	-
Jiangxi JMCG Industry Co., Ltd.	4,386	5,537
Jiangxi Jiangling Lear Interior System Co., Ltd.	4,276	5,516
Jiangxi Fuxiang Vehicle Co., Ltd.	4,176	-
Yichun Xinfu Vehicle Co., Ltd.	3,806	-
Chengdu Wanyou Vehicle Trade & Service Co., Ltd.	3,516	-
Chongqing Wanyoulongrui Vehicle Sales & Service Co., Ltd.	3,228	-
Ji'an Qingyuan District Yongfuda Vehicle Co., Ltd.	3,067	-
Jiangxi ISUZU Co., Ltd.	1,768	1,806
Nanchang Lianda Machinery Co., Ltd.	1,429	1,157
JMH	732	35,107
JMCG Property Management Co.	203	6,470
JMCG Jiangxi Engineering Construction Co., Ltd.	-	1,974
Jiang ling Motor Electricity Vehicle Sales Co.,Ltd	-	5,139
Others	1,205	789
	2,059,077	2,044,415

(a) In July 2019, the Jiangxi JMCG Yichehang Second-hand Motors Sales Co.,Ltd. has not been the Group’s related party

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 income

Lessee	Category	Rental income of 2019	Rental income of 2018
Jiangling Material Co., Ltd.	Building	121	120
Jiangxi ISUZU Co., Ltd.	Building	53	-
GETRAG (Jiangxi) Transmission Company	Building	8	3
JMH	Building	3	3
		185	126

Right of use asset recognized as lessee

Lessor	Category	2019	2018
Jiangxi Jiangling Motors Imp. & Exp. Co.,Ltd.	Building	5,803	—
JMCG	Building	3,201	—
		9,004	—

Interest expense amortised from lease liability as lessee

Lessor	Category	2019	2018
JMCG	Building	736	—
Jiangxi Jiangling Motors Imp. & Exp. Co.,Ltd.	Building	177	—
		913	—

(iii) Guarantee

As at 31 December 2019, bank loans of USD524,000 (equivalent to approximately RMB3,655,000) (2018: USD589,000 (equivalent to approximately RMB4,044,000)) were guaranteed by JMCF (Note 24).

(iv) Sales ofPPE

	2019	2018
Nanchang JMCG Shishun Logistics Co., Ltd.	299	-
Jiangxi JMCG Industrial Co., Ltd.	1	1
	300	1

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

(v) Purchase of PPE

	2019	2018
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	28,497	5,548
Hanon Systems	3,821	
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	1,200	6,424
Jiangxi JMCG Specialty Vehicles Co., Ltd.	435	-
Nanchang JMCG Liancheng Auto Component Co., Ltd.	-	677
JMH	-	534
	33,953	13,183

(vi) Provide technique sharing

	2019	2018
Ford	72,282	-
Ford Vietnam Limitied	40,034	10,780
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	17,990	-
JMH	-	3,606
	130,306	14,386

(vii) Payment for fuel consumption credits

	2019	2018
JMH	8,747	5,911

(viii) 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 2019, the total remuneration of the key management was approximately RMB10,962,000 (2018: RMB11,591,000).

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

(ix) Interest received from cash deposit in related parties

	31 December 2019	31 December 2018
JMCF	12,883	17,323

In 2019, the interest rates range from 0.455% to 3.30%per annum (2018: 0.455% to 2.25%).

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

Trade receivables from related parties	**31 December 2019**	**31 December 2018**
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	272,986	251,236
Jiangxi JMCG Specialty Vehicles Co., Ltd.	58,148	237
Ford	21,554	-
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	19,329	32,940
Jiangxi Jiangling Chassis Co., Ltd.	13,054	9,803
Nanchang JMCG Liancheng Auto Component Co., Ltd.	12,767	-
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	9,529	-
Nanchang JMCG Shishun Logistics Co., Ltd.	6,279	-
Ford Vietnam Limited	5,980	5,104
Jiang ling Motor Electricity Vehicle Sales Co.,Ltd	5,961	5,961
Nanchang JMCG Frame Co., Ltd	5,574	-
JMCG Jingma Motors Co., Ltd.	5,563	6,162
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	2,132	-
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	2,128	1,899
Jiangxi Jiangling Lear Interior System Co., Ltd.	1,083	-
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	-	5,727
Others	1,359	121
	443,426	319,190

Other receivables from related parties	**31 December 2019**	**31 December 2018**
Jiangxi Jiangling Motors Imp. & Exp. Co.,Ltd.	35,208	35,027
Others.	42	11
	35,250	35,038

(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 2019**	**31 December 2018**
Nanchang Baojiang Steel Processing Distribution Co.,Ltd.	492,605	496,146

Notes receivables from related parties	**31December2019**	**31December2018**
JMCG Jingma Motors Co.,Ltd.	-	41,418

Financial assets at fair value other comprehensive income	**31 December 2019**	**31 December 2018**
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	32,000	—
JMCG Jingma Motors Co., Ltd.	17,148	—
	49,148	—

Prepayments for construction in progress	**31 December 2019**	**31 December 2018**
Jiangxi JMCG Specialty Vehicles Co., Ltd.	-	500

Prepayments for mould lease	**31 December 2019**	**31 December 2018**
Changan Ford Automobile Co., Ltd.	-	478

Cash deposit in related parties	**31 December 2019**	**31 December 2018**
JMCF (Note 21)	967,750	833,617

(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 2019	31 December 2018
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	468,878	316,174
Jiangxi Jiangling Lear Interior System Co., Ltd.	275,328	214,139
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	269,635	336,126
Jiangxi Jiangling Chassis Co., Ltd.	247,904	333,431
GETRAG (Jiangxi) Transmission Company	241,934	275,275
Ford	145,686	151,749
Nanchang JMCG Shishun Logistics Co., Ltd.	135,344	10,113
Nanchang JMCG Liancheng Auto Component Co., Ltd.	133,716	148,483
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	127,516	58,966
Hanon Systems	86,209	91,656
Nanchang Unistar Electric & Electronics Co., Ltd.	81,835	96,905
Changan Ford Automobile Co., Ltd.	57,563	67,622
JMCG	41,122	68,159
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	38,644	48,200
JMH	23,805	26,349
Nanchang Yinlun Heat-exchanger Co., Ltd.	23,002	24,756
Jiangxi Lingge Non-ferrous Metal Die-casting Co., Ltd.	22,459	19,850
Jiangxi JMCG Specialty Vehicles Co., Ltd.	20,671	138,209
Nanchang Lianda Machinery Co., Ltd.	20,460	28,325
Jiangling Aowei Automobile Spare Part Co., Ltd.	14,675	14,533
Jiangxi JMCG Industry Co., Ltd.	9,408	7,830
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	8,984	28,944
Jiangxi ISUZU Engine Co., Ltd.	5,958	9,956
Ford Otomotiv Sanayi A.S.	5,716	1,031
Jiangxi Lingrui Recycling Resources Development Corporation	5,038	1,736
Jiangxi Lingyun Automobile Industry Technology Co.,Ltd	5,019	-
Nanchang JMCG Xinchen Auto Component Co., Ltd.	3,207	6,355
Jiangxi JMCG Boya brake system Co., Ltd	2,918	-
Nanchang Gear Co., Ltd.	2,601	6,179
Jiangxi Biaohong Engine Tappet Co., Ltd.	1,983	2,037
Jiangling Material Co., Ltd.	1,505	1,372
Jiangxi JMCG Shangrao Industrial Co., Ltd.	1,139	1,693
Auto Alliance (Thailand) Company Limited	797	2,151
NC.Gear Forging Factory	12	4,173
Others	-	16
	2,530,671	2,542,493

(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 2019	31 December 2018
Ford	188,390	92,310
Ford Global Technologies, LLC	67,275	41,203
Ford Otomotiv Sanayi A.S.	47,912	115,254
Changan Ford Automobile Co., Ltd.	26,537	9,776
Jiangxi JMCG Specialty Vehicles Sales Corporation, Ltd.	25,677	31,946
Nanchang Jiangling HuaXiang Auto Components Co., Ltd.	22,080	7,222
GETRAG (Jiangxi) Transmission Company	13,132	14,216
JMCG Jiangxi Engineering Construction Co., Ltd.	10,408	30,166
Faurecia Emissions Control Technologies (Nanchang) Co., Ltd.	7,617	13,584
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	6,984	6,921
Nanchang JMCG Shishun Logistics Co., Ltd.	6,916	7,736
Hanon Systems	4,362	45
Jiangxi Jiangling Special Purpose Vehicle Co., Ltd.	4,064	1,403
Ford Motor (China) Co., Ltd.	3,326	4,803
Ford Motor Research & Engineering (Nanjing) Co., Ltd.	2,519	607
Jiangxi JMCG Industry Co., Ltd.	2,503	3,504
Nanchang Baojiang Steel Processing Distribution Co., Ltd.	2,087	187
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	1,779	-
Nanchang Unistar Electric & Electronics Co., Ltd.	1,327	-
Jiangxi Jiangling Lear Interior System Co., Ltd.	1,207	4,612
Nanchang JMCG Mekra-Lang Vehicle Mirror Co., Ltd.	1,062	881
Jiangxi JMCG Motorhome Co., Ltd.	481	1,905
JMH	-	15,641
Nanchang Hengou Industry Co., Ltd.	-	10,211
Others	2,115	2,344
	449,760	416,477

Contract liability	31 December 2019	31 December 2018
Jiangxi Jiangling Group Special Vehicle Co., Ltd.	2,682	-
Yunan Wanfu Vehicle Sales & Service Co., Ltd.	1,213	
Others	919	536
	4,814	536

Lease liability	31 December 2019	31 December 2018
JMCG	12,673	—
Jiangxi Jiangling Motors Imp. & Exp. Co., Ltd.	2,343	—
	15,016	—

(All amounts in thousands of RMB unless otherwise stated)

32 Related party transactions (continued)

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

Capital commitments	31 December 2019	31 December 2018
JMCG Jiangxi Engineering Construction Co., Ltd.	23,175	29,456

33 Events after the balance sheet date

(i) Description of profit distribution

According to the resolution of the Board of Directors as at 24 March 2020, the board of directors proposed that the Company distribute cash dividends to all shareholders at RMB0.07 per share. Based on the issued shares of 863,214,000, totalled amount of proposed dividend is RMB60,425,000.

(ii) The assessment of the impact of the Coronavirus Disease 2019

Since the outbreak of Coronavirus Disease 2019 (“COVID-19”) in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will continue to earnestly implement the requirements on the sufficient of key medical supplies for the supporting of the epidemic prevention and control.

The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries, including in Hubei Province. This may affect the risk of financial instruments and the operation performance of the Group in a degree, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies.

The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Chapter XII Catalog on Documents for Reference

1. Originals of 2019 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 2019.
4. The Annual Report in the China GAAP.

Board of Directors
Jiangling Motors Corporation, Ltd.
March 24, 2020